

PROGRAM FOR MODERNIZATION OF THE  
EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT

(BR-0220)

EXECUTIVE SUMMARY

**BORROWER AND GUARANTOR:** Federative Republic of Brazil

**EXECUTING AGENCY:** Ministério de Administração Federal e Reforma do Estado (MARE)

**AMOUNT AND SOURCE:**

	<u>First phase</u>	<u>Second phase</u>
IDB:	US\$ 57 million	US\$33 million
Local counterpart funding:	<u>US\$ 57 million</u>	<u>US\$33 million</u>
Total:	US\$114 million	US\$66 million

**FINANCIAL TERMS AND CONDITIONS:**

Phase I

Amortization period:	20 years
Disbursement period:	3 years
Grace period:	3 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	U.S. dollars from the Single- Currency Facility

**BACKGROUND:** The proposed Program for the Modernization of the Executive Branch of the Federal Government has been conceived and developed as an integrated operation with total cost of US\$180 million, to be carried out in two phases. The two phases will be supported by separate loans from the Bank (US\$57.0 million and US\$33.0 million), and will be executed over three-year (phase I) and two-year (phase II) periods, respectively. Phase II will be approved only upon verification that at least 50% of the resources for phase I have been disbursed, and that satisfactory progress is being made under that phase. At which point, a memorandum will be submitted to the Board of Executive Directors detailing the progress achieved and requesting approval for initiating phase II with the objectives to be pursued.

**OBJECTIVES:** The overall objective of the program is to improve performance within Brazil's federal civil service, seeking increased efficiency and cost-effectiveness in the execution of their tasks by public servants.

DESCRIPTION:

The program is designed to strengthen the technical capacity of human resources and improve the logistical means for federal administration.

The program will comprise the following four subprograms designed to achieve this objective:

1. Subprogram for institutional reforms. This subprogram will have three components designed to support rationalization of the federal public administration (FPA): (a) Restructuring of the FPA. This component will help federal ministries revamp their administrative structure and update their management systems and internal controls. (b) Creation of special operating agencies. This component will include the transformation of foundations and government enterprises into special operating agencies after determining activities of exclusive jurisdiction and high priority for the federal government. The administration of these agencies will be provided under management contracts signed with the chief ministries in the sector. (c) Creation of social agencies. This component will focus on reorganizing and converting public entities into nonprofit private sector organizations operating in the fields of culture, education and health services, research and development, and social assistance.
2. Subprogram for Management and Human Resource Development. This subprogram will include four components: (a) Managing the human resources of the FPA. This component involves the implementation of a computer system for more efficient federal management of human resources. (b) Developing the public service classification and employment systems. This includes conducting preparatory studies for reviewing a new civil service classification system specifying career paths and pay scales for employees of the federal administration. (c) Strengthening of the Documentation and Information Center of the School of Public Administration (ENAP). Plans in this area include new acquisitions, installation of a widely accessible computer network for consulting the center's holdings, and publication of materials related to public administration. (d) Training of law enforcement officials. The object of this component is the modernization of curriculums at the National Police Academy and state academies, training of instructors, and

improvement of logistics and technology infrastructure.

3. Management and information technology subprogram. This subprogram will be divided into three components: (a) Planning the computerized information system and training for personnel in the use of the system. This will require implementation of a system for identifying the computer resources of the FPA, a cost accounting method, and a system for planning the technology resources and needs of the FPA. (b) Standardization of technology infrastructure. This component includes installing technological infrastructure consisting of an interconnected computer and telecommunications network linking the institutions of the federal government at the national level. (c) Information management and dissemination. This component calls for development and installation of an integrated management information system with applications for managing information flows between the institutions of the federal government. This will include modernizing the computer systems of the IBGE, Ministry of Justice, and Ministry of External Relations as well.
4. Citizen support services subprogram. Finally, this subprogram will include: (a) Citizen support (one-stop service) centers. This includes implementation of integrated citizen support service centers (SACs) in various states around the country, which will bring together in a single location a number of different services, such as issuance of drivers licenses, payment of taxes, etc. (b) Communications policy. This component will finance development of a communications strategy to inform and involve members of civil society and civil servants alike in all aspects of public administration reform. (c) Development of innovative projects in the areas of citizenship and modernization of the State. This will include the financing of studies and proposed projects entailing innovative methods of modernizing the State.

SUMMARY OF COSTS BY SUBPROGRAM			
SUBPROGRAM I  INSTITUTIONAL REFORM	SUBPROGRAM II  MANAGEMENT AND HUMAN RESOURCE DEVELOPMENT	SUBPROGRAM III  MANAGEMENT AND INFORMATION TECHNOLOGY	SUBPROGRAM IV  CITIZEN SUPPORT SERVICES
Total US\$48.4	Total US\$19.5	Total US\$62.7	Total US\$23.9
Phase I: US\$24.6 Phase II: US\$23.8	Phase I: US\$17.0 Phase II: US\$ 2.5	Phase I: US\$42.0 Phase II: US\$20.7	Phase I: US\$15.9 Phase II: US\$ 8.0

**ENVIRONMENTAL  
CLASSIFICATION:**

The CESI, at its meeting of February 11, 1997, did not require an additional report beyond the approved environmental summary, although it did request that the measures indicated in paragraph 4.6 of Chapter IV be adhered to during execution of the program.

**BENEFITS:**

The proposed program will strengthen the federal government's ability to plan, implement, supervise and evaluate public policies. Carrying out this program to rationalize its existing administrative structures and modernize its technology will not only enable the federal government to improve the quality and increase the reliability of the services it provides for its citizens, but will also make delivery of these services more cost effective through better allocation of the State's resources. These indicators will be assessed in evaluating the program.

**RISKS:**

This program depends in large measure on maintaining political support for the administrative reforms under way in the country, which could diminish with a change in government (January 1999). However, the program is designed to achieve immediate results and includes incentives for participants which will encourage ongoing participation by other entities. Successful completion of the program will also require the support of public sector employees. For this reason, the program will include mechanisms to inform and consult civil servants concerning the reforms, as well as devoting substantial resources to their training.

Participation by a variety of different government agencies in the program will present a challenge to the MARE in its efforts to meet the specified objectives. The good news is that in carrying out the preparatory technical cooperation for this program, MARE's project executing unit (PEU) has already demonstrated its ability to coordinate participation by various ministries and other

government agencies. Moreover, the PEU will be further strengthened as part of the proposed program.

Finally, it must be noted that the method chosen for the reform process rests on the MARE's capacity to induce the various government entities to take part in the restructuring of the various institutions. In this connection, the President of Brazil has given the highest possible priority to modernization of the federal executive by appointing his Chief of Staff to head the Council for Reform of the State, and designating the MARE as the agency responsible for implementing the respective reforms. In addition, the program includes incentives for government entities to join the process, offering them technical assistance, financing for the purchase of equipment, training and – depending on the entity – greater autonomy and administrative flexibility.

**EXCEPTIONS TO  
BANK POLICY:**

The program specifies use of the Bank's procedures governing tender competitions and the hiring of consultants. However, to speed up execution of the program and at the same time ensure effective supervision by the Bank, it is proposed that ex post evaluations be conducted on a sampling of contracts valued at less than US\$50,000 (in the case of individual consultants) or US\$200,000 (in the case of consulting firms).

**THE BANK'S  
COUNTRY AND  
SECTOR STRATEGY:**

The Bank's strategy for Brazil, as defined in the Country Programming Paper approved by the Bank's Board of Executive Directors in February 1996, focusses on three major priority areas: (i) providing support for public sector reforms and modernization of the State, at both federal and state levels; (ii) supporting social programs to improve coverage in the education and health sectors, reduce poverty, upgrade basic sanitation services, and improve the environment; and (iii) assisting efforts to increase productive capacity while lowering production and distribution costs in the country. The proposed operation directly addresses the first priority referring to modernization of the State, concentrating its actions at the federal level, but with direct repercussions for the state and municipal administrations as well.

**PROCUREMENT  
OF GOODS AND  
SERVICES:**

Procurement of equipment, materials and consulting services will be in accordance with Bank guidelines and procedures. When resources from the Bank's loan

are used for this purpose, the threshold amounts for requiring International competitive bidding will be as follows: US\$350,000 for all goods, and US\$200,000 for consulting services.

**POVERTY-TARGETING  
AND SOCIAL  
CLASSIFICATION:**

Pursuant to the Eighth Replenishment document (AB-1704), it has been determined that the proposed project does not qualify as a poverty-targeting program in terms of its intended beneficiaries, nor is it aimed specifically at women.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

The Bank's approval of the second phase of this program will be subject to full compliance with the following conditions: (a) at least 50% of the resources for the first phase must have been disbursed; and (b) satisfactory progress must have been achieved in executing the first phase of the program (paragraph 3.29).

The following are conditions precedent to the first disbursement under the program: (i) the Operating Regulations must have been placed in effect (paragraph 3.10); and (ii) the Program Executing Unit must be set up (paragraph 3.7).

Conditions which must be met prior to disbursements under specified components include: (a) Subprogram I: for financing of the implementation phase of the special operating and social agencies components, the MARE must have presented to the Bank's satisfaction the appropriate legal framework required to make these entities fully operational (paragraph 3.14); (b) Subprogram III: as a condition precedent to the first disbursement under the IBGE's computerized information network project, the MARE must submit the agreement signed with the Institute for the Bank's approval (paragraph 3.25); (c) Subprogram IV: (i) for the citizen support services component, before the MARE transfers resources to states, it must have presented an agreement signed between it and the respective state (paragraph 3.33).

## I. FRAME OF REFERENCE

### A. Macroeconomic and institutional context

- 1.1 The Brazilian economy has undergone substantial change since 1994 when the "plan real" was introduced. This structural adjustment program succeeded in lowering the monthly inflation rate from close to 50% in June 1994, to less than 1% in 1996 – with the annual rate forecast at between 5% and 7% for 1997. More importantly, this drop in inflation was accompanied by average annual economic growth of nearly 4.5% during the period 1993-1996, which is expected to continue in 1997 and 1998. Plummeting inflation led to a significant rise in the level of disposable income, bringing families into the marketplace – an effect which was further enhanced by the drop in interest rates and relaxation of credit rules. The Plan also improved income distribution. Between 1994 and 1995, the percentage of national income going to the poorest 50% of the population rose by 1.2%; whereas that of the richest 20% of the populace fell by 2.3%.
- 1.2 Despite this progress, fiscal deficits and balance-of-payments problems persist and, most importantly, the country continues to lag behind in matters of social equity. These problems can be clearly seen in the figures for 1996. With respect to the balance of payments, there was a slight worsening of the commercial balance, with the trade deficit rising from US\$3.157 billion in 1995, to US\$5.539 billion in 1996. This despite the introduction of new tariffs and anti-dumping measures. Owing to this imbalance, together with the payment of higher interest and dividends, the country's current account deficit also rose, climbing from US\$6.7 billion to US\$24.8 billion (equivalent to 3.2% of GDP).
- 1.3 The size of its budget deficit is the most important macroeconomic problem facing Brazil. The high rate of dissavings among governments in general caused a decline in the investment rate from an average 23.7% of GDP over the two prior decades of the 60s and 70s, to just 18.9% during the period 1980-1995. Without a significant rebound by public savings, it will not be possible to sustain the high levels of economic growth recorded in the earlier periods. The main causes of fiscal imbalance are: (i) absence of fiscal reforms in the states and municipalities, especially the failure to reduce high payroll costs; (ii) the precarious status of the government's social security system with public employees averaging 42.4 years of age, versus an average age of retirement of only 56.6; (iii) the deficits being racked up by state-owned enterprises; and (iv) widespread inefficiency in government operations as a whole.
- 1.4 The administration is taking action on a number of different fronts to address these problems. First, it placed three vitally important bills before Congress in late 1996, proposing changes in

the following areas: (i) administrative reforms making it easier to hire and dismiss personnel; (ii) reorganization of the social security system to base eligibility for retirement on age rather than years of service; and (iii) tax reforms which, among other things, would combine state value added tax (ICMS) and the federal industrial products tax (IPI). And secondly, the government has given renewed impetus to its privatization program. So far, close to 50 enterprises controlled by Brazil's federal government have been sold off (generating US\$13.4 billion in all), out of a total of 80 companies included under its divestiture program. The Chamber of Deputies passed the General Telecommunications Act in May 1997, followed in June of the same year by privatization of Companhia do Vale do Rio Doce (CVRD), one of the world's largest mining companies. Together with other privatizations planned for 1997, these actions will give a significant boost to efforts to reduce fiscal deficits, restructure the public sector and modernize the country's economy.

