

BRAZIL

**PROGRAM TO IMPROVE ROAD ACCESS TO SMALL *MUNICÍPIOS*
(PROACESSO-LHDI – PHASE 2) IN MINAS GERAIS
SECOND INDIVIDUAL OPERATION UNDER CCLIP BR-X1002
(BR-L1231)**

LOAN PROPOSAL

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Electronic Links	
REQUIRED	
1.	Annual work plan (AWP): http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1992472
2.	Monitoring and evaluation plan: http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1989360
3.	Environmental and social management report (ESMR): http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1992461
4.	Procurement plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1986462
OPTIONAL	
1.	Maps - ProAcesso program in Minas Gerais - first and second programs http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1925191
2.	Loan proposal - CCLIP for Investment Projects and Program to Improve Road Access to Small Municipios (ProAcesso-LHDI) in Minas Gerais – First Program (BR-L1027) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=694793
3.	Midterm evaluation report on the first program under the CCLIP (BR-L1027) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1935772 http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2008337
4.	Conditional Credit Line (CCLIP) Agreement (BR-X1002) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=593640
5.	Financial evaluation report – text and spreadsheets http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1925186 http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1927766 http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1915383
6.	Environmental assessment – First program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1989661
7.	Strategic environmental assessment of the Minas Gerais road system http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1914077
8.	Letter from SEAIN to the government of Minas Gerais confirming that the second program of the CCLIP does not require further consideration by COFIEEX http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1922722
9.	Program investments http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1990958
10.	Financial evaluation of the state of Minas Gerais http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1991396

APPENDICES

Proposed resolution

ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
COFIEEX	Comissão de Financiamentos Externos [External Financing Committee]
COPAM	Consejo Estadual de Política Ambiental [State Environmental Policy Council]
DER/MG	Departamento de Estradas de Rodagem do Estado de Minas Gerais [Roads Department of the State of Minas Gerais]
FEAM	Fundação Estadual do Meio Ambiente [State Environment Foundation]
FRN	Federal road system
GDP	Gross Domestic Product
HDI	Human Development Index
HDM-4	Highway Design and Maintenance Standards Model
IBAMA	Instituto Brasileiro do Meio Ambiente [Brazilian Environmental Administration]
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
IEF	Instituto Estadual de Florestas [State Forest Administration]
IGAM	Instituto Mineiro de Gestão das Águas [Minas Gerais Water Management Authority]
IRI	International Roughness Index
IRR	Internal rate of return
JBIC	Japan Bank for International Cooperation
LHDI	Low Human Development Index
MRN	Municipal road system
NPV	Net present value
PMU	Program management unit
PPA	Plano Plurianual Brasil de Todos [Brazil Multiannual Plan for All]
PRAF	Programa de Reestruturação e Ajuste Fiscal [Program for Restructuring and Fiscal Adjustment]
PRMG	Programa de Recuperação e Manutenção Rodoviária do Estado de Minas Gerais [Road Repair and Maintenance Program of the State of Minas Gerais]
ProAcesso	Programa de Pavimentação de Ligações e Acessos Rodoviários aos Municípios [Program for Paving Links and Access Roads to Municipalities]
ProAcesso-LHDI	Part of the state of Minas Gerais ProAcesso program financed by the IDB, with priority to municipios with a low human development index
PROSEG	Programa de Aumento da Capacidade e Segurança dos Corredores de Transporte [Program to Improve Transport Corridor Capacity and Safety]
SEA	Strategic environmental assessment
SEAIN	Secretaria de Assuntos Internacionais [Department of International Affairs]

SETOP	Secretaria de Estado de Transportes e Obras Públicas [State Department of Transportation and Public Works]
SGIV	Sistema Integrado de Gestão da Infra-estrutura Rodoviária [Integrated Road Infrastructure Management System]
SIAFEN	Sistema Integrado de Administração Financeira para Estados e Municípios [State and Municipality Integrated Financial Administration System]
SRN	State road system
SUPRAM	Superintendência Regional do Meio Ambiente [Office of the Regional Environment Supervisor]

PROJECT SUMMARY

BRAZIL

PROGRAM TO IMPROVE ROAD ACCESS TO SMALL *MUNICÍPIOS* (PROACESSO-LHDI - PHASE 2)

IN MINAS GERAIS

SECOND INDIVIDUAL OPERATION UNDER CCLIP BR-X1002

(BR-L1231)

Financial Terms and Conditions				
Borrower: The state of Minas Gerais			Amortization period:	25 years
Guarantor: The Federative Republic of Brazil			Grace period:	4 years
Executing agency: Departamento de Estradas de Rodagem de Estado do Minas Gerais [Minas Gerais Highways Department] (DER/MG)			Disbursement period:	4 years
Source	Amount	%	Interest rate:	Libor
IDB (Ordinary Capital)	US\$50,000,000	60%	Inspection and supervision fee:	*
Local	US\$33,335,000	40%	Credit fee:	*
Total	US\$83,335,000	100%	Currency:	U.S. dollars from the Single Currency Facility
Project at a glance				
Goal and description: <p>The goal of the Conditional Credit Line for Investment Projects (CCLIP) is to contribute to the socioeconomic development of municípios in the state of Minas Gerais with relatively lower social development by improving conditions for the transportation of freight and passengers on access roads to the primary highway system. The purpose of the second program (ProAcesso-LHDI-Phase 2) is to continue the work of the first program (ProAcesso-LHDI-Phase 1) by facilitating access to social services and income-generating activities for the population in eight municípios by providing a more efficient and more reliable ground transportation system (shorter travel times, lower transportation costs, and greater safety). The program will include paving works and capacity building for the Minas Gerais Highways Department (DER/MG).</p>				
Conditions precedent to the first disbursement: The borrower must demonstrate to the Bank that: (a) the agreement between the borrower and the executing agency has been signed and is in effect as agreed with the Bank (paragraph 3.1); (b) a management company is delivering the program management services (paragraph 3.2); and (c) throughout the execution period, the program will have support services for socioenvironmental supervision (paragraph 2.4).				
Special conditions for execution: The borrower must demonstrate to the Bank (a) for start up of all works that: (i) the contract with the works supervision company is in effect (paragraph 1.17); (ii) should works so require, the expropriation and resettlement plan has been implemented, in accordance with Bank policy OP-710 (paragraph 2.7); (iii) where the município has jurisdiction over the road, the agreement between DER/MG and the respective município has entered into effect (paragraph 2.10); and (iv) environmental licenses have been issued in accordance with state legislation, and evidence presented to the Bank prior to the first disbursement for each work (paragraph 2.4); and (b) for the first disbursement of resources for the works on the Catuti-Gameleiras section, the environmental compensation agreement between Instituto Estadual de Florestas (IEF) and DER/MG has been signed and is in effect (paragraph 2.8).				
Exceptions to Bank policies: None.				
Project consistent with country strategy: Yes [X] No [X]				
Project qualifies as: SEQ [X] PTI [X] Sector [] Geographic [] Headcount []				

