Organisation for Economic Co-operation and Development

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Improving Multi-Level Governance and Decentralised Public Policies

A Framework for the Project with OECD, the Brazilian Federal Court of Accounts and state audit institutions

In 2018, the OECD and Brazilian Federal Court of Accounts (*Tribunal de Contas da União*, TCU) embarked on a project to support the National Auditing System, including the TCU, state and municipal audit institutions in Brazil (collectively referred to as "TCs"). The main aim of the project is to improve auditing and the co-ordination of audit bodies in relation to decentralised policies. Specifically, the project involves the development of tools and methodologies to support strategic, risk-based auditing in specific sectors of government policy, including recommendations for better use of indicators. The initial focus of the project is within the field of education, as laid out in this document. The project will continue until the end of 2020.

The purpose of this document is to: 1) consolidate information and insights gathered from research and consultations between the OECD and TCs related to decentralised policy making in the education sphere and the National Audit System in Brazil; and 2) define a work plan to map roles, deliverables and timelines for the project. This document is designed to facilitate communication and co-ordination between the OECD and project partners and is therefore not intended for publication.

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1. Project Overview

1.1. Background

1. The partnership between the OECD and Brazilian Federal Court of Accounts (Tribunal de Contas da União, TCU) dates back to 2013 and has resulted in value-adding projects, such as the flagship publications: "Brazil's Federal Court of Accounts: Insight and Foresight for Better Governance" and "Supreme Audit Institutions and Good Governance: Oversight, Insight and Foresight". These reports highlight common opportunities for supreme audit institutions (SAIs), including the TCU, to strengthen their capacity to support good governance through audits, evaluations, supervisory proceedings and co-ordinating activities across the public sector.
2. The reports indicate that successful policy outcomes depend not only on effective implementation, but also on the policy-making process itself to ensure the coherence, sustainability and long-term vision of the public sector. The reports provide recommendations on how the TCU can support four governance areas that present some of the most pressing challenges for the Brazilian government, including: 1) improving policy coherence, 2) enhancing strategic and sustainable budgeting, 3) strengthening internal control and risk management, and 4) refining monitoring and evaluation activities.
3. In the context of previous cooperation, the TCU and OECD have concluded that in order to achieve better governance, the TCU should steer aspects of its work to assist the Centre of Government (CoG)[1] in effectively fostering coherence, efficiency, and standardisation across government. For instance, by means of the Framework for Evaluation of the Centre of Government, the TCU may employ its horizontal view on cross-cutting issues to encourage stronger long-term planning, sustainable budgeting and evaluation of national goals, including improved co-ordination of key actors.
4. To this end, TCU has identified subpar and inefficient decentralised policy making and implementation as important factors leading to uncertain policy outcomes. In Brazil where federalism and decentralisation is relatively strong (in terms of the constitutional, political, administrative and fiscal autonomy of the federative entities - See Annex A), a holistic view at the different levels of this process is essential to fully understand the system's problems and communicate better insights to the CoG.
5. Building on lessons learned from past OECD-TCU cooperation, and with the view that audit institutions can help address the problems identified, in 2018 a new project was launched to support Brazil's National Auditing System and ultimately enhance policy outcomes for citizens. This project aims to strengthen external

[1] Central entities in the executive branch responsible for policy making. In Brazil, the institutions that generally constitute the CoG consist of the Presidency (*Casa Civil*), the Ministry of Finance (*Ministério da Fazenda*, MF) and the Ministry of Planning, Development and Management (*Ministério do Planejamento, Desenvolvimento e Gestão*, MP) (TCU, 2016[24])

control in Brazil, involving key partners such as TCU, state audit institutions (Tribunais de Contas dos Estados, TCEs) and municipal audit institutions (Tribunais de Contas do(s) Município(s), TCM)[2].

6. TCU was the catalyst for the project, having identified that to achieve better policy outcomes, TCs should improve co-ordination and identify approaches for more coherent, strategic auditing of decentralised policies[3], creating linkages between levels of government.
7. The OECD's role is to support the TCs to achieve this goal, as defined by TCU in the early planning phases, and to provide guidance, experts, analysis, recommendations and capacity-building events in support of the project goals. The project will result in one report that will communicate the analysis and recommendations for TCs to improve the selection of audits, based on risks informed by indicators, so that audits at both the federal and state levels are co-ordinated and aligned with an emphasis on key priorities for Brazil's citizens. An improved approached for using indicators to select audits will help TCs to track the performance of policies over time, improve the quality and coherence of evidence about policy making and implementation, and ultimately help improve its recommendations to the CoG and other entities to strengthen decentralised policies.
8. In 2018, the OECD and TCU held a series of consultations, including meetings in Brasilia and at the OECD headquarters in Paris, to refine the scope of the project. Following these discussions, TCU elected to focus initially on the field of education, whilst keeping in mind the project's broader applicability to other sectors of public policy, such as health and security. Education is a policy area where Brazil has a comparatively well-developed national policy framework (articulated in the Plano Nacional da Educação) with defined goals and strategies, and where implementation is largely decentralised; however, the country faces well-documented challenges, most notably in terms of educational outcomes. The performance of the education system also has a far-reaching impact on social inclusion as well as the country's economy, making it a critical sector that determines rates of socio-economic development in Brazil.
9. In October 2018, the TCU announced the selection of nine TCs that will participate in the project: TCE-Acre, TCE-Ceará, TCE-Minas Gerais, TCE-Rio Grande do Sul, TCE-Paraíba, TCE-Paraná, TCE-Rondonia, TCE-Bahia and TCM-Bahia. In November 2018, the OECD met for the first time with these stakeholders and the teams held discussions to clarify and update the first version of this document.
10. The OECD has worked with supreme audit institutions (SAIs), like TCU, for over a decade, including carrying out peer reviews of SAIs in Chile, Mexico and Morocco, as well as collaborating with INTOSAI working groups and advising standard-setting bodies for public sector internal and external audit. The OECD also collaborates with SAIs on a range of topics, from the use of key national

[2] Collectively referred to as "TCs" for "Tribunal de Contas" hereafter.