- 1.5 Meanwhile, the governors who took office in January 1995 are attempting to deal with the fiscal constraints facing their administrations. This is reflected in the progress made since the latter part of 1996 in concluding comprehensive tax reform programs between most of the states and the federal government. What these Government Restructuring Programs have in common is the commitment on the part of the states to carry out a series of reforms that include such measures as voluntary or mandatory retirement and, where permitted by law, dismissal of public employees; privatization of state-run enterprises, and the sale of other government assets. In exchange for these reforms, the federal government is allowing states to reschedule their eligible debts under favorable conditions.
- 1.6 Through its operating program, the Bank is providing significant support for the abovementioned process. Specifically, in the last two years the IDB approved a loan to improve fiscal administration at the federal level, and another to strengthen both fiscal and financial administration among state governments. These projects should give a substantial boost to the efforts at modernizing tax administration and increasing proceeds across Brazil.
- 1.7 In similar fashion, the proposed program is intended to further enhance and support various activities that the government is undertaking in its drive to modernize public administration in Brazil. Specifically, it will support the federal administration's efforts to introduce institutional reforms, modernize management and human resource development in the public sector, upgrade its information management and technology, and improve the services offered to its citizens.



B. Present status of the federal public administration (FPA)

- 1.8 Brazil's federal administration suffers from the defects characteristic of bureaucratic systems, including centralized decision-making, hierarchically structured with a unified command structure, apex organization with converging lines of authority, rigidity and extremely regimented procedures, and control by administrative process rather than results-driven. Operating in this manner, the federal administration has lost sight of modern business models, generating in the popular mind an image of inflexibility, of a highly institutionalized and unsatisfactory bureaucracy incapable of meeting the challenges and fulfilling the new roles demanded of the public sector in a modern economy. A few of the main problems facing Brazil's federal administration are presented below.

1. Cost of government

- 1.9 The federal government's total payroll costs for its civil servants has remained stable over the past two years at roughly 5.5% of GDP. At the same time, the share of retirement benefits in this total has grown, and it is estimated that by the end of 1997 the government will be spending as much on retiree's pensions as it does on the salaries of active employees. Personnel costs already represent approximately 52% of total revenues for the federal government, and in the states and municipalities of Brazil the situation is even worse, with payroll and other employee costs accounting for over 60% of revenues, which is the limit set by law.
- 1.10 While federal civil service personnel costs have not reached the critical levels of the states, the current federal administration has already begun taking measures to reduce its payroll costs, including the elimination of over 100,000 public service positions, the introduction of a voluntary termination plan under which over 9,000 employees left the civil service, and the closing of some public enterprises. 1/ As a result of these cutbacks, personnel costs in the executive branch have been lowered from US\$34 billion (May 1995-April 1996) to US\$33 billion (May 1996-April 1997).
- 1.11 With the approval of the administrative reform package, the government will have the legal instruments needed to introduce flexibility and lay off public employees which, particularly in the case of the states and municipalities, will make it possible to trim payroll costs. However, it should be noted that the goal of the proposed program is institutional reform, not the downsizing of the civil service inasmuch as this is not one of the more pressing problems facing the federal administration.

---

1/ Such as the Brazilian Assistance League, Brazilian Center for Infancy and Adolescence, and Medical Center Foundations, among others.

## 2. Administrative structure

- 1.12 Brazil's federal administration itself consists of the Executive Office of the President, 20 permanent ministries (of which 17 are civilian and 3 are military bodies) and 3 special ministries. As well, the administration is responsible for some 130 state-owned corporations, 40 foundations, 17 enterprises, and 25 semi-private companies - many of which are currently being either wound up or privatized.
- 1.13 The most noticeable feature within departments under the direct control of the administration is the extremely limited capacity of the ministries to plan, design, implement and evaluate public policies. The scarcity of resources, qualified technical staff and information systems is endemic and seriously hampers their ability to oversee and coordinate the agencies within their respective sectors.
- 1.14 With respect to the decentralized or state-owned entities, one of the most problematic aspects of their management has been their progressive loss of autonomy and administrative flexibility. Whereas the state-owned corporations and foundations were originally created with relatively wide-ranging powers and flexibility in their management, they are today subject to the same rigid operating conditions that apply to the centralized departments. They are allowed no more leeway in how they spend their budgets than the ministries themselves, and are thus prevented from taking advantage of special opportunities arising in the procurement of goods and services.

## 3. Management and development of human resources

- 1.15 Brazil's FPA has close to 545,000 officials, of which some 200,000 belong to the central administration while the rest are employed indirectly by the state-owned corporations and foundations. The main difficulties in administering human resources within the FPA have to do with the extreme rigidity of its legal framework for labor contracts, the absence of modern recruitment and career improvement programs, and policy limitations with respect to training and professional development.

### a. Tenure rights in the civil service

- 1.16 Brazil's amended constitution of 1988 granted tenure rights to all civil servants, whether in the direct employ of the central administration or in the service of one of its state-owned corporations or foundations, through adoption of the Unified Legal System. This extension of a universal job guarantee acts as a disincentive to public officials, making the personnel administration system extremely rigid and severely restricting the ability of the federal government to reward employees on the basis of performance since the system of incentives is also limited by

strong wage compression from the existing job classification system. To date, the only administrative modality for managing personnel is the so-called designated civil service position (DAS) which does not adequately meet the government's needs and, in fact, has hindered development of an effective human resources policy for the FPA.

b. Civil service classification system

- 1.17 The current civil service classification system has no more than a handful of categories with suitable career paths (the diplomatic corps, judiciary, and military), and only in these areas is there an adequately devised pay scale with sufficient progression from entry-level through the top grades. Other classifications - such as public finance officers; federal police; treasury, finance, audit and budget officials; and general managers - while somewhat structured, have salary steps that range over a relatively limited wage gap (between 6% and 44%). As public officials, especially those employed by the central administration, come to focus more on regulatory oversight and strategic management (instead of actual implementation of programs), there will be a vital need to revise the technical profiles contained in existing job descriptions and career paths to make these compatible with the new management model.
- 1.18 In addition to its limited coverage, the classification system contains an excessive number of job categories (around 4,300), which makes management difficult and hampers mobility between similar functions. The MARE, which is responsible for managing the FPA's human resources, lacks an up-to-date roster of civil servants, as well as information on job categories within each department's organizational structure, and therefore cannot be sure what the duties are (or should be) within each classification. In other words, there is no clear idea of which posts and how many positions can be effectively grouped into a reduced number of career paths.

c. Remuneration

- 1.19 The existing wage structure within the civil service is also out of line with respect to salaries in the private sector. While senior posts in some categories earn on average 14% less than in the private sector, some operating-level positions under the civil service are earning 45% more than their counterparts in the business world - some in areas that could readily be contracted out. These discrepancies make it difficult to find the better qualified personnel that are indispensable for modernizing the management of the State.

#### 4. Information systems

- 1.20 The federal government's most important computerized information systems are those dealing with personnel records, general services, budget and finance and internal auditing. However, these systems are used only to satisfy the operational needs of the administration, generating little in the way of information that can support decision making, or that might be of interest to the public. In large part, these systems were developed independently of one another to meet the specific needs of a given agency and with no concern for integration of systems and databases. Moreover, most rely on technology that is now obsolete.
- 1.21 Among the most important factors limiting the federal government's ability to make more effective use of information and computer technology within the FPA are the following: (i) lack of data communications infrastructure covering the entire FPA; (ii) lack of an ongoing planning and evaluation process to direct the allocation and management of information/computer resources efficiently; and (iii) lack of standards and practices to allow for the integration and interaction among the information systems of the public administration, and reliable and secure access to databases by means of a communications network.

#### 5. Citizen support services

- 1.22 The deficiencies of a bureaucratic administration are most evident in the direct services it provides, and in the communications established to both inform and obtain feedback from its citizens. For the bulk of Brazilian society, government means endless lineups, indifferent and unmotivated civil servants, bureaucratic delays and red tape, senseless requirements and much running back and forth, and little concern to meet the real needs of individual citizens. All of which causes enormous loss of time and leads to resentment on the part of the community, as well as affecting the productivity of firms and businesses.
- 1.23 To improve this situation will require changing the way in which public servants view their work, as well as streamlining procedures and revising the strategy for communications between the public and civil servants. Various state governments have begun to make these changes through the creation of one-stop centers for provision of citizen support services. These centers make it possible to offer comprehensive and efficient state services in a single location, using employees who are better trained in dealing with the public. Supporting and expanding these centers at the national level should have a positive impact on relations between civil society and federal and local governments.
- 1.24 Another problem is that the current internal means of communication available to the government are fragmented, tailored to specific circumstances or problems in a given sector with no overall

communications strategy for informing public officials and making them active participants in those government programs that seek to provide the public with better service. By the same token, if citizens are a state's principal clients, then they must also be the primary indicator of its success and the main source of information in decision making with respect to its modernization. To this end, the federal government has begun to encourage participation by civil society through the State Reform Council, and the proposed program will provide the resources to improve such lines of communications, both within the government and in the rest of society.

C. Administrative reforms

- 1.25 The legal framework for the program to modernize the federal public administration is made up of the following provisions:  
(i) Decree 1526 of June 20, 1995, which creates the Câmara da Reforma do Estado to determine the policy guidelines for reforming the State - the Chamber is made up of the president's Chief of Staff, the Minister for Federal Administration and State Reforms (MARE), the Minister of Planning and Budgets, the Ministers of Treasury and Labor, the Head of the Armed Forces' General Staff, and the Secretary General of the Executive Office of the President;  
(ii) Decree 1738 of December 8, 1995, which establishes the State Reform Council, a consultative body made up of 12 prominent members of civil society, reporting to the MARE and with a mandate to promote discussions with the government and make recommendations to the Chamber; and (iii) the Master Plan for the Public Service Renewal Program (PDRAE), drawn up by the MARE and approved by both the Chamber and the president in November 1995.
- 1.26 The government's policy for improving the performance of the FPA is set out in the PDRAE in accordance with the following principles:  
(i) the actions of the State are to be focussed on the citizen;  
(ii) supervision of the State's actions must be primarily through performance evaluation; (iii) the planning and monitoring capacity of the entities responsible for determining policies and evaluating performance are to be strengthened; (iv) the services provided by the State must be decentralized; (v) there must be regulated competition between State agencies; and (vi) agencies and employees must be accountable to citizens.
- 1.27 The new model for public administration includes the implementation of new systems for the management and control of government agencies. And this implementation presupposes analysis of the functions carried out by the State in order to determine which policy to adopt in each case, according to the following model:

NATURE OF ACTIVITY	POLICY	INSTRUMENTS
Core strategy of the government	Reinforcement of the capacity to set, enforce and assess public policy	Restructuring, computerization, training, civil service classification system
Activities that are the exclusive prerogative of the State	Introduction of new institutional format with greater flexibility and management autonomy	Operating and regulatory agencies under management contracts
Activities not reserved to the State	Transfer to nongovernmental entities and/or conversion of public agencies into nonprofit private entities	Social agencies under management contracts
Production of goods and services	Privatization	National Divestiture Program

- Core strategy of the government: This is the sector responsible for setting and enforcing government policy. It includes the Executive Office of the President and the various Ministries of State.
- Activities that are the exclusive prerogative of the State: This is the sector that provides services which only the State can perform, such as collecting taxes and conducting audits, regulating industry, issuing official documents, etc. To provide such services, various foundations and state-owned corporations will be transformed into special operating agencies, to be administered under management contracts which allow greater autonomy to their managers.
- Activities not reserved for the State: This sector includes those services which are not the exclusive domain of the government, the provision of which may be delegated to private sector entities (e.g. higher education, hospital administration, research and so forth). Private nonprofit entities (called Social agencies) will be formed to handle such services, to be administered under management contracts issued to a number of entities which are currently part of the public sector, such as hospitals, universities, research centers, museums, etc.