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background and issue

- 1.1 As the country's second most populous state with nearly 19.5 million¹ inhabitants, Minas Gerais groups together 853 municípios. A breakdown of state gross domestic product² (GDP) shows that the main components are services (60%), manufacturing (32%), and agriculture (8%).³ O Estado de Minas Gerais is also a major exporting state. Its exports are concentrated mainly in the metallurgical ore⁴ chain, which accounts for some 52% of the total export value. Minas Gerais ranks second among Brazilian states in export volume.
- 1.2 In 2002, the mining economy was faced with a challenging economic and fiscal picture; its performance was among the worst of the Brazilian states. To correct the situation, in 2003, the government of the state of Minas Gerais launched a broad administrative reform program that made fiscal adjustment efforts to bring the budget back into balance. As a result, the state has now achieved the fiscal space that is needed for investment to improve the quality of life of its inhabitants. In 2007, the state's GDP was R\$236.902 billion (US\$110.2 billion), accounting for 9.26% of national GDP, and ranking third in the country. Nonetheless, despite this positive economic performance and a higher standard of living for some of the population, challenges remain in the social sphere. Per capita income in the state is below the average for Brazil, ranking 10th among the country's 27 states. An additional problem is poor regional distribution, since 58% of GDP is concentrated in the south-central part of the state. In terms of social indicators, Minas Gerais ranks 10th in the Human Development Index (HDI) classification, at 0.799, very close to the HDI for Brazil (0.794).
- 1.3 At the same time, the state launched a series of sustained actions to maintain the condition of existing infrastructure through substantially larger allocations for programs to rehabilitate and maintain, by results, the state's paved road network, from R\$35.7 million in 2002 to R\$356.5 million in 2008; and through transportation corridor improvement and safety programs.
- 1.4 The Minas Gerais road system is 274,554 km in length. Paved kilometers under the jurisdiction of the Departamento de Estradas de Rodagem do Estado do Minas Gerais [Minas Gerais Highways Department] (DER/MG) rose from 13,233 km in December 2002 to 16,845 km in 2008. In the state, 61% of the paved network is in good condition, 23.9% in average condition, and 10.5% in poor condition; rehabilitation works are under way on 4.2% of the network. In 2002, however, prior

¹ Brazilian Institute of Geography and Statistics (IBGE), 2006.

² According to Fundação João Pinheiro research (2006).

³ CEI/FJP bulletin: 2006 Gross Domestic Product of Minas Gerais – new basis – indicates the following sector percentages: services: 57.8%; manufacturing: 33.4%, and agriculture: 8.8%. Data for 2007 will not be released until the second half of 2008.

⁴ Metalliferous ore, mainly iron, as extracted from the deposit and before processing.

to the Programa de Pavimentação de Ligações e Acessos Rodoviários aos Municípios [Program for Paving Links and Access Roads to Municipalities] (ProAcesso), nearly 26% of all municípios in the state had no paved access roads to the state road system. These 225 municípios are concentrated in the poorest parts of the state, a factor that strongly influences their level of competitiveness, land value and use, and economic activities, and access by their inhabitants to social services and places of work.

B. Rationale and the Bank's participation

- 1.5 The government of the state of Minas Gerais is targeting public investment at key areas essential to promoting economic revival and growth, seeking a balance in regional development. To that end, it is executing ProAcesso, a structured program which, through specific actions and quantifiable results, is helping reduce regional inequality by improving access to social services and productive economic activities for the population of the 225 smallest municípios with lowest HDI that lack paved access to the primary road system. ProAcesso roads are under 25 km in length, with annual average daily traffic of 256 vehicles/day, 20% of which are trucks. The Minas Gerais government expects to pave 5,600 km of municipal access roads and accord priority to roads located in the planning areas⁵ with the lowest density of paved roads or without regular transportation services.
- 1.6 The Bank is financing part of the state's structured program under a Conditional Credit Line (BR-X1002). The first Program to Improve Road Access to Small Municípios of Minas Gerais, Loan 1709/OC-BR (US\$50 million) has been under way since 2005. Of the total number of Minas Gerais municípios, the CCLIP will help improve access for 21, 13 of which are included in the first program, now in execution; the remaining eight are included in the second program, to which this document refers.
- | Description | Municipalities served | Population | Road to be paved (km) |
|-----------------------------|-----------------------|------------|-----------------------|
| Program total | 225 | 1,390,834 | 5,443.9 |
| Percentage of IDB financing | Total | 21 | 182,814 |
| | % | 9.3% | 13.1% |
- 1.7 The second program will provide continuity to the components of the first program, and incorporates lessons learned from it. Consistent with what the Comissão de Financiamentos Externos [External Financing Committee] (COFIEX) has established⁶ and with the nature of the operation, ***the second program under the CCLIP will proceed once the following conditions have been met:*** (i) a minimum of 75% of the financing has been committed and at least 50% disbursed; (ii) it is confirmed that the Minas Gerais government has the capacity to honor its financial

⁵ With an area of 588,384 km, Minas Gerais is divided into 10 planning areas and 66 microregions, which group together 853 municípios for administrative purposes.

⁶ COFIEX, in Recommendation No.755, of 25 June 2004, authorized the preparation of the program for an amount of up to US\$166.67 million, contingent upon execution of the operation in two stages for the same amount.