[3] For the purpose of this document and the project, "decentralised policies" shall be understood as the public policies that are, or should be in accordance with the legal framework, provided and/or funded by more than one federative level, because of delegation of powers or constitutional definition. This document and the project do not deem to assess the hierarchy between the levels of the Brazilian Federation.

indicators to improving budgetary planning and decision-making through better use of audits. Several of the OECD's instruments and recommendations provide inspiration for the OECD's work with SAIs, such as the OECD Recommendation on Public Integrity and the OECD Recommendation of the Council on Budgetary Governance, which highlight the importance of SAIs for effective policymaking and evidence-based governance. The OECD has a large network of auditors and experts to inform the project, including audit experts that are members of the OECD's Auditors Alliance.

11. In addition, the OECD will draw on its extensive research and activities in the field of education, which includes comparative studies, reviews of education and skills systems in the OECD and partner countries, and capacity building to assist countries in developing and implementing education policies. In flagship publications such as the OECD's Education at a Glance: OECD Indicators, the OECD provides policy makers with a deeper understanding of the state of education around the world. This includes key information on the output of educational institutions, the impact of learning across countries, and participation and progression in education, amongst other areas.

12. Finally, the OECD has a wealth of work on multi-level governance and decentralisation. This includes the development of the OECD Recommendation of the Council on Effective Public Investment Across Levels of Government (adopted in March 2014), which outlines principles to help governments at all levels to assess their capacity and set priorities[4]. The OECD is also developing a handbook for policy makers to understand decentralised systems, accompanied by guidelines for making decentralisation work. This work focuses on helping countries respond to diverse challenges that can affect how different levels of governments implement policies, such as the assignment of responsibilities, finance and investment considerations, coordination of institutions and improving capacity.

1.2. The Analytical Framework

13. This document is organised in two sections: the *Project Overview* and *Project Structure.* The first section aims to provide a roadmap for the project, including background, objectives, deliverables and a timeline. This section consolidates (i) preliminary considerations for the set of indicators that will be developed during the project, and (ii) practicalities relating to the implementation of the project, including issues regarding co-ordination amongst TCs. This section is based on comprehensive desk research on decentralised policies and education in Brazil, as well as insights gathered from discussions between the OECD and TCs and the OECD mission to Brasilia in November 2018.

14. The subsequent section on the Project Structure is not exhaustive; rather, this Analytical Framework provides the indicative context that will help guide the cooperation throughout 2019 and 2020. In this sense, items should be read as

[4] A Recommendation is an OECD instrument approved by the Council that results in international norms and standards, best practices and policy guidelines. Recommendations are not legally binding, but practice accords them great moral force as representing the political will of Member states.

"points to develop and/or consider", also including some of the possible risks to the project that may need further consideration.

1.3. Objectives

15. This project aims to create better policy outcomes for citizens by improving the impact of TCs audits and investments on the issues that matter most. To focus TC's priorities, the project will aim to identify ways the TCs' can improve audit selection and co-ordination. The focus is not on "co-ordinated audits" as an audit approach, but rather on the more upstream process of identifying policy areas within the audit universe with poor performance, and incorporating that understanding into the policies and practices that TCs have to select audits. By employing a systematic approach that includes the use of indicators, TCs will be better positioned to develop medium and long-term strategic plans related to relevant decentralised policies and provide oversight, insights and foresights to the Centre of Government from different levels.

16. In order to achieve these outcomes, the OECD will:

- Assist TCs in improving the selection of audits (i.e. audit programming) and targeting their audit activities based on risk, in specific sectors, through improved use of indicators. As envisioned by TCU, there will be two sets of indicators: 1) indicators that will focus on the education policy field, and 2) indicators that focus on public governance in Brazil's decentralised policy context. The latter will be applicable across sectors. Budget expenditure may also be a component that TCs will incorporate into their strategic programming (See item 1 of Annex 1.A);
- Assist with the coordination of TCs, ensuring the complementarity of their priorities, analytical approaches and methods for selecting audits based on the performance of decentralised policies at their various different levels (See item 2 of Annex 1.A); and
- Support TCs in assessing the feasibility of the methodological tools and working methods developed during the project (See item 3 of Annex 1.A). The OECD recognises that TCs have different policies, structures, processes, resources and limitations that could have an effect on their ability to adopt new ways of selecting audits based on evidence and the highest risks. The OECD will support the TCs to think through the feasibility of any proposed measures that could affect strategic and operational elements that are internal and unique to each TC.

1.4. Key outputs and timeline

17. Project activities will continue throughout 2020, and will ultimately result in one publication that will include the indicators described above. Said indicators will be designed for performance measurement in the policy field of education, as well as for assessing governance in a decentralised policy context.