1.28 The Ministry for Federal Administration and State Reforms (MARE) has laid down guidelines for restructuring federal entities based on application of the two abovementioned principles, including: (i) the decentralization of specific duties and resources through transfer to subnational levels of government and other social actors; (ii) increased delegation of authority to public administrators (managers); (iii) downsizing of administrative structures seeking to reduce costs; (iv) ex post performance appraisals instead of monitoring administrative procedures; and (v) client-centered administration with the citizen as principal client. In addition to the above guidelines, it is proposed that the distribution of functions among the various governments be reviewed based on the principle that functions involving direct

service to the public belong at the state and local level wherever possible, reserving to the federal government the task of setting and overseeing national policies, and regulating their implementation.

D. The program's strategy

- 1.29 The strategic priority under this program is to support the government's efforts to improve its ability to carry out public policies, and to change organizational structures and administrative procedures. With this goal in mind, the program is designed to strengthen the technical capacity, provide training for the human resources, and upgrade the logistical resources of the federal administration.
- 1.30 The program will provide technical assistance for the restructuring of the ministries and other entities of the federal administration, with a view to their modernization and improving their performance. Part of this process will include identifying activities that are to be decentralized, deregulated, restructured or privatized. In certain cases, these changes will require the introduction of new institutional models, such as special operating agencies and social agencies, which will undertake contractual obligations vis-à-vis the government based on management contracts. The program will provide organizational consulting services for establishment and reorganization of these entities, in addition to helping to draft the respective management contracts.
- 1.31 The program will also provide support for modernization and integration of key information systems operated by the federal administration in a number of areas including personnel management and communications, as well as the strengthening of systems of management and human resource development. The ultimate goal of the program is to improve the performance of the FPA, both in activities pertaining to its regulatory role, and in those which must necessarily be carried out by the central administration.

E. The Bank's country strategy and other operations for modernization of government services

1. The IDB's country strategy for Brazil

- 1.32 The Bank's strategy for Brazil, as defined in the Country Programming Paper approved by the Board of Executive Directors in February 1996, concentrates on three broad priorities: (i) provision of support for public sector reforms and modernization of governments at both federal and state levels; (ii) support for the social sectors, including improved coverage under social services such as education and health, alleviation of poverty and provision of basic sanitation and environmental protection services; and (iii) support for efforts to increase productive capacity and bring down production and distribution

costs in the country. The proposed operation addresses priority (i) directly, and although it concentrates on modernization of the federal administration, successful completion of its activities will have direct repercussions on state and municipal governments as well.

- 1.33 The program proposed in the present document is consistent with the Bank's strategy for Brazil inasmuch as it will contribute significantly to the modernization of government through support for other basic institutional reforms, and will enhance the effectiveness of government actions at the level of both federal and subnational governments.

## 2. Projects for modernization of governments

- 1.34 As part of the effort to encourage modernization of government services, in May 1996 the "Seminar on Reforming the State in Latin America and the Caribbean" was held in Brasilia with IDB financing, and was attended by ministers and other high-ranking officials from governments in the region, representatives of the multilateral agencies, members of civil society throughout the region, consultants and international specialists in the topic.
- 1.35 Then in October 1996, a technical assistance operation was drawn up and approved for the Program of Support for Modernization of the Executive Branch of the Federal Government of Brazil (ATN/SF-5377-BR). That operation, which has been coordinated by the MARE through an executing agency created for this purpose, is now nearing completion. The operation has financed the formulation of specific action plans to assist in the modernization of government services at the federal level. It is these plans that served as the basis for designing and determining the scale of the investment program proposed in the present document. In addition, the unit currently responsible for carrying out that technical assistance will also be assigned to coordinate execution of this program, for which it will be suitably strengthened and expanded. The experience gained in executing this technical cooperation will ensure better execution of the proposed program.
- 1.36 Late in 1995, the Bank approved a technical cooperation loan (888/OC-BR) of US\$78 million for modernizing technology and strengthening the management capacity of the Federal Revenues Secretariat, with the goal of improving federal tax collection and reducing evasion. Another operation in the same area was the National Fiscal Administration program (980/OC-BR) for US\$500 million, approved in December 1996. This program is designed to upgrade the tax administration and fiscal controls of the states. Additionally, in February 1997, the Bank approved a technical cooperation loan for improving the information systems of the Institute for Economic and Social Planning (IPEA), in the amount of US\$25 million (991/OC-BR). The aim of this project is to strengthen the Institute's capacity for setting and evaluating



public policy (particularly in social areas) and upgrade its database. Finally, the Bank is currently preparing a project for modernization of the legislative branch.

- 1.37 All of the abovementioned operations complement and enhance the proposed program, as well as the other reforms and modernization activities being undertaken by the Government of Brazil. Moreover, technical cooperation ATN/SF-5377 has made it possible to define the objectives and scale of the various components of the program presented here, and the experience gained in the course of these operations provides greater assurance for its execution.

### 3. Activities of other agencies

- 1.38 The World Bank (IBRD) has in its pipeline projects involving government reforms in the states of Rio de Janeiro, Minas Gerais, Rio Grando do Sul, and Mato Grosso do Sul. These projects will provide support for the present program since they focus primarily on improving democratic governance at various levels of public administration within the states.
- 1.39 The Government of the United Kingdom has provided technical assistance to the MARE in formulating strategies and planning administrative reforms, as well as in preparing the present program, and this support is to continue during execution of the program proposed here. In addition, the Government of France is providing technical support under a program in which it has received MARE officials in France for training in public administration, and is sending technical experts to Brazil to conduct seminars on the modernization of government services.

## II. THE PROGRAM

- 2.1 The proposed program is designed to support the process for modernization of the federal public administration being carried out by the current government. The strategy adopted for this process includes institutional reforms, modernization of management and development of human resources, adoption of information management methods and technology, and improving service to citizens. Program execution will be based on the new legal framework and restructuring proposals prepared by the government.
  - 2.2 The program will cover a period of approximately five years and have an aggregate cost of US\$180 million, half of which the Bank will finance. Owing to the complexity of executing organizational reforms in such a large number of entities, and given the proposed institutional innovations and the need for synchronized progress in each of the various subprograms, it was felt best to divide the program into two phases (the first to last approximately three years, and the second two years). These will be supported by separate loans from the Bank in the amounts of US\$57 million and US\$33 million, respectively.
  - 2.3 The second phase will not be approved until the planned program execution and disbursement requirements described in Chapter III have been met. This will permit evaluation of results obtained in a number of entities, along with adjustment of the methods of execution, eligibility criteria and incentives offered to the other ministries and state-run enterprises for participation in the second phase of the program.
- A. Objectives
- 2.4 The objective of the program is to improve performance within Brazil's federal public administration, seeking to increase its efficiency and effectiveness in implementing government policies and carrying out the tasks with which it is charged.
  - 2.5 The program is expected to achieve: (i) increased efficiency, reduction of costs and improved control of the results obtained by federal entities, through a review of their institutional goals and the implementation of new administrative structures; (ii) improved management and development of the human resources of the federal government; (iii) upgrading of systems and technological resources of the federal administration; and (iv) better support services for citizens and increased flow of communications between government and the people as a means of consolidating and directing public sector reforms.
  - 2.6 The objectives and goals for program execution are described in the Logical Framework and the benchmarks contained in Annexes I and II.

B. Description

- 2.7 The program will comprise four subprograms designed to achieve these objectives. The cost of each, by phase, is as follows:

SUBPROGRAM I INSTITUTIONAL REFORM	SUBPROGRAM II MANAGEMENT AND HUMAN RESOURCE DEVELOPMENT	SUBPROGRAM III MANAGEMENT AND INFORMATION TECHNOLOGY	SUBPROGRAM IV CITIZEN SUPPORT SERVICES
<u>TotalUS\$48.4</u>	<u>Total US\$19.5</u>	<u>Total US\$62.7</u>	<u>Total US\$23.9</u>
Phase I: US\$24.6 Phase II: US\$23.8	Phase I: US\$17.0 Phase II: US\$ 2.5	Phase I: US\$42.0 Phase II: US\$20.7	Phase I: US\$15.9 Phase II: US\$ 8.0

- 2.8 These four subprograms are closely related. The institutional reforms designed to raise the quality of public administration, improve targeting of its activities and separate the entities responsible for formulating public policy from those that carry them out, can only be successfully implemented if suitable human and technological resources are available, which means that new information systems and human resource development and management programs are needed. In turn, all of these measures make sense only if they translate into better public services and lower costs for the country, which requires focussing all state programs squarely on the citizen and raising the efficiency of public administration and government expenditures.

1. Subprogram for institutional reforms (US\$48.4 million)

- 2.9 This subprogram will have three components, all of which will be designed to support rationalization of the federal public administration. Entities eligible to participate under this subprogram include agencies belonging to the central administration, state-owned corporations in process of conversion to special operating agencies, and foundations or other entities that can be transformed into social agencies.
- 2.10 The resources of the program will serve primarily for hiring consultants to study these entities, planning strategies, and introducing new operating and management systems, among other activities. Resources will also be provided for equipment relating to the modernization of administrative systems and training of public officials.
- a. Restructuring of the Federal Public Administration (FPA)  
(US\$16.9 million in all/US\$9.3 million for Phase I)
- 2.11 This component will assist the ministries of the FPA with the design and implementation of internal restructuring programs intended to reorganize their administrative structures, rationalize

their activities, and update their management systems. Approximately five ministries will be included in phase I (health, labor, agriculture, transport and administration). The MARE is already preparing its own restructuring plan which will serve as a model for design and execution of the same process in the other ministries.