- obligations; and (iii) the changes proposed for the second program have been incorporated on the basis of the findings of the midterm evaluation.
- 1.8 The first CCLIP program is nearing completion and has satisfactorily met the conditions set by the Bank: (i) 100% of the financing has been committed and over 90% disbursed (US\$47 million); and (ii) the analysis performed by the Bank shows that the government of Minas Gerais has the capacity to honor its financial obligations. Additionally, 13 access roads to municípios have now been paved, totaling 342.3 km in length, and much progress has been made in building DER/MG institutional capacity, including the Sistema Integrado de Gestão da Infra-estrutura Rodoviária [Integrated Road Infrastructure Management System] (SGIV), the basic and financial management modules, now in implementation, and the preparation of a management plan for the transportation of hazardous materials. Under this program, the Minas Gerais government will continue this partnership, maintaining its investments in building its road management capacity through the SGIV's technical module.
- 1.9 **The Minas Gerais government's investment strategy and plan.** The real sector is highly dependent on the highway transportation mode, where most state demand for transportation is concentrated. Accordingly, the Minas Gerais government has adopted a road policy, supported by structured programs, that focuses on: (i) expanding the paved network, especially through the works under the ProAcesso program and the program Potencialização da Infra-estrutura Logística de Fronteira Agroindustrial [Strengthening Agroindustrial Border Logistics] (road and river port infrastructure in the Northeast region), missing sections of highway connecting roads to complete the state road system; (ii) rehabilitation and maintenance, by results, of the state paved road system under the Programa de Recuperação e Manutenção Rodoviária do Estado de Minas Gerais [Road Repair and Maintenance Program of the State of Minas Gerais] (PRMG); (iii) the Programa de Aumento da Capacidade e Segurança dos Corredores de Transporte [Program to Improve Transportation Corridor Capacity and Safety] (PROSEG); and (iv) building DER/MG technical capacity.
- 1.10 **Country strategy.** The program is consistent with the Bank's strategy with Brazil, document GN-2327. The strategy focuses on four areas: (i) productivity and infrastructure, with priority on new investments to the use of public/private cooperation modalities; (ii) poverty, equity, and human capital formation, focusing on income distribution programs; (iii) urban standards of living and efficiency, integrating anti-urban poverty actions and improvements in housing, efficiency, and urban environmental quality; and (iv) modernization of the State and institution-building, with a focus on subnational governments.
- 1.11 The proposed program is consistent with this strategy since: (i) it will help develop a more efficient state transportation system based on road infrastructure that is in better condition and safer, facilitates public access to social services, and ensures that goods and products can be transported to and from centers of consumption, production, and exportation; (ii) increased movement of passengers and goods will

lead to improvements in the state's competitiveness; and (iii) it provides continuity to DER/MG's good road management and conservation practices.

- 1.12 The strategic partnership with the IDB has been an important factor in state road improvement and the building of DER/MG technical and institution capacity. The Bank has experience with six operations in Minas Gerais in the transportation sector, where DER/MG executed or co-executed the works, with interventions in such areas as construction, widening, improvements, paving, rehabilitation, drainage works, and bridges.⁷

C. Objective, components, and cost

- 1.13 The goal of the CCLIP is to contribute to the socioeconomic development of municípios in the state of Minas Gerais with relatively less social development by improving ground transportation conditions for freight and passengers in some of the state's 225 municípios with poor access to the federal or state highway system. The first program served 13 municípios and the second one will serve a further eight. Both programs accorded priority to municípios with low HDI. The purpose of the program is: (i) to lower freight and passenger transportation costs; (ii) to shorten safe travel time; and (iii) to make available more reliable transportation to social services and income-generating activities by making roads serviceable year round, on a sustainable basis.
- 1.14 The actions included under the program are expected to benefit users of municipal access roads (all users including pedestrians and users of motorized and nonmotorized vehicles). Beneficiaries will also include the residents of urban areas served by the works, since access will be improved mainly through more reliable transportation to social services and income-generating activities, customers, and markets, by making roads serviceable year round, on a sustainable basis.
- 1.15 **Component 1. Engineering and administration (US\$5.6 million)**
- 1.16 **Subcomponent 1.1. Program administration** (US\$3.1 million). This subcomponent will finance a number of services and activities for which the program management unit (PMU), the executing agency, will be responsible, with the help of a management company to administer the program. Resources are included for semiannual and annual audits, to be performed in accordance with Bank policies.

⁷ (i) In 1970, loan 252/SF-BR, for US\$25.8 million, the regional development program for northwestern Minas Gerais, for interventions on 2,212 km of rural and feeder roads; (ii) in 1986, loans 204/OC-BR for US\$36 million, and 789/SF-BR for US\$18 million, for works on 1,117 km in the state road system; (iii) in 1989, loans 570/OC-BR and 825/SF-BR, for US\$120 million, a program to upgrade the Minas Gerais road system, involving 2,400 km; (iv) and (v) in 1993 and 1996, loans 767/OC-BR and 975/OC-BR, a program to modernize and expand the Fernão Dias federal highway, stage I (US\$265.9 million) and state II (US\$265 million); and (vi) in 2005, the Program to Improve Road Access to Small Municipalities in Minas Gerais, loan 1709/OC-BR (US\$100 million).

- 1.17 **Subcomponent 1.2. Works supervision** (US\$2.5 million). The technical and administrative supervision of program works will be carried out by supervision firms hired specifically for that task. Amongst the principal responsibilities listed in the contracts with DER/MG are: (i) to monitor the works, ensuring compliance with the technical and environmental control specifications contained in the designs and environmental studies; (ii) to verify the quality of the contractors' services; (iii) to maintain laboratories and other equipment for required testing and technological controls; (iv) to help prepare metrics of the services performed by contractors; (v) to provide advisory support to DER/MG on matters relating to work performance, including obtaining the environmental licenses for natural resource use and installation of services to assist with execution of civil works; (vi) to issue opinions on the need to adjust and expand activities; and (vii) to prepare monthly progress reports, including the status of works, and reports on compliance with environmental control measures, and the final report. **The start-up of all works will be contingent upon entry into force of the services contract with the works supervision firm.**
- 1.18 **Component 2. Paving works** (US\$75.5 million). This component will finance the improvement of access roads to municípios with low HDI. Access roads will be paved, improvements will be made to drainage and urban crossings, and corrections made at hazardous spots. These activities are designed to improve municipal access to the state and federal road systems. **Where a município has jurisdiction over the road, the entry into force of the agreement between DER/MG and the respective município will be a condition precedent to commencement of each work.**
- 1.19 **Subcomponent 2.1. Paving works** (US\$69.7 million). This subcomponent will finance the double surfacing on approximately eight (8) access roads, for which economic feasibility studies, final engineering designs, and environmental assessments have been conducted. The works planned for each project will be put out to tender in lots. If one or more sections are added or replaced, the eligibility criteria⁸ employed in the first program will be utilized. All works form part of the representative sample.