18. Additionally, the publication will include a chapter or section on co-ordination, with recommendations based on existing best practices for the decentralised audit environment in Brazil. Ultimately, the publication will provide recommendations on how TCs can systematically use the indicators for risk-based audit selection in the education policy sphere.

19. The project will include workshops involving OECD experts and peers. The OECD will collaborate with TCs to help shape the content of the missions, provide reviews of outputs and communicate information on priority areas and the TCs' needs throughout project.

20. Where appropriate or necessary, other relevant government stakeholders may also participate in discussions and workshops, including (but not limited to): Ministry of Transparency, Supervision and Comptroller General of the Union (*Ministério da Transparência, Fiscalização e Controladoria-Geral da União*), Executive Office of the President of the Republic (*Casa Civil da Presidência da República*), Ministry of Finance (*Ministério da Fazenda*), Ministry of Planning, Development and Management (*Ministério do Planejamento, Desenvolvimento e Gestão*), the Ministry of Education (*Ministério da Educação*), and other government stakeholders at the state and municipal levels.

21. The following indicative outline of the publication highlights the key focus areas of the project and how we can envision the final product, which may include the following sections:

    I. Executive Summary

    II. Introduction

    III. Public Governance in Brazil and Indicators for Audit Programming

    IV. Education in Brazil and Indicators for Audit Programming

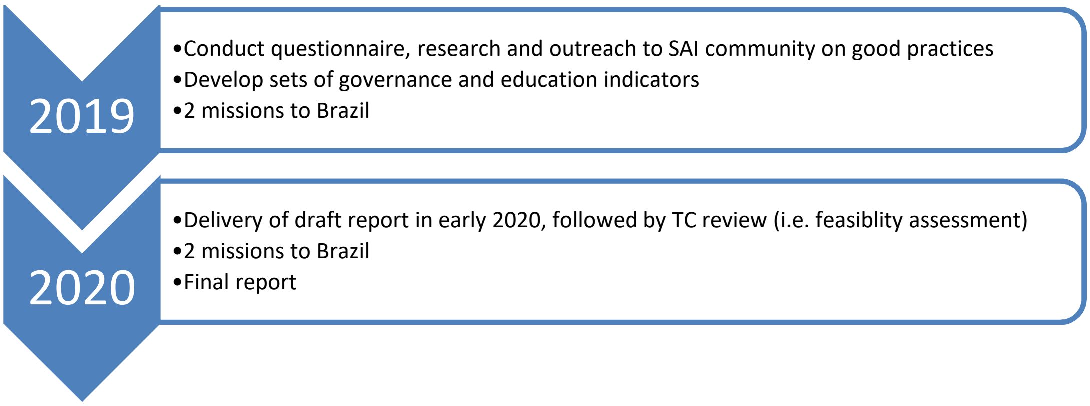
    V. Bringing Together Education and Governance Indicators for Risk-Based Audit Programming

    VI. Good Practices for Improving Co-Ordination Amongst TCs

    VII. Conclusion

22. Figure 1.1 provides an overview of the key activities and deliverables until the end of the project in 2020, and Annex 1.A provides a more detailed description of the timeline, including suggested roles for TCs throughout the project. The information in these figures is subject to change and will be revisited periodically, based on input from TCs and considering the evolving needs of the project.

Figure 1.1. Overview of project activities and deliverables



Annex 1.A: Detailed Timeline and Suggested Contributions of TCs

Work package	Task	Timing	TCs Proposed Contribution
0. Analytical Framework	0.1 Launch mission	2018 Q2	
	0.2 Preparatory meetings and discussions with OECD and TCU	2018 Q2/Q3	
	0.3 Mission to Brasilia for consultations	2018 Nov	Participate in meetings to set priorities and further define scope
	0.4 Draft analytical framework	2018 Q3/Q4	Review framework
1. Set of Indicators	1.1 Review national education plans and education monitoring indicators currently used by TCs, MEC, etc.	2019 Q1	
	1.2 Review educational performance monitoring used in other countries	2019 Q1	
	1.3. Map policy implementation mechanisms in education policy in Brazil in areas of shared responsibility (programmes, institutional funding, government transfers etc.)	2019 Q1	Provide relevant documentation and periodic input/guidance
	1.4 Review existing (multi-level) governance indicators applied and used in the Brazilian policy context	2019 Q1	
	1.5 Undertake literature review and provide guidance on the design and use of indicators in audit systems and establish general framework for Brazil	2019 Q1	
	1.6 Develop indicator framework reflecting education challenges in Brazil (including initial consultation with TCs before developing the indicator model)	2019 Q2	Provide relevant documentation and periodic input/guidance
	1.7 Review data availability and highlight key data gaps	2019 Q2	
	1.8 Revise set of indicators in light of feedback	2019 Q3/Q4	Review and comment on draft model
2. Facilitating collaborative working among TCs	2.1 Elaboration of a questionnaire to TCs for understanding: (i) possible gaps and challenges to the project's implementation, including related to capacity; and (ii) TCs different methodologies (including risk-based approaches, if any) and practices related to audit programming, selection of activities	2019 Q1	Provide answers and relevant documentation
	2.2 Review of best practices in decentralised systems for improving co-ordination amongst audit institutions	2019 Q2	Review and comment on draft models
	2.3 Preparation of workshop	2019 Q2	
	2.4 Hold workshop in Brazil	2019 Q2 or Q3	Participate in workshop
	2.5 Follow-up to workshop / initial preparation for the feasibility assessment, including virtual planning sessions with TCs and written comments on documentation	2019 Q3-Q4	
3. Feasibility assessment	3.1 Delivery of the feasibility assessment	2020 Q1	
	3.2 Support to the feasibility assessment exercise	2020 Q2-Q3	Implement assessment and provide feedback
	3.3 Workshop and meetings in Brazil for stock-taking/lessons learned from the assessment	2020 Q3	Participate in workshop
4. Drafting guidance	4.1 Draft publication, including final version of the set of indicators, as well as good practices for co-ordination and implementation	2020 Q2-Q4	Review and comment on final publication
	4.2 Finalise publication and launch	2020 Q4	Participate in launch