- 2.12 These ministries were selected by the Câmara da Reforma do Estado based on: (a) the impact of the ministry and its external activities, with priority going to those ministries that have the greatest impact on the social sectors; and (b) the ministry's track record in introducing change and the political commitment of the corresponding authorities.
- 2.13 The projects will be carried out in two stages in all cases: preparation of a restructuring plan, followed by its implementation. The preparation stage will include the following activities: (a) entity-specific studies examining areas of responsibility, total number of employees and staffing pattern, management model, operating costs, and existing legal framework; (b) strategic planning for each entity based on its mission, objectives, goals, strategies, and performance indicators; (c) drawing up proposal for staffing level and personnel profiles; (d) defining work procedures and corresponding organizational units; (e) shaping a participatory system and changing attitudes toward the work; (f) recommending an incentive system; (g) drafting guidelines for improving management procedures and the legal framework; and (h) proposing new performance indicators for each entity.
- 2.14 The next stage will be to implement the restructuring proposals defined earlier, and will include: (a) introduction of the new work procedures; (b) training of personnel; (c) implementation of new management methods; and (d) application of the supervisory systems for the monitoring of work procedures, performance indicators, or quality controls. Following evaluation of the results obtained in phase I and adjustments where warranted, the restructuring process will be expanded in phase II of this program to include the other ministries of the FPA.
- b. Creation of special operating agencies  
(US\$14.4 million in all/US\$7 million for phase I)
- 2.15 The "special operating agency" is the proposed institutional model to be used for entities responsible for performing actions that are the exclusive prerogative of the State, but that can be carried out in decentralized fashion.
- 2.16 The program will provide support for restructuring state-owned enterprises and public foundations, including their eventual reconstitution as special operating agencies to be administered under management contracts signed with the senior ministry

responsible for each sector. Eight entities 2/ have been identified as candidates for conversion to special operating agencies in phase I of the program, and another five have been selected for similar treatment in phase II. Each of these entities will be required to develop a strategic plan and to make the necessary preparations for signing a management contract with the supervising ministry. As well, they must have the technical capacity to handle increasing levels of managerial autonomy, especially in the areas of human resources, general services, budget and financial administration. The creation of these agencies will require changes to the existing legal framework to permit them greater flexibility and autonomy in their management.

- 2.17 Given all of the above, this component will include: (i) designing of a strategic plan for each of the entities selected; (ii) drafting of the management contract between the entity and the corresponding ministry; (iii) creation of the institutional model and organizational structure; (iv) implementation of an ongoing training plan for technical staff and managers based on the new management model; and (v) design and deployment of new management tools for handling of improved technology.

c. Creation of social agencies

(US\$17 million in all/US\$8.3 million for phase I)

- 2.18 The object of this component is to provide support for converting public entities responsible for government programs in the fields of education, culture, research, health and social assistance, into social agencies (i.e. nonprofit private sector organizations) authorized to enter into management contracts with the executive branch and to receive and manage public funds. Separating these entities from the public administration will represent a profound cultural shift as they adopt management patterns similar to those of private enterprise. For proper awareness of markets and their clientele, these entities must assimilate new management skills, cost budgeting methods, and the training necessary to prepare and oversee the respective management contracts.
- 2.19 The projects to strengthen and support implementation of social agencies will consist of: (i) designing the strategic plan for each of the chosen entities; (ii) drafting their articles of association; (iii) drafting the management contract between the social agency and the appropriate ministry; (iv) establishing the new institutional model and organizational structure;

---

2/ Departamento Nacional de Pesquisa Mineral; Departamento Nacional de Estradas de Rodagem; Instituto Nacional do Seguro Social; Instituto Brasileiro do Meio-Ambiente e dos Recursos Naturais e Renováveis; Instituto Nacional da Propriedade Industrial; Instituto Nacional de Metrologia y Qualidade Industrial; Agencia Brasileira de Cooperação; Vigilância Sanitária y Defesa Agropecuaria.

(v) implementing an ongoing training plan; (vi) designing and adopting a system for managing human resources; and (vii) designing and implementing information and management control systems.

2.20 The objective of these activities will be to assist in the reorganization of existing public entities so that they are able to operate successfully as nonprofit private sector entities. At the same time, efforts will be made to increase the share of own resources under their budgets, and to substantially raise both the quality and the coverage of the services they offer.

2.21 Ten public entities that demonstrated great interest in becoming social agencies have been selected for inclusion in phase I of the program. The commencement of phase II will be based on progress and assessment of the results of this process, with an eventual aim of producing approximately 17 of these agencies by the time the program has been completed.

2. Subprogram for Management and Human Resource Development  
(US\$19.5 million)

2.22 Ensuring strong public sector administration requires suitable management policies and development of the administration's principal resource, i.e. public servants. This in turn requires professional training programs. The intention of the present subprogram is to provide support for the design and implementation of this new policy which takes account of the urgency of developing new skills and technical expertise on the one hand, and the importance of establishing a more participatory approach to labor relations on the other hand.

2.23 This subprogram will have four components: (i) integrated system for the management of civilian employees of the FPA; (ii) studies of public sector career paths and employment systems; (iii) strengthening of the public administration information center at the School of Public Administration (ENAP); and (iv) training program for officials in the public security sector and institutional strengthening for the National Police Academy.

2.24 Resources will be provided under this subprogram for: (i) the hiring of consultants to design the new management and human resource development system, the career path and employment systems project, and the curriculum for the police training program; (ii) purchase of computer equipment and systems; (iii) training of personnel in the new systems; and (iv) purchase of teaching and research materials relating to public administration.

a. Human Resources Management System  
(US\$8.6 million in all/US\$7.6 million for phase I)

2.25 This component will support development and implementation of a computer system for managing the human resources of the FPA. The

current personnel management system is limited to maintaining a personnel roster containing over one million individuals and preparing the monthly payroll. The new system will extend the existing one, adding information in areas vital to adequate personnel administration and including the gradual phasing in of the following modules: (i) management of new organizational structures; (ii) employee salaries and expenditures; (iii) wage and payroll analysis; (iv) administrative personnel register; (v) recruitment of new personnel; (vi) career development; (vii) performance evaluations; (viii) training records; (ix) institutional planning; (x) administrative support and development; and (xi) retirements and pensions.

b. Developing the public service classification and employment systems (US\$1 million in all)

2.26 The public service classification system administers and tracks the working life of over 560,000 federal civil servants distributed under some 4,300 job categories. This component will provide resources to finance studies of the current classification and job category system, including analysis of its incentive structure, institutional framework, flexibility, work simplification, and degree of coordination with the new system of special operating and social agencies. With regard to the structure of incentives, various proposed systems of remuneration will be analyzed for the various grades (fixed versus variable pay scales, etc.), along with policies governing promotion and comparison of public service wages with those of the private sector, in order to ensure transparency in public sector salary levels. Review of the institutional framework will include a feasibility study to assess the possibility of assigning policy-setting, supervisory, and financing functions to separate entities.

2.27 Several alternatives will be proposed for making the classification system more flexible to allow for the movement of human resources within the FPA, such as lateral entry, salary bands, etc. In connection with efforts to improve recruitment and retention of civil service personnel, the studies will also cover *inter alia* training and professional development programs and the setting up and feasibility of a management corps of the senior executive service type. Finally, a managed health system for employees of the FPA will be considered as an important method of attracting high-level personnel to join the civil service.

c. Strengthening the Documentation and Information Center of the School of Public Administration (ENAP)  
(US\$800,000 in all/US\$600,000 for phase I)

2.28 The ENAP's Documentation Center requires strengthening because of Brazil's lack of sources of data on public administration that can be used for the production and dissemination of information and technology in this field. Given its national prominence and

connection with the MARE, the ENAP is the obvious choice as a site for collection and dissemination of specialized information on public administration and management. Accordingly, this component will include support for purchasing the materials necessary to update its Documentation and Information Center, transforming it into a center of excellence for consultation of appropriate materials. Under this project as well, resources will be provided for the publication of specialized material on public administration for dissemination and use in this area of the program.

d. Training of law enforcement officials

(US\$9.1 million in all/US\$7.8 million for phase I)

2.29 The citizens of Brazil attach high priority to public security, and their concern is not limited to violence as such, but extends as well to the behavior of the country's police forces in their efforts to control that violence. Meanwhile, the country's police forces are facing new types of crimes for which they are not prepared. The training received by state and federal police alike is based on antiquated curriculums, with little or no coordination between state and national police academies.

2.30 This component will finance consultancies to design and implement a new basic curriculum for use in both federal and state police academies, as well as the pertinent teaching materials and training programs for their instructors. The new curriculum will emphasize courses on human rights and community organizations, among other topics. The component will also provide resources for purchase of equipment, preparation and distribution of video courses for use in state police academies.

3. Management and information technology subprogram  
(US\$62.7 million)

2.31 The overall objective of this subprogram is to support computerization of the federal public administration by establishing policies, guidelines and standards for integrated management of the APF's computerized information systems, along with implementation of the infrastructure and technological resources necessary for modernizing government services.

2.32 The 10 projects that make up this subprogram have been grouped together under three components:



a. Planning the computerized information system and training for personnel in the use of the system

(US\$10.7 million in all/US\$6.4 million for phase I)

(i) Strategic planning of the computerized system

(US\$3.2 million in all/US\$1.7 million for phase I)

2.33 This project involves compiling an inventory and determining the cost of existing computer and data processing equipment in order to rationalize future acquisitions and use of available equipment. A specialized consultant will be hired for this purpose.

(ii) Training and development of human resources

(US\$7.5 million in all/US\$4.7 million for phase I)

2.34 Consultants will be hired under this project to: (a) conduct a survey to identify the FPA's human resources in the information science and computer field; (b) determine the professional requirements for employees in this field; (c) establish guidelines for recruitment, hiring, and salary levels in information science and computer technology; and (d) draft a plan for the training and development of such personnel.

b. Standardization of technology infrastructure

(US\$15.8 million in all/US\$11.7 million for phase I)

(i) Government network

(US\$11.2 million in all/US\$8.9 million for phase I)

2.35 This project seeks to install integrated technological infrastructure consisting of an interconnected computer and telecommunications network linking government institutions through a national network based on open systems. In order to achieve this objective, financing will be provided for: (a) consultants to determine the type and quantity of communications infrastructure needed for the government network; and (b) purchase of the equipment necessary to create the initial infrastructure for the network.

(ii) Technical standards and norms

(US\$4.6 million in all/US\$2.8 million for phase I)

2.36 The main objective under this project is to define the management model to be used for supervision of the FPA's information technology. Program funding will be provided for three principal activities: (a) drafting of technical specifications for an open system interconnection (OSI) profile, that is to say, standards and norms for the connection of networks and systems; (b) preparation of a reference guide for the installation of computer systems; and (c) implementation of a program for certification of software.

c. Information management and dissemination

(US\$36.2 million in all/US\$23.9 million for phase I)

(i) Standardization and integration of the FPA's computer systems

(US\$3.1 million in all/US\$2.4 million for phase I)

2.37 This project will support efforts to integrate the main computer systems operated by the federal government, and to organize, develop and implement a standardized system for storage and retrieval of management information.

(ii) Integration of national criminal justice data systems

(US\$7.4 million in all/US\$5.3 million for phase I)

2.38 The objective in this project is to create a computer information system for criminal and penitentiary records. A number of data systems that are currently maintained by different states and/or government agencies will be integrated into a single national computer network. The program will provide the resources needed to hire consultants and purchase equipment for: (i) computerization of state databanks; (ii) creation of a national index permitting consultation by name and serial number of weapons either registered or seized by the police; (iii) design and installation of a network of information systems; and (iv) compilation of a listing of authorized users that can be used to maintain the confidentiality and security of the system.

(iii) FPA information distribution system

(US\$3.8 million in all/US\$2.5 million for phase I)

2.39 The project to create an information distribution system will finance the hiring of consultants to: (a) compile an inventory of the government's databases; (b) create a data look-up system and directory of government databases; (c) adopt a digital documentation storage system in the FPA; and (d) prepare the thesaurus and other devices for indexing the FPA's information resources.