⁸ The eight sections evaluated and selected during preparation of the operation are eligible for the second program under the CCLIP. If more than eight sections can be executed in the second program, the additional sections will be selected from among the sections proposed from a list of eligible section agreed in advance with the Bank. To determine the eligibility of a new section, either to replace a section already selected or to add new sections, the following criteria must be met: **In the case of replacement and/or addition:** (i) At least one end of the section must be connected to the state or federal paved road system. Also eligible are all sections connected to or that are continuations of any road improved under the second program; (ii) The economic evaluation of any candidate section will use the Highway Design and Maintenance Standards Model (HDM-IV), based on an on-site estimate of the International Roughness Index (IRI) and the methodological parameters defined for the studies already conducted, using the same sensitivity scenarios. The internal rate of return of the candidate section must exceed 12%; and (iii) in the case of works not initially evaluated that require resettlement, an expropriation and resettlement plan must be submitted for the section, in accordance with the Bank's policy OP-710.

- 1.20 **Subcomponent 2.2** (US\$5.5 million). This subcomponent will finance the supply of bituminous material by the DER/MG to contractors for execution of the paving works.
- 1.21 **Subcomponent 2.3. Socioenvironmental compensation and mitigation** (US\$300,000). The program includes funding to cover compensation and mitigation of socioenvironmental impacts. The funding would also cover any expenses incurred for resettlement of low-income families that may not have been anticipated when the engineering projects and environmental studies were being prepared.
- 1.22 **Component 3. Institutional strengthening (US\$2.235 million)**. This component will finance support for the planning and road administration, providing continuity to the institutional strengthening begun in the first program, by implementing the components still needed to complete the Integrated Road Infrastructure Management System (SGIV): (i) procurement of software and system maintenance infrastructure, stage 2; (ii) implementation of the technical module, stage 2; (iii) management of the SGIV's technical module; (iv) reevaluation and improvement of DER/MG's productive processes, stage 2; and (v) ongoing maintenance of existing systems, stage 2. Institution-building in the environmental area was completed during the first program.
- 1.23 **Cost.** The estimated program cost is US\$83,335,000, of which US\$50 million (60%) will be financed by the Bank and the remaining US\$33,335,000 (40%) will be financed with local counterpart resources. The program costs are shown in the table below.

Program cost (US\$000s)

COMPONENTS	BANK	LOCAL COUNTERPART	TOTAL
Component 1. Engineering, management, and supervision of works	100	5,500	5,600
<i>1.1 Program management</i>	<i>100</i>	<i>3,000</i>	<i>3,100</i>
1.1.1 Management company and environmental supervision		3,000	3,000
1.1.2 Financial audit	100		100
<i>1.2 Supervision of works</i>		<i>2,500</i>	<i>2,500</i>
Component 2. Paving works	49,900	25,600	75,500
<i>2.1 Paving works</i>	<i>49,900</i>	<i>19,800</i>	<i>69,700</i>
<i>2.2 Bituminous material</i>		<i>5,500</i>	<i>5,500</i>
<i>2.3 Socioenvironmental compensation and mitigation</i>		<i>300</i>	<i>300</i>
Component 3. Institutional strengthening		2,235	2,235
<i>Integrated Road Infrastructure Management System (SGIV) - DER/MG</i>		<i>2,235</i>	<i>2,235</i>
TOTAL	50,000	33,335	83,335

D. Results matrix and principal indicators (PPMR monitoring)

- 1.24 **Compilation, consideration, and evaluation of indicators of first program.** In analyzing the indicators, which reflect the program's potential contribution to the outcomes described below, indices were compiled in the different data-producing areas. Because of the complexity of some indicators and difficulty in obtaining data for the midterm evaluation, proxy figures had to be substituted in some cases to permit measurements in the desired area. The Goods and Services Tax (ICMS), a tax imposed on products at the source of production, was substituted for the Additional Fiscal Value (AFV), which reflects the município's economic situation. The target established in the logical framework showed expected growth of approximately 30%. The results show growth exceeding 64%. It is safe to say that the target was reached for this indicator. No data has been available since 2006 for the PRPW indicator – participation rate for pregnant women with four or more prenatal check-ups. The data nearest this index refers to prenatal checkups of pregnant women in the first trimester of pregnancy. Analysis of this data confirmed an approximate 13% rise in doctors' visits, or approximately 80% of pregnant women served (in rural areas), demonstrating the benefit of paved roads in the health sector. The values observed exceeded the 5% increase expected for this index. The education indicator (young adult enrollment in secondary school) could not be measured since the Minas Gerais Education Department no longer collects these data. A 6.75% increase was noted in enrolment, a sign that road paving, together with the indirect economic benefits, led to greater interest among the public in better education. The most important lesson learned from the first program was to select simpler socioeconomic indicators that are more likely to be available in the future. See Link 3, table of indicators and outcomes for the first program.
- 1.25 The other indices to measure benefits to road users refer to vehicle operating costs (HDM-IV), passenger travel time (HDM-IV), bus fares, and fulfillment of the number and schedule of public interurban transportation departures, set by the DER/MG for companies providing such services. All indicators improved more than expected. For the baseline, it was decided to maintain, for the indicators to be measured by HDM, the average values used in the evaluation of the first program.
- 1.26 The main direct outcomes expected from program execution are summarized in the table below. A more detailed description and the socioeconomic outcomes are provided in the results framework (Annex II).

EXPECTED OUTCOMES	INDICATOR
Lower vehicle operating costs. Baseline 2007-2013	Specific to type of vehicle and average value calculated on the basis of ProAcesso project studies. US\$0.78 to US\$0.51/vehicle/km
Shorter travel times Baseline 2007-2013	Specific to type of vehicle and average value calculated on the basis of ProAcesso project studies 56 to 36 minutes/33 km
Improved Programmed Line Items Index (PII) Baseline 2007-2013	Specific to interurban buses and calculated on the basis of the midterm evaluation 83.5 to 94.1% of line items carried out/programmed
Lower interurban public transportation fares Baseline 2007-2013	Specific to interurban buses and calculated on the basis of the midterm evaluation. R\$0.23 to R\$0.20/km

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument and contractual conditions

- 2.1 The program is an investment loan for multiple works. The amortization period is 25 years and the execution period is four years.