2. Project Structure

2.1. Better use of indicators: targeting audit work in education

23. As mentioned in the previous section, the project involves the development of a conceptual framework and related set of indicators to enable TCs to monitor aspects of education policy performance and contribute to identifying areas of risk, where audit activity may subsequently be targeted. In this context, 'risk' is understood primarily as poor performance against regional, national or international benchmarks or standards.

24. The development of the set of indicators that will support the work of TCs in their audit selection will involve the following main steps:

25. The development of simple conceptual frameworks mapping the main inputs into, processes within, and expected outputs and outcomes of different parts of the education system and the theoretical relationships between them. As a minimum, it will be necessary to distinguish between pre-primary education, school education and higher education, as the inputs, processes and expected outputs and outcomes differ substantially. It is important to discuss and cement the understanding of different concepts (inputs, processes, outputs etc.) with Brazilian project partners to ensure they adequately capture factors and issues relevant to the Brazilian policy context, while remaining sufficiently simple to use (whether different aspects of educational infrastructure, staff conditions or measures of student achievement are adequately reflected, for example);

26. Identify who does what (responsibilities) in relation to each of the inputs and processes in the Brazilian structure of multi-level governance (see example in Table 2.1 below);

27. Identify a set of indicators that could be used to construct an effective monitoring system applicable to different educational sectors. The set of indicators will be developed in accordance with international best practice in educational data collection and management to produce an 'ideal indicator model', reflecting what might be possible in jurisdictions with the most highly developed data collection and statistical systems;

28. Review the availability of data in Brazil and identify proxy indicators where suitable indicators are not available, and making recommendations to improve data collection where necessary. Brazil has developed educational statistical systems, but as in all systems, there will be gaps between what would ideally be needed for effective monitoring and what is available in practice. In some cases, proxies will provide work-arounds. In other cases, action may be required to improve the educational statistical system (potentially at the recommendation of TCs). The analysis of data available in Brazil will be limited to the main data sources and be reliant on cooperation with Brazilian authorities responsible for data collection and handling;

29. The table below illustrates how the conceptual framework that underpins the development of the indicator model in the field of school education will be developed, keeping in mind linkages to the governance indicators. It uses the

example of two aspects of the educational process in school-level education with a major impact on students' learning outcomes – the design of the curriculum and the school evaluation system - and provides a description of how the federation, state authorities, municipal governments, schools, and other stakeholders intervene in developing and operationalising these activities. These processes form part of the broader conceptual model of factors affecting the performance of education and training and need to be considered in an indicator model, even though they are challenging to measure quantitatively.

Table 2.1. Responsibilities in relation to curriculum and school evaluation

	Federal	State	Municipal	School	Other stakeholders
Curriculum	The Ministry of Education and Culture (MEC), in collaboration with the National Council for Education (CNE) and in consultation with key stakeholders, has developed a national curriculum framework at the national level, the National Common Curriculum Basis (BNCC). The BNCC for primary education was approved in late 2017, while a BNCC for upper secondary education is pending.	At the primary level, states have the autonomy to create their own curriculum, though it must align with the BNCC. MEC encourages states and municipalities to collaborate in co-creating curriculum.	Municipalities have the status of federal entities at the same level as states and they have the autonomy to create their own curriculum, though it must be aligned with the BNCC. MEC encourages states and municipalities to collaborate in co-creating curriculum.	School-level staff such as principals and teachers may be invited by municipalities or states to participate in the creation of curriculum.	Other stakeholders such as professors, specialists and civil society organisations may be invited by municipalities and states to participate in the creation of curriculum.
System and school evaluation	In basic education, The National Institution for Educational Studies and Research (INEP) uses the assessment instruments SAEB/ANEB and *Prova Brasil*, as well as school census data, to develop an Index of Basic Education Development (IDEB) scores. These scores are generated at the national, state, municipal and individual school level.	States develop improvement plans based on IDEB targets.	Municipalities develop improvement plans based on IDEB targets.	Schools develop school improvement plans based on IDEB targets.	No known role in IDEB scores, targets and plans.

Note: Example for illustrative purposes only. To be further developed and discussed with project partners.

30. Whereas inputs to the educational process (buildings, equipment, and staff) and outputs (graduating students) are often measured in quantitative terms, it is more difficult to construct indicators for activities such as curriculum design and evaluation. The feasibility of using these kinds of indicators and information, which can be valuable but challenging to collect, will be discussed with Brazilian project partners.