(iv) IBGE information network

(US\$8.5 million in all/US\$5.3 million for phase I)

2.40 This project will reinforce the activities being carried out under Loan 991/OC-BR which was granted to the IPEA for the purpose of augmenting accessibility to information systems available within the network of the Brazilian Institute of Geography and Statistics (IBGE). The aim in this case is to reduce the interval between generation and dissemination of information, organize the data resources of the IBGE, provide effective means for distribution of these data, and guarantee public access throughout Brazil. To accomplish these objectives, the project will finance the hiring of

consultants to design the information distribution system, develop mechanisms for accessing the IBGE's databank, and install decentralized infrastructure for dissemination of information.

(v) Modernizing computer systems used by the Ministry of External Relations (MRE)

(US\$8.3 million in all/US\$4.9 million for phase I)

- 2.41 This project relates to technical cooperation the Bank is providing to the Ministry of External Relations, expanding that effort to include modernization of the ministry's information system. Its objectives are to: (a) complete the computerization of the system which is already under way; (b) optimize communications within the MRE; (c) improve consular and other services for Brazilian citizens abroad; and (d) modernize Brazilian foreign representations in strategic areas. To do this, the project will finance the purchase of equipment and consulting services, as well as the training of personnel.

(vi) Computerization of the FPA's procurement systems

(US\$5.1 million in all/US\$3.5 million for phase I)

- 2.42 This project has as its object to promote the development of activities in the area of government procurement of goods and services. In particular, it is intended to: (a) streamline bidding procedures; (b) ensure greater transparency in government contracting; (c) standardize the procurement of goods and services in common use; and (d) reduce the cost of bidding and contracting by recording prices paid in government procurement. To carry out these tasks, the project will finance the hiring of consultants to compile a catalog of supplies and services, a roster of suppliers, a bidding information system in electronic format, and an integrated register of prices.

4. Citizen support services subprogram (US\$23.9 million)

- 2.43 This subprogram is intended to give effect to one of the most important principles behind the reforms to the public administration, namely that of making the citizen the primary focus of the State's attention, and at the same time guaranteeing a transparent and constant flow of communications between government and people. To accomplish this, the subprogram will be divided into three components: (i) Citizen support (one-stop) service centers; (ii) communications policy; and (iii) development of innovative projects in the areas of citizenship and modernization of the State.

a. Citizen support (one-stop service) centers  
(US\$13.7 million in all/US\$8.8 million for phase I)

- 2.44 This component will permit expansion of a highly successful experiment in providing government services for citizens by supporting the installation of citizen support centers (SACs) in several different states. The SAC is a government facility which brings together in one location a number of public services in great demand - for example, the issuance of identity documents, drivers licenses and business registration forms, the payment of taxes, etc. Creating this type of center will require designing the respective procedures, training staff and installing feedback mechanisms for public input concerning the services provided. SACs have already been set up by several state governments (Bahía, Santa Catarina, Maranhão and Paraná) and have been received warmly by the public.
- 2.45 Based on an analysis of existing SACs and compilation of a best practices list at the national level, this component will provide funding for hiring consultants, purchasing equipment, and training personnel in support of the installation of additional SACs in selected states. The project will be carried out jointly with local governments, which will provide buildings, personnel, and part of the equipment by way of counterpart contributions.

b. Communications policy  
(US\$5.2 million in all/US\$4.1 million for phase I)

- 2.46 This component will develop a communications strategy designed to inform and involve citizens in all aspects of public administration reform. One of its objectives is to ensure that public opinion becomes the principal indicator of the success of reform programs, and one of the key factors for reshaping these programs where necessary. The component in fact has two target populations: public servants themselves as the primary agents of change, who must therefore be informed and actively involved in reform; and society at large, which must participate actively and, acting through representative groups and institutions, ensure the viability of required institutional/legal changes.
- 2.47 The project will, among other activities, provide funding for publicizing the progress achieved and reform programs, conducting opinion polls on the provision of public services, and communicating with the administration's own employees.

c. Development of innovative projects in the areas of citizenship and modernization of the State  
(US\$5 million in all/US\$3 million for phase I)

- 2.48 This component is intended to ensure participation by civil society in the preparation of strategic studies and investment projects for modernizing the State. To do this, the project will provide:

(i) support for the State Reform Council's activities, including preparation of studies and the holding of public hearings; and  
(ii) preparation of studies and investment projects proposed by other public agencies or groups representing civil society, in the area of citizenship and modernization of the State.

- 2.49 The program will support efforts to prepare public forums, studies and/or proposals concerning coordination between the State and civil society, public security and citizenship, development and participation of society in the process of setting and monitoring public policy, mechanisms for evaluation of social aspects, accountability of public figures vis-à-vis their constituencies, and participation in strategic decision making.

C. Costs and financing of the program

1. Costs per subprogram for each phase of the program

- 2.50 The costs for investments to be made under the subprograms in the two phases of the program are as follows:

SUMMARY TABLE SHOWING COSTS PER COMPONENT AND STAGE			
SUBPROGRAM/COMPONENT	PHASE I	PHASE II	TOTAL
<b>1. Subprogram for institutional reforms</b>	<b>24,600</b>	<b>23,800</b>	<b>48,400</b>
1.1 Restructuring of the FPA	9,300	7,600	16,900
1.2 Support for creation of special operating agencies	7,000	7,400	14,400
1.3 Support for creation of social agencies	8,300	8,800	17,100
<b>2. Subprogram for Management and Human Resource Development</b>	<b>17,000</b>	<b>2,500</b>	<b>19,500</b>
2.1 Administration of human resources in the FPA	7,600	1,000	8,600
2.2 Developing public service classification and employment systems	1,000	0	1,000
2.3 Police training for public security	7,800	1,300	9,100
2.4 ENAP Documentation centers on public administration	600	200	800
<b>3. Management and information technology subprogram</b>	<b>42,000</b>	<b>20,700</b>	<b>62,700</b>
3.1 Human resources planning and development	6,400	4,300	10,700
3.1.1 Planning of management and information technology	1,700	1,500	3,200
3.1.2 Training and professional development	4,700	2,840	7,500
3.2 Infrastructure and standardization of technology	11,700	4,100	15,800
3.2.1 Government network	8,900	2,300	11,200
3.2.2 Technical standards and norms	2,800	1,800	4,600
3.3 Management and dissemination of information	23,900	12,300	36,200
3.3.1 Standardization of computerized systems	2,400	700	3,100
3.3.2 Integration of national criminal justice data systems	5,300	2,100	7,400
3.3.3 FPA information distribution system	2,500	1,300	3,800
3.3.4 IBGE information network	5,300	3,200	8,500
3.3.5 Modernizing computer systems used by the MRE	4,900	3,400	8,300
3.3.6 Computerization of the FPA's procurement systems	3,500	1,600	5,100
<b>4. Citizen support services subprogram</b>	<b>15,900</b>	<b>8,000</b>	<b>23,900</b>
4.1 Citizen support (one-stop) service centers	8,800	4,900	13,700
4.2 Communications policy	4,100	1,100	5,200
4.3 Innovative studies on modernization of the State	3,000	2,000	5,000
<b>TOTAL (DIRECT COSTS)</b>	<b>99,500</b>	<b>55,000</b>	<b>154,500</b>

## 2. Costs and financing

- 2.51 The total cost for phase I of the program is estimated as US\$114 million equivalent, of which the Bank will finance one-half (US\$57 million) in the form of a loan charged to Ordinary Capital. Local counterpart funding will come from current revenues of the Government of Brazil, by means of an appropriation under the national budget. The table below summarizes costs in both phases of the program:

CATEGORIES	PHASE I			PHASE II			TOTAL	
	IDB	Local	Subtotal	IDB	Local	Subtotal	US\$	%
<b>1. Admin. and Supervision</b>	<b>2,000</b>	<b>5,100</b>	<b>7,100</b>	<b>1,300</b>	<b>3,000</b>	<b>4,300</b>	<b>11,400</b>	<b>6</b>
<b>2. Costs</b>	<b>53,000</b>	<b>46,500</b>	<b>99,500</b>	<b>29,700</b>	<b>25,300</b>	<b>55,000</b>	<b>154,500</b>	<b>86</b>
2.1 Institutional reform	16,900	7,700	24,600	16,300	7,500	23,800	48,400	27
2.2 Human resources	9,300	7,700	17,000	1,800	700	2,500	19,500	11
2.3 Logistical resources	18,000	24,000	42,000	8,900	11,800	20,700	62,700	35
2.4 Citizen support services	8,800	7,100	15,900	2,700	5,300	8,000	23,900	13
<b>3. Costs and financing</b>	<b>570</b>	<b>4,650</b>	<b>5,220</b>	<b>300</b>	<b>2,000</b>	<b>2,300</b>	<b>7,520</b>	<b>4</b>
3.1 Inspection and supervision	570	0	570	300	0	300	870	0
3.2 Interest	0	4,200	4,200	0	1,800	1,800	6,000	3
3.3 Credit fee	0	450	450	0	200	200	650	0
<b>4. Contingencies</b>	<b>1,430</b>	<b>750</b>	<b>2,180</b>	<b>1,700</b>	<b>2,700</b>	<b>4,400</b>	<b>6,580</b>	<b>4</b>
<b>Total</b>	<b>57,000</b>	<b>57,000</b>	<b>114,000</b>	<b>33,000</b>	<b>33,000</b>	<b>66,000</b>	<b>180,000</b>	<b>100</b>
<b>%</b>	<b>32</b>	<b>32</b>	<b>64</b>	<b>18</b>	<b>18</b>	<b>36</b>	<b>100</b>	

### III. EXECUTION OF THE PROGRAM

#### A. Borrower and the executing agency

- 3.1 The borrower under the proposed loan will be the Federal Government of Brazil. The Ministry for Federal Administration and State Reforms (MARE) will act as executing agency through its Coordination Secretariat (SAI), which will be responsible for coordinating program activities both within the MARE itself and vis-a-vis other federal agencies and other levels of government.
- 3.2 The SAI is an integral part of the MARE's internal administration. Its functions and powers as defined by law are to coordinate joint activities and ensure institutional, technical, and financial cooperation within the MARE, between the agencies of the federal public administration and state and international organizations relating to the modernization and reform of government services. Among its other duties, this office coordinates nonreimbursable technical cooperation with the IDB and will oversee the present program.

#### B. Project executing unit

- 3.3 For actual execution, the MARE will establish a project executing unit (PEU) to operate under the SAI and with responsibility for coordination, execution, supervision, and evaluation of all activities under the program.
- 3.4 Inasmuch as a large part of these activities will be carried out by other agencies and, in some cases, other levels of government, the PEU will establish a system of coordination and formal agreements to guarantee the proper use of resources during execution of the program. The organization of the PEU will be based on the operating unit responsible for the Bank's current technical cooperation number ATN/SF-5366-BR.
- 3.5 The central executive of the MARE, which includes the secretaries of the main units of the ministry, will be responsible for overall strategy and direction of the program. The executive group will approve the budget submitted by the national project director, as well as progress reports and activities carried out under the program. Finally, the executive must also submit for the Minister's approval all strategic decisions concerning coordination and execution of the program.
- 3.6 The PEU's organizational structure will include: (1) the National Project Director, who will be responsible for carrying out the decisions of the central executive and monitoring the development of program activities at all times; (2) a Technical Adviser to provide technical supervision of the various projects; (3) a



Coordinator of Planning and Project Administration to assist with overall planning of the program; (4) Technical Coordinator to take charge of coordination, planning, supervision and evaluation of technical aspects involved in executing the activities scheduled under the subprograms and co-executing agencies; (5) Administrative and Financial Coordinator; (6) four coordinators for the subprograms, with direct responsibility for technical oversight of execution of the various components; (7) a human resources manager and a financial manager; and (8) a purchasing agent.