B. Environmental and social risks and mitigation measures

- 2.2 The project was classified as a Category B operation and, in accordance with that classification and state environmental legislation, the environmental strategy of the first program was utilized while the operation was being prepared. The following were prepared: (i) an environmental control report and an environmental control plan for the works on each section; (ii) an environmental assessment of the eight paving projects making up the program, based on the Bank's social safeguards and policies; (iii) an Environmental and Social Management Report (ESMR); and (iv) two public consultations. A strategic environmental assessment (SAE) was also prepared for the CCLIP and the first program, and the state of Minas Gerais conducted an SAE of the Minas Gerais Road Plan, which supports the selection of projects executed by the state. Also, the World Bank performed an environmental impact study on the SWAP transportation projects it is financing for the state of Minas Gerais, which covers the entire state.
- 2.3 In accordance with State Environmental Policy Council Resolution 074/2004, all eight sections included in the second program have been classified as Class 1 (state legislation) (small-scale, and small or medium impact), corresponding to roads 10 to 50 km in length. No prior license is required for Class 1 projects, but an environmental intervention authorization, issued by the Instituto Estadual de Florestas [State Forest Administration] (IEF), and the permission of the Instituto Mineiro de Gestão de Águas [Minas Gerais Water Management Authority] (IGAM) are required prior to commencement of the works. Also required is a Term of Responsibility from the contractor and the head of DER/MG, stating that the engineering works were executed in accordance with the umbrella project and

- environmental study. Upon completion of works, the Superintendência Regional do Meio Ambiente [Office of the Regional Environment Supervisor] (SUPRAM) issues the environmental operating permit.
- 2.4 DER/MG has an environmental office, whose capacity was strengthened under the first program that works with the Projects Department and is responsible for the environmental and social management of road projects. The office performs this function efficiently and is following the procedures set out in environmental legislation for the environmental permits/licenses for each section. **DER/MG must present to the Bank prior to the first disbursement for each work, evidence that an environmental law has been issued in accordance with the relevant state legislation. Prior to the first disbursement, the borrower must present to the Bank evidence that, throughout execution, the program will have services to support socioenvironmental supervision of program works.**
- 2.5 The positive impacts of the program will occur for the most part during the operating stage and the benefits will be mainly socioeconomic. The potential positive impacts are: (i) shorter travel times and better access to workplaces and public services (health and education); (ii) reduction in the number of traffic accidents; (iii) better traffic conditions for pedestrians and cyclists in towns through which highways pass; and (iv) better roadside air quality. Other benefits will be recovery of critical environmental liabilities along the highways and job creation during the works. Also, there will be positive impacts on health and education.
- 2.6 Based on the studies conducted, program paving works are not expected to have significant negative impacts since they will be small- to medium-scale and fairly traditional from an engineering standpoint, and executed on existing rights of way, without changes to land use or negative impacts on environmentally-sensitive areas.
- 2.7 Except for geometric corrections of critical points, there will be no major changes to road layout. No impacts on low-income groups or indigenous peoples were identified. **Prior to commencement of any works, the borrower must demonstrate to the Bank, when required, that an expropriation and resettlement plan has been implemented in accordance with Bank Policy (OP-710).** The resources will come from the counterpart contribution. The most significant impacts associated with the road works will be mitigated/ prevented/ compensated through detailed environmental control plans, environmental education, and public information.
- 2.8 Environmental compensation will consist of support from the IEF for the construction of sidewalks in state parks near program highways. **The first disbursement of financing for works on the Catuti-Gameleiras section are conditional on the signing and entry into effect of an agreement between Instituto Estadual de Florestas (IEF) and DER/MG on the environmental compensation⁹ aspects of the program, as agreed with the Bank.** The terms of

⁹ Forest compensation in the state nomenclature.

reference for the engineering designs call for the inclusion of environmental protection and mitigation measures. Every effort will be made to use local labor for the paving works. As in the first program, in addition to mitigation/correction measures at critical points, differentiated surfacing will be applied on all urban crossings and narrow bridges for purposes of road safety.

C. Fiduciary risk

- 2.9 In view of the satisfactory experience with the executing agency in earlier programs with the Bank, the program is not expected to cause any institutional or fiduciary risk. In the institutional area, DER/MG is a competent executing agency that has extensive experience in working with the Bank, an appropriate organizational structure, and broad experience with private sector procurement. DER/MG has already completed 102 works under ProAcesso and another 77 now under way are being financed by the World Bank, the IDB, and the Japan Bank for International Cooperation (JBIC). On the technical front, the institution-building actions carried out have strengthened DER/MG organizational structure and management capacity, the works envisaged are not difficult to execute, and there is a large market at the national and international levels of qualified supervision and construction companies. As for technical and operational sustainability, DER/MG accords priority in the Programa de Recuperação e Manutenção Rodoviária do Estado de Minas Gerais [Road Repair and Maintenance Program of the State of Minas Gerais] (PRMG) to maintaining the road system for which it is responsible, and has been performing continuous maintenance.
- 2.10 To ensure the program is executed smoothly, where the município has jurisdiction over a road, a **special execution condition for the commencement of any work will be the entry into effect of the agreement between DER/MG and the município concerned.**
- 2.11 The financial evaluation of the state government indicates that it is meeting the targets agreed between the government of Minas Gerais and the Treasury Department that are set out each year in the state's *Programa de Reestruturação e Ajuste Fiscal* [Program for Restructuring and Fiscal Adjustment] (PRAF). The targets set are: Target 1 – financial debt/real liquid income; Target 2 – positive primary result; Target 3 – personnel costs (limited to 60% of current liquid income); Target 4 – own revenue collected at positive and increasing rates; Target 5 – privatization, public utility concessions, administrative and asset reform; and Target 6 – investment expenditure/current liquid income ratio is positive and improving. The operation is within the limit agreed with the federal government for external borrowing.
- 2.12 Between 2004 and 2008, the state of Minas Gerais complied with the ceilings set in the Fiscal Accountability Act of Brazil, as shown in the table below.

Limit and legal provision*	Legal limit	Jan/Dec 04 limit	Jan/Dec 05 limit	Jan/Dec 06 limit	Jan/Dec 07 limit	Jan/Dec 08 limit
1 - PC/CLI (Article 19 de la LRF	60.00%	58.16%	52.24%	53.71%	55.80%	54.32%
2 – GOFY/CLI (Article 7. I of RSF 43/01)	16.00%	0.06%	0.33%	1.15%	0.82%	1.90%
3 - AAAD/CLI (Article 7. I of RSF 43/01)	11.50%	10.81%	10.51%	10.94%	10.93%	10.51%
4 - CLD (Article 7. III of RSF 43/01 and Article 3 of RSF 40/01)	200%	224 %	203%	189%	188%	176%

* **Note:** PC = Personnel costs; LRF = Fiscal Accountability Act; GOFY = Global amount of operations in a fiscal year; CLI = current liquid income; AAAD = Annual amount with amortization and other debt charges; CLD = consolidated liquid debt; RSF = Federal Senate Resolution

- 2.13 State revenue and spending in the 2004-2008 period are compatible with improving primary results, which rose from R\$107.69 million in 2004 to R\$2.971 million in 2008. The financial capacity evaluation of the state shows that it has the capacity to service its local counterpart obligations under the second program, including the future allocations it must make to maintain the road system for which it is responsible.