31. In addition, more conventional indicators of inputs and outputs, as well as process indicators, will be taken into consideration in the conceptual models. These include:

Inputs

- Spending per student

- Staff-student ratio
- Management staff per student
- Level of qualification of teaching staff
- Investment in maintenance and renewal of educational infrastructure

Processes

- Financial management methods
- Human resource allocation methods
- Organisation of student learning
- Teacher appraisal methods
- Teacher professional development levels
- Schedule/organisation of student learning time
- Student Assessment

Outputs

- Graduation, successful completion rates
- Rates of year repetition (school education)
- Student results in standardised tests (e.g. ENEM, PISA, ENADE, IDEB)

Outcomes

- Transition rates to subsequent levels of education (secondary to upper secondary, upper secondary to tertiary)
- For technical and higher education: employment outcomes

32. The development work outlined above will take into account existing indicator frameworks used in education in Brazil, and TCs' existing knowledge in either applying or evaluating these indicators, which may include:

- TCU's indicators to monitor the National Education Plan (*Plano Nacional da Educação,* the PNE);

- TCU's work on the assessment of the production of educational statistics by the Anísio Teixeira National Institute for Educational Research (*Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira*, the INEP);

- QEDUC, an initiative created by Meritt, a private company, together with Fundação Lehmann, a civil society organisation;

- The Information System on Public Budget in Education (*Sistema de lnformações Sobre Orçamento Público em Educação*, the SIOPE), by the INEP;

- The Education Plans Monitoring System - TC Educa, an initiative by ATRICON[5] and IRB[6];

- The Quality and Agility Measurement Project (*Projeto Qualidade e Agilidade dos Tribunais de Contas,* the QATC), created by the ATRICON;

- The Educação é da Nossa Conta, an initiative by the TCM and TCE-Bahia;

- The Municipal and State Management Effectiveness Indexes *(Índices de Efetividade da Gestão Municipal e Estadual*, the IEGM and IEGE), created by the IRB;

- The Performance Indicators on the Public Expenditure in Education (*Indicadores de Desempenho dos Gastos Públicos na Educação*, the IDGPB), used by the TCE-PB;

- Examples of similar models used in other OECD countries.

33. One of the project's main challenges is related to data accessibility. In addition to exploring what data is available and providing indications on what would be the "ideal" data needed for achieving the project's goals, it will be necessary to scope out alternatives to address these possible data gaps[7].

2.2. Better use of indicators: governance in a decentralised policy system

34. The governance indicators will support TCs in evaluating the mechanisms and processes used to design and implement education policies and programmes and contribute to identifying areas of risk where audit activity could be targeted. The set of governance indicators will draw on existing models of policy design and implementation, focusing on - but not limited to - education, to identify risks such as poorly designed policies and programmes, limited monitoring, or weak capacity of public authorities to take corrective measures to address problems.

35. Developing the set of governance indicators will involve first identifying the key components of governance within institutions in a decentralised policy context that will be the focus areas for further research and development, building on the OECD's existing frameworks. It will aim to cover all phases of the policy cycle, and could consider factors such as the following:

- co-ordination and coherence;
- multi-level dialogue;
- the way in which policies and programmes are developed and funded;
- the relevance of objectives;
- the division of responsibility for implementing activities;
- processes for monitoring and evaluating performance and use of resources; and

[5] Association of the Members of the Brazilian Courts of Accounts (*Associação dos Membros dos Tribunais de Contas do Brasil)*

[6] Rui Barbosa Institute (*Instituto Rui Barbosa)*

[7] For example, one possibility to be assessed in the context of the project could be to expand the "*levantamento audits"* that are intended to increase and organise the knowledge and information on a specific subject.

- mechanisms to allow corrective measures to be taken, such as internal control and risk management mechanisms.

36. Box 2.1. provides examples of components that could be considered in the selection and development of the set of governance indicators. As an illustrative example related to the component on coherent planning, TCs could consider/assess whether: (1) regions copy other region's strategies without adapting social and economic development needs; (2) whether investment strategies of regions clarify priorities; (3) data are available and used to support the territorial assessment and planning process; and (4) authorities assess the potential contribution of investments both to current competitiveness and to sustained growth in the global economy.

Box 2.1. Governance components for consideration

Coherent planning

- Public investment choices should be linked to a development strategy based on an assessment of the potential opportunities for, and impediments to, growth in each region.

Vertical co-ordination

- The scale and positive (or negative) spill overs of a public investment may require joint action, either to reduce the cost of the investment or to implement the complementary measures needed to make the most of that investment. While co-ordination on all aspects of public investment is not necessarily feasible, as a minimum, there is an aim to avoid contradictory approaches across levels of government.

Horizontal co-ordination

- Sub-national horizontal co-ordination can be a fundamental piece for avoiding duplication of unsustainable investments and to promote economies of scale. Moreover, there is some quantitative evidence that benefits of public investment in neighbouring regions can be just as important, or more, than direct public investment in that region. In this sense, horizontal co-ordination can be carried out using specific matching grants, with inter-municipal and interregional cooperation.

Long-term impacts and risks of public investment

- Comprehensive, long-term assessments can help clarify goals and reveal information that can be used to refine investment selection. It is important for appraisals to be technically sound; identify social, environmental and economic impacts; and reveal which investment method is likely to yield the best value for money.