- 3.7 It is estimated that the PEU will require total expenditures of US\$11.4 million over the five-year execution period for the program, of which the Bank will finance US\$3.3 million. The Bank's portion will be used to hire outside technical assistance for the MARE, and for the purchase of equipment needed for the PEU's operations.

C. Participating organizations

- 3.8 Execution of the proposed program will be under the general supervision of the MARE. However, the activities of some components will be carried out jointly by agencies of the federal public administration and state governments, together with units of the MARE. In these cases, executing units must be set up within each entity participating in the program.
- 3.9 Each participating organization will be required to establish a suitable executing unit to provide proper technical and administrative supervision of its projects, and ensure that the program's operating regulations are strictly adhered to. Such units must have at least two sections: one for technical monitoring of projects, and another responsible for their administrative and financial aspects.
- 3.10 As the central authority having sole responsibility for execution of the program with respect to the Bank, the MARE will supervise and evaluate the execution of all projects carried out with resources provided under this program, and will provide the other organizations and governments with the technical assistance and training needed to ensure that these resources are used properly and in a transparent manner. The operating regulations for the program are available in the Bank's technical archives and must be placed in effect prior to the first disbursement.

D. Execution of the Subprograms

1. Subprogram for institutional reforms

- 3.11 Although the Câmara da Reforma do Estado has established as one of the country's top priorities that of restructuring the ministries and other agencies of the federal administration, participation in this program is nonetheless voluntary. Entities wishing technical

support to plan and carry out a restructuring program must meet the eligibility requirements and follow the methodological guidelines established in the operating regulations. The basic criteria which public entities must satisfy in order to participate in the program are as follows:

a. Eligibility requirements

- (i) The ministry in question must submit a formal request, asking that the MARE include it in the program.
- (ii) In the case of foundation and state-owned corporations, a letter of intent must be signed by the person responsible for the entity, the minister in that sector, and the MARE.
- (iii) Before a participating ministry can move from the design stage to actual implementation, its restructuring plan must be approved by the Câmara da Reforma do Estado.
- (iv) Before the social organizations and executive agencies can move from the design stage to implementation, they must have established an appropriate legal framework making them fully operational.

- 3.12 Each participating ministry or entity will begin the restructuring process by appointing a work group made up of designated officials and assigned to oversee reorganization activities. These work groups will be responsible for managing and carrying out the project within each organization. They will be empowered to provide coordination and supervise the consultants hired to advise on the process of change. These groups will propose terms of reference for consultants (based on methodological parameters set by the MARE with the approval of the Bank) and participate in their hiring.
- 3.13 To provide technical support for execution of this component, a firm of consultants will be responsible for reinforcing coordination and technical supervision among participating entities, as well as for carrying out the corresponding evaluation.
- 3.14 The MARE has developed a set of methods for guiding the preparation of restructuring plans. Under this methodology, projects are to be carried out in two stages. The first stage is for development of restructuring plans, including the elimination of functions or organizations, or their conversion to special operating or social agencies, and other changes that require high-level policy decisions or changes to the legal framework. Once these decisions have been taken, or the respective legal changes have been made, participants enter the second stage in which consultants advise on the implementation of systems and other structural and

organizational changes. Entities that are to be transformed into special operating or social agencies will not receive financing for the second (implementation) stage until they have submitted and obtained approval of the appropriate legal framework.

- 3.15 It is expected to take approximately 18 months to prepare and implement a restructuring project within a ministry, or to transform a foundation or state-owned corporation into a special operating or social agency. The objective is to have 5 ministries, 8 agencies and 10 other organizations involved in the program, with their restructuring projects or conversion process well underway by the end of phase I.

## 2. Subprogram for Management and Human Resource Development

### a. Personnel administration system (SIAPE)

- 3.16 For execution of this component, specialized consultants will be hired to carry out four primary activities. The first is to design and implement the prototype SIAPE within the MARE itself. The second task is to develop the modules required for administering the relevant structures, salary scales, and human resources. The third is to bring the other modules into operation and provide training for the users of the SIAPE. Finally, the fourth activity is to install the basic hardware and software decided upon.

### b. Public service classification and social security system

- 3.17 The program coordinators will select and hire consultants to conduct studies and draw up proposals for the new public service classification system. These consultants must gather all available information on civil service employees, career paths, and respective salary levels; and propose a restructuring plan that takes account of the technical and managerial functions to be revitalized or created and the support areas which can be eliminated. They will also conduct market surveys to provide a basis for proposing incremental steps at the high end of salary scales to make them competitive with the private sector. Similar consulting services will be obtained to evaluate existing social security plans in the FPA in order to propose alternative systems that may involve co-financing, and that can serve as a means of attracting high-level personnel to public service.

### c. Strengthening of the ENAP's Documentation Center

- 3.18 In order to strengthen the Documentation Center operated by the ENAP, a working group will be established made up of the latter's personnel plus one technical adviser. This group will be responsible for purchasing the materials and support equipment identified under an earlier technical cooperation, and selecting fields in which the Center will develop its own series of publications.

d. Police training for public security

- 3.19 This component will be executed by a unit created within the Ministry of Justice. Its action plan will be carried out by two executing agencies: the Department of Public Security Affairs, which will be responsible for state police academies; and the Department of Federal Police, which will coordinate its own academy. These two agencies belong to the Ministry of Justice and will participate in the aforementioned unit.
- 3.20 These two agencies will be responsible for the selection and hiring of the consultants who will prepare the new professional training curriculum for the academies, and design and implement mechanisms to provide coordination between them. In doing so, the agencies will follow approved terms of reference which include the following eligibility criteria:

a. Eligibility requirements

- (i) To carry out this component, the Ministry of Justice must sign an agreement with the MARE under which it undertakes to adhere to the operating regulations of this program.
- (ii) For the project to strengthen state police academies, the academies themselves will be required to sign a letter of intent with the Ministry of Justice in which they agree to adopt the basic curriculum for police training, and to help establish a communications network among the academies.

3. Management and information technology subprogram

- 3.21 Fashioning the instruments needed to carry out the projects under this subprogram will require the services of specialized consultants at both the national and international levels. It is these consultants who will be responsible for start-up of the first modules of the networks which are already being installed, and for preparing the tender documents and final details for each project. Based on the results of bidding, consultants will be hired to carry out the projects and supervise their execution. The contracts they sign will make compliance with pre-established goals a mandatory requirement, and payment will not be made until evaluation by the PEU has been completed.
- 3.22 The consulting firm selected in each bidding competition must present the method it will use to supervise and carry out the respective project, with support software which meets the specifications required for the project. This method, together with the application tools to be used, will make it possible to follow the various stages of execution, and to evaluate them and report progress to personnel of the Secretariat and the PEU.

- 3.23 The projects will require selective evaluation levels to be established by participating ministries and within the central project executing unit. Within the MARE, support will be available through the Public Sector Information System Coordination Commission (SISP), which is made up of representatives of all of the ministries. This Commission has a number of technical groups that will study and issue recommendations concerning the projects submitted.
- 3.24 For projects carried out under the IBGE, Ministry of External Relations or Ministry of Justice, executing units will be created under the respective organization. In the case of the Ministry of External Relations, it will only be necessary to consolidate the unit which already exists under another of the Bank's projects. The Ministry of Justice will make use for this purpose of the same unit which is to be responsible for strengthening the police academies. These units will act in close coordination with the PEU, and funding will be transferred to them in accordance with progress under their respective work plans. For the transfer of IBGE resources, a contract will be signed with the MARE specifying the parties' agreement that execution, monitoring, and evaluation of said project will be carried out in accordance with the operating regulations. No such agreements are required between the MARE and the other institutions since the latter are departments of the central government.

#### 4. Citizen support services subprogram

- 3.25 The component establishing citizen support service centers will be carried out by the state governments. Consultants hired and supervised by the technical staff of the PEU will assist the states to draw up preliminary projects and oversee the establishment of the SACs. All states wishing to take part in the program must submit a preliminary project, prepared using the methods laid down in the operating regulations, and sign an agreement with the MARE in which they agree to provide funding equivalent to at least 40% of the total cost of the project. Resources under the program will then be provided to the states on a nonreimbursable basis.
- 3.26 The communications policy component will be carried out by the MARE under its PEU, with the support of the ministry's Communications Advisory Board (ASCOM). The latter will be assisted by consultants responsible for the design, implementation, and continuous monitoring and adjustment of the component. ASCOM will establish a means of ensuring inter-institutional coordination between the units responsible for communications within each sector of the federal government, as a way of guaranteeing that they will design and adopt a common strategy for communicating with the public and within the civil service itself.
- 3.27 Most of the studies, investment projects and public seminars under the component to develop innovative projects in the areas of

citizenship and modernization of the State will be carried out by consultants and/or consulting firms. The coordinating staff of the MARE's project executing unit will oversee the selection and work of these consultants, and will be responsible for distribution of information on the availability of funds for this purpose within civil society and the government. Both state enterprises and civil society organizations may apply to the MARE for support to carry out studies or hold seminars. Detailed proposals for these studies, projects and hearings - together with their terms of reference - will be approved on a preliminary basis by the MARE. Final approval will rest with the Bank. The list of topics and activities to be financed in the first year of the program is available in the technical archives of the Bank.

E. Execution period and disbursement schedule

- 3.28 The period proposed for program execution and loan disbursement is three years for phase I and two years for phase II. The recommendation that the Board of Executive Directors approve the second phase of the program will be made only after Management has verified that the following conditions have been met: (a) at least 50% of the resources for phase I have been disbursed, and (b) satisfactory progress is being made under each component of the program. The basic matrix of benchmarks given in Annex II will be used for this purpose. A memorandum describing the progress in disbursements, and the degree to which performance objectives have been met, will be submitted to the Executive Board of Directors to request approval for phase II of the program. The disbursement schedule shown in Table III-1 below is consistent with execution capacity and the availability of local counterpart funding.

**Table III-1**  
**TENTATIVE DISBURSEMENT SCHEDULE**  
**(US\$ millions)**

PHASE I					PHASE II			
Source	Year 1	Year 2	Year 3	Subtotal	Year 4	Year 5	Subtotal	Total
IDB/OC	13.5	22.5	21.0	57.0	18.9	14.1	33.0	90.0
Local	13.5	22.5	21.0	57.0	18.9	14.1	33.0	90.0
<b>Total</b>	<b>27.0</b>	<b>45.0</b>	<b>42.0</b>	<b>114.0</b>	<b>37.8</b>	<b>28.2</b>	<b>66.0</b>	<b>180.0</b>
<b>%</b>	<b>15.0</b>	<b>25.0</b>	<b>23.3</b>	<b>63.3</b>	<b>21.0</b>	<b>15.7</b>	<b>36.7</b>	<b>100.0</b>

**Table III-2**  
**PLAN FOR PROCUREMENT OF GOODS AND SERVICES**  
**UNDER PHASE I OF THE PROGRAM**

Main consulting services and equipment to be procured under the program	Financing (US\$ thousands)		Method for each source of funds		Agency responsible	Estimated date (6-month)
	IDB	Local	IDB	Local		
Administration of PEU	2,000	5,100			MARE/PEU	I and II
a. consultancies	1,900	1,850	ICB	LCB		
b. equipment	100	50	LCB			
c. services	-	3,250				
Subprogram I	16,900	7,700			MARE/PEU	I to VI
a. consultancies	13,900	5,700	ICB	ICB		
b. equipment	3,000	2,000	ICB	ICB		
Subprogram II	9,300	7,700			MARE/PEU & Ministry of Justice	I to VI
a. consultancies	7,300	5,100	ICB	ICB/LCB		
b. equipment	2,000	2,600	ICB	ICB/LCB		
Subprogram III	18,000	24,000			MARE/PEU IBGE Min/Justice MRE	I to VI
a. consultancies	10,000	13,700	ICB	ICB/LCB		
b. training	2,000	4,300	ICB	LCB		
c. equipment	6,000	6,000	ICB	ICB		
Subprogram IV	8,800	7,100			MARE/PEU and state govts	I to VI
a. consultancies	5,800	4,600	ICB	ICB/LCB		
b. training	-	1,000		LCB		
c. equipment	3,000	1,500	ICB	ICB/LCB		

**F. Procurement of goods and services**

- 3.29 For the acquisition of equipment, materials, and other goods related to the program and financed in whole or in part with the resources of the Loan, international competitive bidding (ICB) must be used in all cases where the value of such goods exceeds US\$350,000. This threshold is justified by the fact that similar projects in Brazil do not attract foreign bidders unless the value of goods sought is above this amount. In all other cases, the competition will be limited to local bidders. With respect to consulting contracts the threshold above which ICB is required will be US\$200,000. Bidding competitions for contracts below this amount will be conducted in accordance with Brazilian legislation, so long as they do not conflict with the Bank's procedures. All procurements of goods and consulting services must be carried out in accordance with the Bank procedures specified in Annexes B and C of the Loan Contract.