D. Other issues and risks

- 2.14 Road eligibility criteria. The program will apply to roads in the ProAcesso program that have not yet been paved, and that, in addition to meeting the eligibility criteria of the first program (see footnote 8), have an internal rate of return exceeding 12% and a positive net present value. With respect to socioenvironmental eligibility, DER/MG has a strict procedural framework and works closely with the Fundação Estadual do Meio Ambiente [State Environment Foundation] (FEAM). It is also familiar with relevant Bank policy. The DER/MG has submitted to the Bank the engineering designs, the findings of the economic and environmental studies, and the respective license or waiver, in order to obtain the Bank's no objection to its inclusion in the financing.
- 2.15 Financial feasibility. A financial evaluation was made for each section of road to be worked on, based on specific traffic counts, applying rates of increased demand for each section and vehicle type. The evaluation tool will be the Highway Design and Maintenance Standards Model (HDM-4). It will determine the main economic indicators (IRR) for each work. Subsequently, a sensitivity analysis will be conducted: a 20% increase in costs and a similar reduction in benefits. The baseline for this evaluation will be determined individually for each work under the program. The sections selected exceed the requirement of an IRR of 12%. Works are not expected to entail substantial risk in this regard.

III. IMPLEMENTATION AND MANAGEMENT PLAN

- 3.1 **Borrower, executing agency, and guarantor.** The borrower will be the government of the state of Minas Gerais. The executing agency will be the Departamento de Estradas de Rodagem do Estado do Minas Gerais [Minas Gerais Highways Department] (DER/MG).¹⁰ The guarantor of the financing will be the Federative Republic of Brazil. **As a condition precedent to the first disbursement, an execution agreement must be signed between the borrower and the executing agency as agreed with the Bank and be in effect.** The program will be implemented by a program management unit (PMU), attached to the DER/MG Road Infrastructure Division created for the first program. The PMU is now functioning with the necessary personnel.
- 3.2 The executing agency will be responsible to the Bank through the PMU for the following functions: (a) promoting fulfillment of the contractual conditions of the loan; (b) representing DER/MG with the Bank; and (c) maintaining the program's technical, financial, and administrative systems. To perform these tasks, the PMU has been coordinating its efforts within DER/MG with the different technical areas responsible for implementing the activities associated with the program. Also, the PMU centralizes accounts submitted to the Bank and other state entities. Among its specific functions are: (i) planning the execution of works and annual work plans (AWPs); (ii) preparing and updating the procurement plan; (iii) reviewing the bidding conditions for procurement of consulting services, works, and goods, ensuring that they comply with the Bank's procurement policies; (iv) supervising and monitoring the status of contracts for consulting services, works, and goods; (v) preparing project profiles; (vi) processing payments; (vii) preparing financial statements and disbursement requests; and (viii) monitoring and evaluating program execution. The PMU will receive assistance from a management company, as well as specific technical support, to be financed with program resources. **Prior to the first disbursement, the borrower must demonstrate, to the Bank's satisfaction, that program administration services will be provided by a management company.**
- 3.3 The functions of the management company include: (i) design, implementation, and operation of a monitoring and evaluation plan; (ii) preparation of monitoring and evaluation reports; (iii) procurement support (preparation of terms of reference and other bidding documents); (iv) assisting with supervision of works, projects, and other services (visits to works; guidance and review of final engineering projects; quality control); (v) preparation of financial feasibility studies; (vi) inspections of works and related environmental controls (location of camps and other support areas; evaluation of work approach strategies; monitoring of activities, in coordination with the supervision firms; follow-up on matters pending, if

¹⁰ DER/MG is an incorporated municipal department that is administratively, operationally, financially, and legally independent, with its own assets. It is attached to the Secretaria de Estado de Transportes e Obras Públicas [State Department of Transportation and Public Works] (SETOP).

applicable); (vii) environmental supervision of environmental programs; and (viii) monitoring of outcome indicators.

- 3.4 **Revolving fund.** For program disbursements, a revolving fund equivalent to 5% of the total loan amount will be set up, in accordance with Bank procedures. The PMU will prepare the disbursement requests on behalf of the borrower and submit to the Bank reports on the status of the fund within 60 calendar days after the end of each six-month period.

- 3.5 **Execution period and disbursement schedule.** The execution period is four years from the effective date of the loan contract. The disbursement period will be four years. The disbursement schedule appears in the inset beside. The figures are in thousands of United States dollars.

Year	2010	2011	2012	2013	TOTAL
IDB	40,000	9,900	980	20	50,000
GMG	20,000	10,000	3,110	225	33,335
TOTAL	60,000	19,000	4,090	245	83,335

- 3.6 **Procurement.** Goods, works and related services, and consulting services will be procured through public competitive bidding conducted by the DER/MG's Special Procurement Committee, in accordance with Bank policies (documents GN-2349-7 and GN-2350-7) as shown in the procurement plan (Annex III). Procurement of goods, works, and consulting services financed with program resources will be reviewed ex ante until such time as the Bank authorizes ex post review, in accordance with the above-referenced policies.

- 3.7 The program includes advance procurement. Accordingly, retroactive financing of up to US\$20 million from local counterpart resources and of up to US\$28 million from the financing may be used for the procurement of works and consultants' studies performed after the date of approval of the CCLIP by the Comissão de Financiamentos Externos [External Financial Committee] (COFIEX Recommendation 755, of 25 June 2004) and faxes 714, of 13 July 2005 and 1157, of 21 October 2005, from SEAIN to SEDE/SEAIN) for up to 18 months prior to approval of the operation by the Bank's Board of Executive Directors. SEAIN did not consider it necessary to seek further approval from COFIEX for this second program (see Link).