Local partners expertise

- Large regions, particularly established ones with substantial autonomy and significant numbers of staff, could tap a diverse range of professional skills. The same is not necessarily true for small regions, municipalities, newly created regions, or sub-national governments where decentralisation has outpaced corresponding growth in administrative capacity. Such challenges can hit particularly hard rural areas. Attracting needed skills to the public sector is a challenge for many regions where salary scales are uncompetitive with the private sector. Local governments also compete with each other and central governments to attract talent.

Performance monitoring

- Monitoring the implementation progress of projects can be done in terms of inputs, activities, and outputs; and evaluation through intermediate and final outcomes and their alignment with strategic goals. Outcomes of an investment may take three, five, or more years to be measureable, and thus the monitoring indicators need to be tracked years after the investment is made, and often beyond an election cycle. Indicator systems should balance comprehensiveness, usefulness and administrative burden.

Transparency of budgetary information

- Proper costing and budgeting serve to prioritise and execute investment programmes effectively. Robust financial controls bolster accountability. Budgeting transparency throughout the investment cycle provides visibility to investments, clarifies recurrent budgetary implications, and strengthens public accountability.

Regulatory co-ordination

- Divergent, overlapping, contradictory or constantly changing regulations can impose costs, particularly for sub-national governments, reduce efficiency and deter investors. Regulatory coherence is of particular importance in network sectors like power, telecommunications and water, owing to the greater degree of regulation to which such activities are typically subject. Sub-national capacity for regulatory quality is an integral aspect of effective public investment. Sub-national governments should be able to implement regulation from higher levels of government effectively, as well as to define and implement their own strategy for regulatory management, including the assessment of regulatory impact and reforms needed.

Source: OECD Secretariat

37. Box 2.1 presents a conceptual framework of possible components to focus on when assessing maturity of multi-level governance, but it is neither exhaustive nor prescriptive. As noted, the governance indicators should also be generally applicable to other sectors, yet aligned with the performance indicators to allow for effective monitoring of the education sector. In 2019, additional research and discussions with TCs will help to further define the main components to include.

38. Once the key priority areas are defined, it will be necessary to map them against the Brazilian context. This will include an assessment of how the Brazilian government designs and implements decentralised policies in relation to each principle selected. This process will help to uncover key challenges and areas of opportunity for TCs to focus their monitoring and evaluation efforts, and track the performance of governance institutions in the education sector.

39. When developing the indicator model, existing available governmental data will be considered, including data on Government Social Programmes (e. g *Bolsa*

Família), Integrated System of Human Resources Administration, General Register of Employed and Unemployed Persons, National Registry of Legal Entities, amongst others.

2.3. Using the indicators: a risk-based audit programming methodology

40. During the inception phase of the project, one of the aims envisaged by the TCU was to improve audit programming processes amongst TCs so that audit resources are directed towards high-risk areas. The set of indicators that will be developed during the project will help TCs to analyse and identify these risks in an evidence-based manner, and then have a clearer picture of where to direct audit resources.
41. Additionally, basing audit programmes on risk analysis will help to ensure that: (i) TCs' activities are based on cross-cutting policy issues and priorities for society; and (ii) resources are allocated in accordance with identified institutional priorities articulated in various plans (OECD, 2017[1]). Thus, for optimal relevance and impact, it will be necessary to consider throughout the project how the use of the indicators can be incorporated into existing practices for audit and co-ordination within and amongst TCs.
42. For example, as the OECD reported in 2017, TCU resolution (Res 269/2015, art 19) requires that audit programming involves the selection of audit topics to be based on risk criteria, materiality, relevance and opportunity. In 2015, TCU launched an initiative to develop a methodology to comply with this regulation called Method for Selection of Objects and Control Actions (*Método de Seleção de Objetos e Ações de Controle*), which aimed to support TCU in directing its audit resources to the most relevant, highest risk issues in government (OECD, 2017[1]). This method could, for example, consider the set of indicators that will be developed in this project.
43. The context in which the TCs operate and co-ordinate will be a key consideration for implementing the set of indicators. Throughout 2019, part of the project's efforts will focus on identifying and understanding: (i) any initiatives other the TCU's Method for Selection applied by the TCs in the selection of audits; (ii) existing policies and practices for developing the external control plans that involve more than one TC (e.g. co-ordinate audits); and (iii) TCs' methodologies for assessing risks. Doing so will help to embed any new approaches for assessing risks in the audit environment that come from the project into existing policies, practices and tools.

2.4. Using the indicators: preliminary considerations

44. The courts of accounts in Brazil have different and, to some extent, concurrent mandates. The TCU is responsible for external audit and control at the federal level[8], and the TCEs maintain this responsibility at the state level. In addition to having a TCE, some states have opted to establish a separate court to be in charge of the external control of all the municipalities of the state; the TCMs. This is the

[8] Including external audit and control of individuals and entities that use, collect, hold, manage, apply or manage federal public assets or assets for which the Federal Union is liable.

case of the states of Bahia, Goiás, Pará, and until 2017, Ceará. In total, there are thirty-three courts of accounts currently in operation in Brazil: the TCU; twenty-six TCEs (one for each state); three TCMs; the courts of accounts of the municipalities of São Paulo and Rio de Janeiro; and the court of accounts of the Federal District.

45. This decentralised audit structure involves oversight of different fields of governmental policy in Brazil and complex financing arrangements across federal and state levels. Ultimately, there is a need to find common approaches to analysing problems and conducting audits between the federal, state and municipal audit bodies.