**G. Reports, evaluation and monitoring**

- 3.30 The MARE's project executing unit (PEU) will be the entity responsible for coordination, monitoring and evaluation of the components.

1. Reports

- 3.31 At the end of each year, the semi-annual reports that are part of the standard requirements under the loan contract must include the following information, in addition to the financial data called for in the contract: (i) a summary of the activities carried out under each component; (ii) monitoring reports on management contracts (and the performance indicators specified therein) for the institutional restructuring included in subprogram 1; and (iii) impact in terms of savings and performance improvements resulting from execution of each of the subprograms and its components.
- 3.32 Using resources for the program, specialized consultants will be hired to assist the PEU with technical monitoring of projects and preparation of semi-annual qualitative assessments of progress. Upon completion of phase I, the PEU will prepare a special report on fulfillment of the budgetary objectives, disbursements and the specific objectives for each subprogram with their various components, which will serve as the basis for requesting the Board of Executive Director's authorization to proceed with phase II of the program.

2. Evaluation and monitoring

- 3.33 The executing agency will conduct semi-annual evaluations based on the indicators referred to in the previous section, which will be discussed with the Bank's Representative in Brazil. If these evaluations reveal fundamental problems that cannot be resolved within a reasonable period of time, the Bank and the executing agency will agree to make such changes as may be necessary in the execution of the program. The Bank and the MARE will hold annual meetings to evaluate progress, as well as a special review upon completing the goal of 50% of the disbursements under the program.

3. Ex post evaluation

- 3.34 The Brazilian authorities have indicated that they will conduct an ex post evaluation of the program at their own expense, based on fulfillment of the goals established in the program's Logical Framework.



#### IV. FEASIBILITY, BENEFITS AND RISKS OF THE PROGRAM

##### A. Feasibility of program execution

- 4.1 The Bank has evaluated the current state of preparation of the projects submitted for implementation under each of the subprograms. In doing so, it has identified those projects which have advanced far enough in their planning so that they may be begun immediately upon fulfillment of the conditions precedent to the first disbursement. The number of projects satisfying this criterion is sufficient to warrant an immediate launch of the principal activities of the program. Following is a status report on each such project, and an estimate of the corresponding resources needed for the first year of execution. As well, the benchmarks for the first year of execution are presented in Annex II. As a condition precedent to the first disbursement, the MARE must submit to the Bank a detailed work plan for the first year of program execution, based on the description of activities contained in Annex II. Thereafter, the MARE must present the work plan for the following year of program execution no later than 30 days prior to the end of each calendar year.

##### 1. Subprogram for institutional reforms

- 4.2 Under the earlier technical cooperation, a methodology and the basic terms of reference were developed for each of the three types of institutions covered by the program: ministries, special operating agencies and social agencies (see in technical archives number 3). These will be used as the basis for preparing the other projects under this subprogram, as a type of shopping list of options offered under the program. Terms of reference for the projects were reviewed and approved during the analysis mission, and provide a sort of representative sample with respect to the following entities:

ENTITY/INSTITUTION	TYPE	COST (US\$ THOUSANDS)
Ministry of Labor	Ministry	711
National Institute of Weights and Measures	Special operating agency	1,249
Roquette Pinto Foundation	Social agency	1,061
<b>Total</b>		<b>3,021</b>

##### 2. Subprogram for Management and Human Resource Development

- 4.3 Each of the four components of this subprogram has projects that have been prepared to a level that will permit them to begin immediately.

COMPONENT	LEVEL OF PREPARATION	COST (US\$ THOUSANDS)
Personnel administration system (SIAPE)	Project completed with corresponding plan of action ready to begin activities	2,330
Public service classification system	Terms of reference completed	1,000
ENAP Documentation Center	List of materials to be purchased	225
Police training for public security	Terms of reference completed	2,900
<b>Total</b>		<b>6,455</b>

3. Management and information technology subprogram

4.4 Following are the projects that can begin immediately.

COMPONENT	LEVEL OF PREPARATION	COST (US\$ THOUSANDS)
Planning for computerization and development of human resources	Bases of the project for development of human resources prepared with support from the Government of France	2,038
Infrastructure and standardization of technology	Study of the government network has been completed; pilot project being carried out with national resources will provide basis for TORs	5,330
Management and dissemination of information	Preliminary Internet Home Page for computerization of procurement system (TORs in preparation)	2,550
	Two modules of the computer information system for criminal records have been developed, and TORs drawn up	2,330
	Project for modernization of MRE technology has been completed with its TORs	3,140
<b>Total</b>		<b>15,338</b>

4. Citizen support services subprogram

4.5 Following are the projects under this subprogram which are ready to begin in the first year of program execution. The relevant supporting documents are available for consultation in the technical archives corresponding to this subprogram.

COMPONENT	LEVEL OF PREPARATION	COST (US\$ THOUSANDS)
Citizenship support services (SACs)	Agreement between the MARE and state governments prepared; profiles of SACs defined and TORs completed	2,465
Studies and projects for modernization of the State	Initial studies defined and themes for seminars drawn up	1,000
<b>Total</b>		<b>3,465</b>

B. Environmental feasibility

- 4.6 As a result of social and environmental aspects pointed out by CESI, the following were included in the design of the program: (i) the requirement, under the terms of reference for eventual restructuring of the Ministry of the Environment, that a review be carried out of the existing environmental legislation and institutions in Brazil, in order that this information can be taken into account in that ministry's institutional reforms; (ii) as part of the basic methodology of the program, measures to ensure that employees potentially affected by institutional reforms are kept informed and consulted in order that they might participate and have an opportunity to express their opinions concerning these reforms, with the possibility of mitigating measures when necessary; (iii) with respect to the human resource management subprogram, and in particular its career path development component, assurances that measures will be included to prevent employment discrimination (e.g. on the basis of gender, race, age, etc.); and (iv) mechanisms for informing and involving civil society in the reform process.

C. Impact of the program

- 4.7 Once the proposed program has been implemented, the country will have made significant strides towards transforming the administration of its federal bureaucracy into a management-driven system of government through changes in its institutional structure, the training of civil servants, and the modernization of administrative systems. The program will have helped to increase the efficiency of government agencies by reducing operating costs, raising the productivity of government officials, and improving their performance in general.
- 4.8 The proposed project will strengthen the capacity of the federal government to plan, implement, supervise and evaluate the performance of public duties. For the considerable group of ministries and high-priority public entities taking part in the program, the proposed activities will improve the quality and reliability of services and programs, while reducing the cost of their delivery. The program will produce new or restructured institutions able to free the central government from tasks,

functions and entities which can be transferred to other agents or levels of government; newly established management systems which give flexible decision-making powers to public servants and managers; well-trained human resources; and widespread use of advanced information and communications technology. As well, implementation of the program will make possible the improvement of public services, accommodating a greater number of citizens and increasing participation by civil society in determining the course and evaluating the results of the reform process.

D. Benefits

- 4.9 This program will make possible greater efficiency in the allocation of resources. The institutional reform component includes activities that will encourage the subcontracting of services and the creation of new organizations administered under management contracts with remuneration on the basis of productivity. These initiatives will result in institutions which are more flexible, able to adapt to changing environments and more efficient in the allocation of resources.
- 4.10 The rejuvenation of institutions described in the foregoing paragraph sends an unmistakable signal to the market of long-term reliability, which will be reflected in strengthened market mechanisms, an increased investment and faster growth. This will encourage domestic savings and attract international capital flows, both of which will spur investment and produce greater growth in the strict sense.
- 4.11 These positive effects derive from savings in direct outlays for government operations due to improved efficiency (incorporation of the latest computer technology, economies of scale in the use of logistical and technological resources, adoption of modern management and performance appraisal methods, greater efficiency in public procurement, more flexible labor rules and greater productivity of labor as a result of renovating the system for administering human resources, and so forth). For example:
- a. In the case of the human resources subprogram, the savings in administrative costs alone produced by switching from the issuance of checks to an automatic deposit system using ATMs is approximately US\$25 million (at the end of five years), this on top of the savings that result from elimination of irregular payments under the payroll system.
  - b. In the case of the management and information technology subprogram, by very conservative estimate no less than US\$150 million in savings will result from the program by the end of five years, owing to the standardization of the various computer systems operated by the government and the rationalization of technological and information resources. In the case of the project to modernize and computerize the

government procurement system, the savings in public expenditure resulting from the approximation of market prices has been estimated by one source as no less than US\$200 million per year.

- c. In the case of the project to reorganize the decentralized agencies of the federal government as part of the institutional reform subprogram, at least US\$120 million per year can be saved in operating and personnel costs, and through the sale of property and buildings.

- 4.12 Reducing government inefficiency has a positive impact on the operating costs of those doing business in the private sector, consequently reducing the costs to the country as a whole and acting as a stimulus for exports.

#### E. Risks

##### 1. Maintaining political consensus

- 4.13 For the program to be successfully implemented, it will be necessary to maintain the political commitment that exists for the reforms both within the public sector and in civil society. There is at present a clear consensus among both parties on the need to improve the operation of the government. However, national elections are scheduled for 1998, when the program will be in full development, and could have a detrimental effect on its execution. On the other hand, the program is designed to produce immediate gains, which will provide an incentive for other agencies to continue with their reforms. For example, five ministries, eight special operating agencies, and ten social agencies are due to participate in phase I of the program, and these should have a demonstration effect on other entities, particularly in the second phase. The incentive will lie in the fact that participating institutions will have invested in training and modernization of their computer systems, and - especially in the case of special operating and social agencies - they will see the results in the new flexibility of their management systems.
- 4.14 Successful implementation of the program will also require the support of public employees. Civil service groups opposed to assuming their new duties and responsibilities, or reluctant to accept performance-based remuneration schemes would hinder execution of the project. To mitigate this possibility, the program will include mechanisms for informing and consulting with employees concerning the reforms, as well as allocating considerable resources for training programs.
- 4.15 Modernization of the administration will require far-reaching changes in the prevailing culture of the organizations. Such change will require suitable personnel, highly qualified in the development of administrative processes notable for their absence

at present within Brazilian public administration - processes such as strategic planning, the evaluation of performance based on measurement of results, application of management indicators, discretionality and responsibility in decision making, to name just a few. The absence of personnel with the requisite qualifications could constitute an initial stumbling block for some tasks and might even endanger the program as a whole. The allocation of considerable resources for training activities under the program is intended to lessen this risk.

