

SUMMARY OF THE PROJECT IN DESIGN * (*)

Letrus: using technology and AI to improve literacy

PITCH ELIGIBILITY DATE		COUNTRY(IES)
09/16/2022		Brazil
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
Letrus		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
C (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
	US 2,000,000	
DESCRIPTION		

The problem Literacy is the basis of all education. In the last decades, Brazil has made important progress in securing access to school and universal literacy. Functional literacy levels, however, remain a lingering problem in Brazil and the rest of Latin America and is one of the greatest challenges of humanity as it blocks human development on several levels, from cognition to income generation.

While some digital solutions have appeared in the Education sector, with EdTech's portion of LAC's VC Funding representing only 6% (LAVCA, in the first half of 2022), very few of these companies are addressing K-12 challenges, as they are considered more difficult to monetize. This then has left a significant funding gap for business models that solve real developmental challenges such as more effective and accessible education for K12 students.

The solution Today, Letrus provides an in-school literacy development program powered by AI that serves as an official and curricular program for schools, which includes:

- Automated essay assignment and assessment tool with in-depth feedback that feeds on existing learning data per student.
- Training for teachers and constant support for both platform and digital literacy/content, which is crucial in the adoption process.
- Data dashboard and reporting for various education stakeholders (i.e. teachers, school managers, and school network administrators including the Department of Education), enabling data-driven insights for planning and policy.

Letrus has a B2B (private schools) and a B2G (government, public schools) model, both of which function as a subscription per student per year. The Company is now focusing on up-selling products and increasing in-school expansion, along with generating a greater B2G contract pipeline.

The beneficiaries The Company is one of the very few edtech companies in the world that has had its impact proven by a rigorous randomized control trial (RCT). The Company's technology has been validated by several external bodies,

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**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

including the poverty action lab [J-PAL](#) a MIT, which conducted an RCT across 54 cities and 178 schools in Espírito Santo State in 2019. The result was that Letrus reduced students' writing gap by 9% only after 5 assignments and boosted school engagement by 95%.

In 2022 Letrus is expected to reach 193,000 students, of which 93% attend either public schools or private institutions focused on low-income students.

In addition to supporting students, Letrus also impacts learning levels by supporting teachers, which are 79% women. By applying yearly training and full integration to the school's curriculum, Letrus helps teachers to improve their teaching skills, and digital and data use proficiency, impacting even students who are not enrolled in Letrus Program.

The partner Letrus is a Brazilian EdTech that has won the UNESCO Award for the Use of ICT in Education in 2020 and serves as the main research partner of leading universities in Brazil of ICT and Education such as Universidades de São Paulo and FGV. Letrus has also been supported and funded by Brazilian ecosystem leaders such as Fundação Lemann and Imaginable Futures (education arm of Omidyar Network).

The IDB Lab's contribution IDB Lab would be committing up to Equity US\$2M in Letrus' round. The investment would be used to consolidate the company's operations, marketing/sales, and product development in Brazil, including an accelerated launch of B2G business model.

IDB Lab value add. The company reached out to IDB Lab mainly due to our non-financial additionality:

- The signaling effect our investment can have, especially given that EdTech sector only attracts 6% of VC funding in the region
- Connections with IDB Group's Education initiatives – this opportunity has already been discussed with specialists in SCL/EDU, who are members of the Project Team, for cross-collaboration opportunities.
- Potential collaboration with AI initiatives such as fAIRLAC
- Synergies with operations from our skills portfolio
- Connections with VC funds and possibly IDB Invest for follow-on in later stage round

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