- 3.8 **Monitoring and evaluation.** The PMU will submit to the Bank semiannual reports on progress made on each component and overall program performance, based on the agreed indicators in the results framework. Reports must also include: (i) a description of the activities carried out; (ii) updated schedules of physical execution and disbursements; (iii) monitoring of established indicators; (iv) a work program for the next six-month period; (v) a summary of financial execution and anticipated flow of resources for the next six-month period; and (vi) a section identifying potential developments or events that might jeopardize program execution. Additionally, within 90 (ninety) days after the final disbursement, a final program evaluation will be conducted, to include: (a) the results of financial execution by component; (b) monitoring of established targets, in accordance with the indicators

in the logical framework; and (c) compliance with the contractual conditions of the loan.

- 3.9 **External audits.** For the duration of the program, DER/MG will present each year the program's audited consolidated financial statements. The external audits will be performed by an independent firm of auditors acceptable to the Bank, in accordance with external audit requirements (documents AF-100 and AF-300) and terms of reference approved in advance by the Bank (documents AF-400 and AF-500). The firm will be selected and hired in accordance with the procedures in the bidding documents for externally financed audits (document AF-200). The program's annual financial statements will be submitted to the Bank within 120 days after the end of the fiscal year and the final statements within 120 after the last disbursement. The cost of the audit will be part of the program costs and financed out of program resources. In addition to audits of the program financial statements, the firm of auditors will audit the operational, financial, and systemic aspects of the program, in accordance with the terms of reference previously agreed with the Bank. The *Tribunal de Contas Estadual* [State Court of Accounts) (TCE) may perform the audit, provided the requirements and criteria set out in the relevant Bank policy have been met, and with the Bank's no objection in writing. In the event the TCE performs the program audits, any unused balance of resources allocated to the external audit may be cancelled or transferred to another investment category.

CONFIDENTIAL INFORMATION

RESULTS FRAMEWORK					
Goal		The goal of the program is to contribute to the socioeconomic development of the state of Minas Gerais by improving freight and passenger transportation on the state road system. Its purpose is to provide safer sustainable traffic conditions for passengers and goods at lower operating cost on the roads included in the program.			
Results indicator for the second program		Baseline/2007	Target/2013		
Improved economic, health, and educational situation of the beneficiary municípios/midterm evaluation baseline					
2004 Logical framework matrix	Proxy figures utilized in the 2007 midterm evaluation				
AFV - Additional fiscal value: Change in percentage points: 30.0 - Not utilized	- Additional <i>Imposto Sobre Circulação de Mercadorias e Prestação de Serviços</i> [Taxes on Goods and Services] (ICMS) collected ➤ ICM/inhabitant	R\$10.40	R\$11.44	10%	One year after completion of the second program, the selected indicators* for the municípios that are direct beneficiaries improve. Indicators and baseline are the same as those used in the midterm evaluation.
PRPW = Participation rate for pregnant women with four or more prenatal check-ups. Change in percentage points: 5.0 - Not utilized	- Increased numbers of pregnant women with pre-natal check-ups in the first term (rural) ➤ Number of pregnant women with pre-natal check-ups in the first term (rural) /total number of pregnant women in rural area	70.26 %	73.77 %	5%	
RPYA = Rate of participation by young adults in education – Not utilized	- Higher rate of participation in secondary education (including young adults in education/total school enrolment) ➤ Secondary school enrollment/total enrollment	14.22 %	14.93 %	3%	
Results indicator for the second program		Baseline/2007	Target/2012		
Lower operating costs					
Baseline obtained for the average of the indicators on the eight sections of road in the program					
To reduce transportation costs of users of roads included in the program (*) ➤ Economic cost of operating vehicles		US\$0.78	US\$0.51	35%	By program end in 2012, the average economic cost of operating vehicles on the eight sections of road in the second program (measured in US\$ and in constant values per vehicle/km). estimated by

	Car Bus Truck	US\$0.17 US\$1.16 US\$1.00	US\$0.12 US\$0.69 US\$0.65	30% 40% 35%		
Shorter travel times						
- Shorter average user travel time on roads in the program ➤ Travel time in minutes over an average 33-km section		56 min	38 min	32%	By program end, shorter average travel times.	
	Car Bus Truck	53 min 58 min 57 min	35 min 39.5 min 40 min	35% 32% 30%		
Improved Programmed Line Items Index (PII)						
- Improvement in Programmed Line Items Index (PII) ➤ Line items executed/programmed line items		83.05 %	91.4 %	10%		By program end, average PII in the municípios benefited by the ProAcesso program improves.
Lower bus fares						
- Lower interurban public bus fares ➤ Interurban public transportation fares		R\$0.23	R\$0.20	15%	By the end of the program, interurban public transportation fares fall.	
Final results indicator for the CCLIP	Baseline/2000	Target/2013				
Improved economic, health, and educational situation of the beneficiary municipalities – Human Development Index (HDI)						
Average HDI for the 21 municípios benefited by the program	0.65	0.68	5%	One year after completion of the CCLIP, average HDI of beneficiary municipalities is improved. HDI measured every 10 years.		

	Base/2008	2009	2010	2011	2012	Target	
Component. Investment in improving road infrastructure conditions							
Outputs							
- Paving of ProAcesso roads	0	93.90	245.26	255.26	-	255.26 Km	
Outcomes							
- Municípios in the program have more serviceable access road infrastructure.	14.38	14.31	11.65	3.0	3.2	3.5	Measured using the International Roughness Index (IRI) of the system – an index estimating the quality (roughness) of the road surface
Component. Institutional strengthening							
Outputs							
- Procurement of hardware infrastructure, software, and technology – Stage 1		100	-	-	-	100 %	
- Technical module implementation – Stage 2		50	50	-	-	100%	
- Technical module management		30	70	-	-	100 %	
- Evaluation and strengthening of DER/MG production processes – Stage 2		-	-	-	-	100 %	
- Ongoing maintenance of existing systems (SMO, CQM, and SCO)		50	50	-	-	100%	
Outcomes taking account of the 21 sections of road improved under the CCLIP							
- Improved access to municípios as a result of paving access roads under the program		3.50%	9.40%	-	-	9.40%	Number of municipalities served (225) (**)

NOTES: (*) DOLLAR EXCHANGE RATE UTILIZED: R\$2.15 = US\$1.

() INCLUDING GOVERNMENT OF MINAS GERAIS PROACESSO PROGRAM DATA.**

ADDITIONAL PAVED ACCESS ROADS (5,443.9)

To monitor the main indicator of the CCLIP, it is proposed that the HDI, which was not utilized because it would only be available every ten years, be used to measure the index at the end of the program.