## 2. Coordination of executing agencies

- 4.16 Participation by a variety of different government agencies in execution of the program will present a challenge to the MARE in its efforts to meet the specified objectives. Fortunately, in carrying out the preparatory technical cooperation for this program, MARE's project executing unit (PEU) has demonstrated its ability to coordinate the activities of various ministries, foundations, and government agencies in the preparation of this program. Moreover, the PEU will be further strengthened as part of the proposed program. Given the method chosen for the reform process (i.e. voluntary decision by the various institutions in the institutional reform component), the program will depend upon the MARE's capacity to induce other government ministries to come up with restructuring proposals of sufficient scope to qualify for the purposes of this initiative. In this connection, it should be noted that no less an authority than the president of Brazil has attached the highest possible priority to modernization of the federal executive by appointing his Chief of Staff to head the Council for Reform of the State, and designating the MARE as the agency responsible for implementing the respective reforms, empowering this institution to promote and carry out the proposed restructuring operations.

## 3. Relationship of the program with legal reforms

- 4.17 Included in the reforms endorsed by the government are efforts to amend the nation's laws in various ways, including a constitutional amendment affecting employment stability in the civil service, permitting greater discretion in the recruitment of public employees, and generally improving administration of human resources. It is hoped that this package of legislation will be passed shortly. In the meantime, each of the components in this program has been designed to achieve its objective whether or not the proposed amendments are approved.
- 4.18 Despite the above, converting foundations and state-owned corporations into special operating agencies or social agencies will require a suitable legal framework affording the flexibility and autonomy needed to manage these new entities. Development of corresponding legal process is now well advanced, and its approval

will be a condition precedent to the first disbursement under these components.

**LOGICAL FRAMEWORK**  
**PROGRAM FOR MODERNIZATION OF THE EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>the efficiency and effectiveness of government in carrying out the functions for which it is responsible.</p>	<p>Improvement in the quality of public services and in attention to citizens.</p> <p>Fiscal savings based on modernization of systems, improvements in administration and development of human resources, rationalization of structures and re-engineering of administrative procedures.</p> <p>Services transferred to autonomous special operating agencies and nonprofit private sector organizations.</p>	<p>Reports from external evaluators and progress reports on the program.</p> <p>Financial reports provided by participating institutions.</p> <p>Opinion polls conducted among civil servants, users of services and the general population.</p>	<p>Interest among the institutions in participating in the program.</p> <p>Willingness and commitment on the part of civil servants to use the new system.</p>
<p>management-oriented, client-oriented administration focussed on its results.</p>	<p>Increase in the number of public entities with modern management (client-driven and stressing management by objectives and accountability) and utilizing computerized information systems.</p>	<p>Progress reports on the program. Reports from external evaluators. Opinion polls.</p>	



OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>titles</p> <p>:</p> <p>restructured</p> <p>erating eated and pendent nt.</p> <p>ices being d by</p> <p>ns.</p>	<p>1.1 Ministries restructured and/or rationalization projects carried out.</p> <p>1.2 A total of 13 institutions prepared for transformation into special operating agencies.</p> <p>1.3 A total of 17 institutions prepared for conversion or already operating as social agencies.</p>	<p>Progress reports on the program.</p>	<p>Passage of laws/approval of provision measures.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>tion center on nistration d.</p> <p>employment systems</p> <p>ources nt system .</p> <p>ing a public place.</p>	<p>2.1 Five books published and 1000 publications acquired; three electronic catalogs installed.</p> <p>2.2 One study carried out.</p> <p>2.3 Personnel registration, performance appraisal and allocation modules installed.</p> <p>2.4 New basic curriculum introduced in the National Police Academy and in 10 state police academies.</p>	<p>Monitoring reports</p> <p>Submission of study to the Câmara da Reforma do Estado</p> <p>Report from the Secretariat for human resources of the MARE.</p> <p>Report from the Ministry of Justice.</p>	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>II:</p> <p>or</p> <p>nt and</p> <p>trained.</p> <p>nt network</p> <p>and norms for defined.</p> <p>zed management system d.</p> <p>data system of Justice</p>	<p>3.1 Organization of planning system completed; inventory of resources, cost accounting and indicators of use installed in 27 institutions of FPA.</p> <p>3.2 Census and proposal for development of human resources completed; 2000 civil servants in technology field given training.</p> <p>3.3 Over 50 federal agencies linked to the system, including offices in the states, and official messaging system installed in approximately 70 public institutions.</p> <p>3.4 General technology profile of networks prepared (POSIG) and 10 specific communications, management and network applications profiles published.</p> <p>3.5 FPA's management information system installed.</p> <p>3.6 Integrated justice and public security system in operation in all states.</p>	<p>Progress reports on the program.</p>	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>on of vernment n.</p> <p>or tion of mation</p> <p>chnology d.</p> <p>rized nt system</p>	<p>3.7 Distribution system and general model for dissemination of information on the FPA.</p> <p>3.8 Databank and distribution system installed in 500 municipal agencies.</p> <p>3.9 Computerized systems established in 40 representation offices abroad and 100 work stations installed.</p> <p>3.10 Federal procurement system installed; central supply catalog; central registry of suppliers; integrated register of prices and electronic information system on tenders.</p>	<p>Progress reports on the program.</p>	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>IV:</p> <p>ublished.</p> <p>tions with the the civil and running.</p> <p>participation society in o reform</p>	<p>4.1 A total of 8 major SACs and 10 medium-sized SACs installed.</p> <p>4.2 Publicity material distributed; 10 opinion polls carried out.</p> <p>4.3 A total of 30 studies and projects prepared; 5 seminars carried out.</p>	<p>Progress reports on the program. Reports from consultants on the SAC project. Results of opinion polls published. Studies published.</p>	<p>Coordination between communicat the government established.</p>

PROGRAM FOR MODERNIZATION OF THE EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT (BR-0220)  
BENCHMARK MATRIX

Subprogram/Component/Project	First year	Phase I
<b>Administrative reform</b> Restructuring of the FPA Conversion of special operating agencies Conversion of social agencies.	a.1 Restructuring of 5 ministries begun b.1 Consultants hired for conversion of 2 special operating agencies c.1 Creation of 3 social agencies initiated	a.1 5 ministries restructured, 2 begun b.1 8 agencies converted, 2 more under way c.1 10 social agencies completed, 3 begun
<b>Information technology and human resource development</b> Human resource management system	a.1 Development of SISPEC prototype a.2 Installation of technical base begun (SIAPE-SIORG interface) a.3 Vertical installation begun in 3 pilot institutions a.4 Human resources and organizational management rules in place. a.5 Technical tools for installations developed a.6 Conceptual design begun	a.1 Technical installation complete a.2 Vertical installation in 3 pilot institutions complete (2nd half of third year) a.3 In operation within central government and state enterprises a.4 Technical assistance provided for installations in institutions a.5 Conceptual design completed a.6 Computer development completed (programming) a.7 Hardware installed
<b>Personnel management</b> Personnel service classification system	b.1 Contract for study let and work under way	b.1 Study completed

PROGRAM FOR MODERNIZATION OF THE EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT (BR-0220)  
BENCHMARK MATRIX

Program/Component/Project	First year	Phase I
P Information and Documentation er	c.1 10% of documentary holdings renewed  c.2 Computer network for the center purchased and installed  c.3 Design of new web page completed c.4 First RENAP (National Public Administration Documentation and Information Network) training workshop held c.5 10 institutions integrated into the RENAP c.6 Conversion programs carried out based on the REDIAP (Latin American Administration Documentation and Information Network) c.7 Thesaurus on works on public administration in Portuguese compiled	c.1 30% of center's collection renewed (90 Brazilian and journals) and annual purchases of 1000 books on p administration  c.2 20 institutions of learning and research centers integ the RENAP c.3 Information system integrated into the REDIAP
e training in public security	d.1 Agreed plan of action begun (consultants hired according to agreed terms of reference)	d.1 Seminar held to define curriculum d.2 Agreements signed with state police academies d.3 Teaching material prepared for the new curriculum d.4 100% of National Police Academy instructors trained new curriculum d.5 50% of state instructors trained in the new curriculum d.6 Video conferencing system installed d.7 100% of academies interconnected with new video conferencing system d.8 360 hours of video courses produced by the Nations Academy d.9 Computer equipment and new teaching materials pu and installed at the National Police Academy





PROGRAM FOR MODERNIZATION OF THE EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT (BR-0220)  
BENCHMARK MATRIX

Subprogram/Component/Project	First year	Phase I
ent and dissemination of information	<ul style="list-style-type: none"> <li>c.1 Project in development phase and various modules installed (<i>tenders, registry of government suppliers</i>)</li> <li>c.2 Installation of pilot project for criminal records system in two states, and information available at the national level</li> <li>c.3 IBGE pilot project installed with information available on the Internet</li> </ul>	<ul style="list-style-type: none"> <li>c.1 System of management information installed for type data</li> <li>c.2 More than 60,000 companies included in the r suppliers for the federal government</li> <li>c.3 Over 500 agreements signed with local govern use of the system</li> <li>c.4 100% of state purchases made over the system</li> <li>c.5 Criminal information system installed at the na and in 27 states</li> <li>c.6 IBGE information system installed in 240 agen technology resources in place and connected IBGE network</li> <li>c.7 6 new CDs produced with IBGE information (d images)</li> <li>c.8 40 representation offices (consulates and emb abroad linked to the MRE</li> <li>c.9 MRE network interlinked with the government</li> <li>c.10 Standard data dissemination system installed i institutions of the FPA</li> <li>c.11 General databank (dictionary and meta-data) i providing information on public administration and government expenditures</li> </ul>

PROGRAM FOR MODERNIZATION OF THE EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT (BR-0220)  
BENCHMARK MATRIX

Subprogram/Component/Project	First year	Phase I
Support services Open support (one-stop) service centers	a.1 Consultants hired for component a.2 1 major SAC and 4 medium-sized SACs established	a.1 8 major SACs established and in operation a.2 15 medium-sized SACs installed and in operation
Communication policy	b.1 Contract let by tender to communications firm to handle communications program b.2 1 seminar held b.3 1 survey conducted among officials affected by changes	b.1 2 surveys of public officials conducted b.2 1 national survey conducted on the reforms carried out to date b.3 3 seminars held, print and audiovisual materials developed
Development of innovative projects on citizenship modernization of the State	c.1 24 papers prepared c.2 1 project proposal drawn up c.3 6 publications issued c.4 1 seminar held c.5 2 public hearings held	c.1 72 papers written (3 on each of 8 themes per year) c.2 9 project proposals drawn up c.3 24 publications issued c.4 3 seminars held c.5 6 public hearings held

PROPOSED RESOLUTION

BRAZIL. LOAN /OC-BR. TO THE FEDERAL REPUBLIC OF BRAZIL  
(Modernization of the Executive Branch of the Federal Government)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Federative Republic of Brazil, as Borrower, for the purpose of granting a financing to cooperate in the execution of the first phase of a Program for the Modernization of the Executive Branch of the Federal Government. Such financing will be for the amount of up to fifty seven million dollars of the United States of America (US\$57,000,000) from the Single Currency Facility of the Ordinary Capital resources of the Bank and it will be subject to the "Terms and Financial Conditions" and the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.