46. One possible form of co-operation is through co-ordinated audits, which enable the exchange of experiences and information among audit institutions, as well as the dissemination of best audit practices and the improvement of auditors' professional competences. TCs have made substantial efforts in this regard, which have resulted in some co-operation agreements, including:

- The Amazon Charter (2010) and the Belém Declaration (2011), which proposed the continuous exchange of knowledge and the execution of performance audits with emphasis on environmental issues;
- Campo Grande Declaration (2012), which proposed co-ordinated audits in education and health;
- Vitória Declaration (2013), which intended to guarantee technical and institutional support for co-ordinated audits; and
- Declaration of Fortaleza (2014), which reinforced the pact to develop co-ordinated audits to evaluate effectively and systematically the results of public policies.

47. However, given the project’s aim to develop a more co-ordinated and comprehensive audit system, the TCU-OECD cooperation in 2019 will focus on identifying solutions beyond the co-ordinated audits, which are usually limited/bilateral negotiations among TCs for specific projects. Additionally, there will be efforts made to recognise any legal, operational or internal challenges that could hinder these collaborations.

48. As an example of this exercise, the OECD has identified that out of the thirty-three TCs, approximately eighteen (over 50 percent) have established conditions for collaboration, either in their organic laws, internal rules, or in both. In general, these legal provisions enable the TCs to enter into co-operation agreements with the TCU or other courts for exchanging information to improve the control system, for training personnel, and for developing joint actions. Additionally, approximately twelve TCs establish specific conditions for signing co-operation agreements, approved by the Plenary and/or by the President.

49. Furthermore, the stakeholders may explore the adequacy of using the ATRICON and/or IRB as platforms within the context of the project. Regarding IRB, in addition to establishing a minimum quality standard to be followed by TCs (goal 1 of the IRB’s strategic plan 2012 – 2017), one of the institute’s priorities (goal 3) is to promote the technical integration of the courts of accounts, and of such entities with other national and international institutions (Instituto Rui Barbosa, 2012[2]). However, to date it is still unclear the exact roles and activities that these institutions will occupy and undertake.

50. Entity-level considerations related to organisation and capacity across TCs should be considered within the scope of this project. For example, within the TCU, the Education Team (SecexEducação), is responsible for auditing, including financial, compliance and operational (i.e. performance) audits of ministries and programmes in the field of education. Amongst its competencies, the team is responsible for overseeing the application of public funds by the Ministry of Education, as well as the funds transferred to states and municipalities under government programmes. Consequently, it is necessary to map whether TCs have similar capacity concerning education, or how to address differences in capability.

51. Additionally, it is acknowledged that SecexEducação's oversight strategy is mainly guided by the goals and objectives outlined in Brazil's National Education Plan, PNE. TCU established an audit strategy for overseeing the PNE, co-ordinated by SecexEducação: the strategy takes a preventive and risk-based approach[9]. This project will include analysis of how audits and projects in the education sphere are prioritised by each TC, particularly in light of the fact that each federative entity in Brazil has its own education plan (See Annexes B and C).

52. Finally, the project may consider how the TCU's State Secex Offices (*Secex Estaduais)* can contribute to enhancing collaboration within the audit system. These TCU departments are responsible for, amongst other roles, analysing fraud and possible misuse of federal public funds by means of oversight activities defined as "special accounts". One possible outcome of systematic co-ordination between these state offices and other TCs is the prevention of duplicated or fragmented work by the courts of accounts, in addition to widening the scope of oversight in the Brazilian public sector.

[9] The first stage of TCU's work, finalised in February 2016, consisted of defining the methodology and workflow of PNE monitoring (Plenary decision 795/2016 - TC 011.350 / 2015-6). The second stage, completed in September 2016, involved the development of three instruments to support audit activities, including an audit matrix, an audit plan that identifies auditees, TCU's actions for that year and a computerised monitoring system for the PNE. The third stage aimed to issue an opinion on the execution and results of the PNE 2014-2024, with the corresponding dissemination of the work carried out by the TCU in its PNE monitoring effort (TC 034.984 / 2017-8)

Annex A. Brazil’s Federalist Structure

Multi-level political autonomy

The political autonomy of the federal, state and municipal levels in Brazil is guaranteed in the Executive and Legislature branches. The head of the Executive branch is directly elected for a four-year term at all levels: the president at the federal level; governors at the state level; and mayors at the municipality level. In the Legislature branch, the National Congress consists of two houses: the Chamber of Deputies, comprised of 513 members, with the number of delegates per state determined based on the state population (with a minimum of eight and limited to 70 members per state) and the Senate, comprised of three senators from each state and the Federal District. States have their own unicameral legislatures, whose members are elected by proportional representation. This structure is repeated at the municipal level, where councillors are also elected by proportional representation.

Multi-level administrative autonomy

The Federal Constitution explicitly reserves powers for the federal government while providing a broad and general mandate to states and municipal governments. States are granted “*all powers not otherwise prohibited to them*” by the Constitution and municipalities are assigned "*the power to legislate over subjects of local interest*" and to provide "*services of local public interest*". The constitutional document also delineates some concurrent responsibilities of the federal government and the states.