Indicators used in the first program and midterm evaluation – Rationale for change in indicators of the second program:

In September 2008, an evaluation mission was conducted to verify the midterm evaluation of the indicators defined during the preparation of the first program. As there has not been enough time since the midterm evaluation to measure the benefits generated on the sections completed under the first program, three control groups were set up, reflecting the situation before and after paving of roads in the ProAcesso program. Group 1: municípios with paving works performed in earlier programs in similar geographic locations and of similar size that had been in execution for more than 10 years; Group 2: sections of road in the ProAcesso program; and Group 3: municípios with unpaved access roads. For purposes of analysis, a list of sections was drawn up according to the established parameters. The details are contained in the document: Midterm evaluation – Analysis of the Logical Framework Indicators, Sep/08, available in the Links section.

The indicators are summarized below:

AFV - Additional fiscal value – Financial-accounting indicator used by the state to calculate transfers of revenue from the Goods and Services Tax (ICMS) and the Industrial Products Tax (IPI) to municípios;

PRPW - Participation rate for pregnant women with four or more prenatal check-ups – reflects fairly well the availability of health centers and the frequency of visits;

RPYA = Rate of participation of young adults in education – to verify access to more remote educational institutions;

Economic operating cost – cost of operating/maintaining vehicles that use the roads;

Travel time – time spent in travel;

PII – Programmed Line Items Index – Number of line items executed by state interurban public transportation relative to initial programming, established by DER/MG, for each bus line (in the area of interest);

Charge for interurban public transportation – transportation fare paid.

Consideration, evaluation of indicators, and rationale for second program changes

For analysis of the indicators in the logical framework of the first program, the indices were compiled in different producing entities.

To obtain the AFV, the Department of Finance was requested to provide the refined value for FY 2007. Owing to the complexity and purpose of this index, it is only completed at the end of the current year, so that it could not be used in the evaluation. Accordingly, it was decided to use a proxy figure reflecting the same municipal economic situation. **The appropriate index for that purposes was the Goods and Services Tax (ICMS)**, which is levied on products at source of production, thus demonstrating the municipality's economic performance. It is important to note that the amount effectively collected in FY 2007 was utilized, weighted for the resident population, to create equity among the groups in terms of ICMS/inhabitant. With regard to this indicator, it is safe to say that the target was achieved.

For the PRPW indicator – participation rate for pregnant women with four or more prenatal check-ups (refined up to 2005), and for the AFV, information is not available as of 2006 in the basic data compiled by the state Department of Health. **The information closest to this index refers to pre-natal check-ups received by pregnant women in the first trimester of pregnancy.** Given the purpose of this index, i.e., ease of access to health care and, more specifically, the benefit incurred from road paving, it was decided to use the values for this indicator, refined for pregnant women resident in rural areas. With regard to this indicator, it is safe to say that the target was achieved.

In education, the purpose of facilitating access to classrooms could not be measured solely from young adult secondary school enrollment. **It was noted that the 6.75% increase in secondary school enrolment figures** is a sign that road paving, together with the indirect economic benefits (also resulting from paving), led to greater public interest in better education.

The indices to measure benefits to road users refer to vehicle operation costs (HDM); passenger travel time on roads (HDM); fares charged and fulfillment of the number and schedule of interurban public transportation departures, defined by DER/MG for companies providing these services. All indicators showed higher than expected gains. These indicators are being maintained.

BRAZIL (BR-L1231)
SUMMARY PROCUREMENT PLAN

Description	Estimated cost (US\$)	Procurement method	Review (ex-ante or ex-post)	Source of financing		Prequalification (yes/no)	Estimated dates	Status
				IDB %	Local %		Specific procurement notice	
1. GOODS								
1. Procurement of hardware infrastructure, software, and technology – Various contracts	2,200,000	EA	ex ante	0%	100%	No	May 2009	Pending
10. Procurement of bituminous material – 8 works – 255.26 km	5,500,000	EA	ex post	0%	100%	No	October 2007	In execution

Description	Estimated cost (US\$)	Procurement method	Review (ex-ante or ex-post)	Source of financing		Prequalifi- cation (yes/no)	Specific procurement notice	Status
				IDB %	Local %		Tentative publication date	
1. WORKS								
1. Paving works (Group 1)	34,555,000	ICB	ex ante	99%	1%	No	February 2008	In execution
2. Paving works (Group 2)	15,980,000	ICB	ex ante	99%	1%	No	February 2008	In execution
3. Paving works (Group 3)	18,465,000	NCB	ex post	0%	100%	No	October 2008	In execution

Description	Estimated cost (US\$)	Procurement method	Review	Source of financing		Prequalifi- cation (yes/no)	Specific procurement notice	Status
				IDB %	Local %		Tentative publication date	
1. CONSULTING SERVICES								
1. Management company to support program management unit (PMU) and environmental supervision	3,000,000	NCB	ex ante	0%	100%	No	November 2009	To be procured
2. Financial accounting audit	100,000	NCB	ex ante	100%	0%	No	November 2010	To be procured
3. Supervision of works (3 works) (Group X)	2,500,000	NCB	ex ante	0%	100%	No	May 2008	In execution

ICB: International competitive bidding; LIB: Limited international bidding; NCB: National competitive bidding; PC: Price comparison; DC: Direct contracting; FA: Force account; PSA: Procurement through specialized agencies; PA: Procurement agencies; IA: Inspection agents; PLFI: Procurement in loans to financial intermediaries; BOO/BOT/BOOT: Build, Own, Operate/Build, Own, Transfer/Build, Own, Operate, Transfer; PBP: Performance-based procurement; PLGB: Procurement under loans guaranteed by the Bank; PCP: Community participation procurement; QCBS: Quality-and cost-based selection; CQ: Quality-based selection; FBS: Selection under a fixed budget; LCS: Least-cost selection; CQ: Comparison of qualifications (individual consultants); SSS: Single-source selection. EA: Electronic auction; WB: Waiver of bidding. In execution: Contract in execution; In process: From publication of request for proposals to award to the winning firm; To be procured: Request for proposals, award, and signature of contract.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/____

Brazil. Loan ____/OC-BR to the State of Minas Gerais
Program to Improve Road Access to Small Municipalities
(PROACESSO-BIDH-Phase 2) in Minas Gerais
Second Individual Loan Operation
under CCLIP Line BR-X1002

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 State of Minas Gerais, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Program to Improve Road Access to Small Municipalities (PROACESSO-BIDH-Phase 2) in Minas Gerais, which constitutes the second individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-X1002 approved on December 21, 2005, by Resolution DE-138/05. Such financing will be in the amount of up to US\$50,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.