In short, each level has the autonomy to legislate and to provide services, as long as these do not conflict with the powers that are exclusively provided, or legislated for, by the Federal Union. This arrangement does not prevent overlaps between the levels of government, as a wide range of subjects can be concurrently provided by different levels. Moreover, subjects are frequently regulated and legislated for by different levels: the Federal law usually sets general conditions that can be further detailed and regulated by the states and municipalities.

Multi-level fiscal autonomy

Most intergovernmental relations, particularly in relation to tax revenues, are detailed in the Federal Constitution, and therefore cannot be established or modified by the federal political and economic authorities without an amendment to the Constitution.

The Federal Constitution assigns exclusive powers of taxation to each level, as detailed in the Table A.1, and it establishes basic rules for the collection of subnational taxes, which ensures fiscal autonomy at different levels of government.

Table A.1. Tax collection at each level

Acronym	Base
Federal Taxes	
IR	Income, profit
IPI	Gross value of sales of manufactured goods, imports
II	Value of imports
CSLL	Corporate profits
IOF	Financial transactions
ITR	Value of rural property
Federal Social Security Charges	
Cofins	Turnover
PIS/PASEP	Turnover
INSS	Payroll
FGTS	Payroll
State Taxes	
ICMS	Production and distribution of merchandise of selected services
IPVA	Value of vehicles
Municipal Taxes	
ISS	Gross value of services
IPTU	Value of urban property
Federal District Taxes	
All State + Municipal taxes	

2. *Source*: Brazilian Federal Constitution of 1988, (World Bank, 2002[3]), (Afonso, 2004[4])

Annex B. The National Education Plan (PNE)

The Federal Constitution requires the adoption and implementation of a national education plan with a ten-year term to articulate Brazil's *collaborative system of education* and to define guidelines, objectives, goals and implementation strategies to ensure the maintenance and development of education through integrated actions at different levels of government.

The current plan (Federal Law 13,005/2014) covers the period of 2014 to 2024. In addition to the national plan, each state and municipality is required to elaborate and implement its own plan. Although such plans should have been approved and passed before June 2015, according to the Ministry of Education, the states of Minas Gerais and Rio de Janeiro, and 3 municipalities located in the state of São Paulo have not approved their plans to date (Ministério da Educação, 2018[5]).

Moreover, given its purpose of being an "articulation plan", the PNE provides for tools to enable joint actions for the monitoring of the PNE implementation process. Thus, it defines the bodies responsible for continuous monitoring and periodic evaluations of PNE implementation: Ministry of Education, Education Commission of the Chamber of Deputies and the Federal Senate, National Education Council and National Education Forum. The law also provides for the creation of a permanent body for negotiation and co-operation between the Federal Union, the states, the Federal District and municipalities. Additionally, it establishes that the plans of states and municipalities shall adopt and promote articulation among different levels of the federation when implementing policies.

Source: Federal Constitution, (Ministério da Educação, 2018[5])

Annex C. Education in Brazil: a decentralised public policy

The education system in Brazil comprises four key stages: pre-school (*educação infantil*), fundamental education (*educação fundamental* – which combines primary and lower secondary education), upper secondary education (*ensino médio*) and higher education (*ensino superior*). Education is provided free of charge in public educational institutions.

Fundamental education – which is compulsory - lasts nine years, covering ages six through to fourteen. Early Childhood Education and Care (ECEC) in Brazil consists of initial education (ages 0-3, provided in crèches or equivalent institutions) and pre-school (covering ages 4 and 5). Upper secondary education lasts three years (covering ages 15 through to 17) (OECD, 2014[6]). Higher education is provided by public and private higher education institutions, with undergraduate programmes in the form of four-to-five year bachelor degrees (*bacharelado*), four-year teacher's licence degrees (*licenciatura*) and three-year advanced technology programmes (*cursos superiores de tecnologia*).

The federal Ministry of Education (MEC) is responsible for defining overall educational policy and setting the guiding principles for the organisation of educational programmes. The funding and administration of schools is primarily the responsibility of states and municipalities. Higher education institutions can be federal, state or municipal (although over 70% of students study in private institutions).

Brazil has a long tradition of decentralised management of the education system, and local governments have considerable responsibility for managing the school system, including the construction of schools; the provision of equipment, school lunches and transport; the training and recruitment of teachers, and the payment of their salaries. They also supplement the core curriculum set by the federal government with a curriculum defined by the needs of the region and the abilities of individual students (OECD, 2014[6]).

In broad terms, the Federal Constitution establishes the following division of competences between the federative levels:

- **Common authority**: All federative entities have the power and responsibility to legislate on and to provide access to culture, education, sciences, technology, research and innovation. The provision of education includes: guaranteeing access to basic and free education to individuals from four to seventeen years old; special support to the disabled; early education in nurseries and pre-school for children up to five years old; higher levels of education; regular night courses adequate to the student's condition; and educational assistance in all stages of basic education by means of supplemental programs of school books, teaching materials, transportation, nutrition and health care.
- **Federal Union authority**: The Federal Union is the sole level responsible for legislating on the directives and basis for national education. Additionally, it organises the federal education system and finances the federal public education. It provides technical and financial assistance to the States, Federal District and Municipalities.
- **State and Federal District authority**: The States and the Federal District are primarily responsible for providing elementary and secondary education.

- **Municipality authority**: with the technical and financial co-operation of the Union and the relevant State, the municipalities maintain programmes of pre-school and elementary education.

Source: Federal Constitution, (OECD, 2014[6])

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