

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

PROCIDADES – CASCAVEL
MUNICÍPIO OF CASCAVEL INTEGRATED DEVELOPMENT
PROGRAM

(BR-L1344)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Program planning (AWP) IDBDocs 37335241
2.	Monitoring and evaluation plan IDBDocs 37305289
3.	Initial procurement plan - itemized IDBDocs 37303198
4.	Environmental and Social Management Report IDBDocs 37312629
OPTIONAL	
1.	Institutional assessment report (ICAS) IDBDocs 37303265
2.	Annex to the institutional assessment report (ICAS) IDBDocs37303303
3.	Município of Cascavel financial evaluation report IDBDocs 37304360
4.	Annex to the Município of Cascavel financial evaluation report IDBDocs 37304370
5.	Component I viability study IDBDocs 37304374
6.	Components II and III viability study IDBDocs 37304418
7.	Environmental assessment report IDBDocs 37304469
8.	Annex to the environmental assessment report IDBDocs 37312550
9.	“Digital Cascavel” data network design IDBDocs 37304511
10.	“Cascavel Geoportal” business plan IDBDocs 37304532
11.	Training plan IDBDocs 37304540
12.	Avenidas Brasil and Tancredo Neves management and maintenance plan IDBDocs 37304570

13. Environmental parks operational management plan
[IDBDocs 37304615](#)
14. Intergenerational community centers management plan
[IDBDocs 37304657](#)
15. Financial programming
[IDBDocs 37305480](#)
16. Cascavel city interventions map
[IDBDocs 37305491](#)
17. Municipal master plan
[IDBDocs 36804522](#)

ABBREVIATIONS

CRAS	Centro de Referência de Assistência Social [social welfare referral center]
EAR	Environmental assessment report
ICAS	Institutional capacity assessment system
ICC	Intergenerational Community Center
IPARDES	Instituto Paranaense de Desenvolvimento Econômico e Social [Paraná Economic and Social Development Institute]
IRR	Internal rate of return
OC	Ordinary Capital
OEL	Optional electronic link
p.a.	Per annum
PAIF	Serviço de Proteção e Atendimento Integral à Família [Comprehensive Family Protection and Service Program]
PCU	Program coordination unit
PMC	Prefeitura Municipal de Cascavel [Municipal Government of Cascavel]
REL	Required electronic link
SEADM	Secretaria Municipal de Administração [Municipal Administration Department]
SEASO	Secretaria Municipal de Ação Social [Municipal Social Action Department]
SEMEL	Secretaria de Educação, Esporte e Lazer [Municipal Sports and Recreation Department]
SEPLAN	Secretaria Municipal de Planejamento e Urbanismo [Municipal Planning and Urban Development Department]
TCE/PR	Tribunal de Contas do Estado de Paraná [Paraná State Audit Department]

PROJECT SUMMARY

BRAZIL PROCIDADES – CASCVEL MUNICÍPIO OF CASCVEL INTEGRATED DEVELOPMENT PROGRAM (BR-L1344)

Financial Terms and Conditions				
Borrower: Município of Cascavel			Amortization period:	25 years
Guarantor: Federative Republic of Brazil			Grace period:	5.0 years
Executing agency: Município of Cascavel through the Municipal Planning and Urban Development Department (SEPLAN)			Credit fee:	*
			Interest rate:	LIBOR-based
Source	Amount in US\$	%	Disbursement period:	5 years
			Inspection and supervision fee:	*
IDB: Ordinary Capital (OC)	28,750,000	50	Conversion to reais:	Local Currency Facility (LCF)**
Local	28,750,000	50		
Total	57,500,000	100	Currency of approval:	U.S. dollars from the Single Currency Facility of the OC
Project at a Glance				
Project objective and description. The program's general objective is to promote the improvement of urban space in the município of Cascavel. The specific objectives are to: (i) make the mobility system more efficient; (ii) expand green areas and improve the most vulnerable population groups' access to social services; and (iii) enhance municipal government information management.				
Special contractual conditions precedent to the first disbursement of the loan proceeds. The borrower will present the following to the Bank's satisfaction: (i) publication of the decree creating the program coordination unit and the appointment of its members (paragraph 3.2); (ii) publication of the decree creating the Technical Support Group and the appointment of its members (paragraph 3.3); (iii) the signing and entry into force of cooperation agreements between SEPLAN and each of the municipal institutions involved in the program, under terms previously agreed upon with the Bank (paragraph 3.1); and (iv) publication of the decree creating the Special Bidding Commission and the appointment of its members (paragraph 3.4).				
Project consistent with country strategy: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
Exceptions to Bank policies: N/A				
Project qualifies as: SEQ <input type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>				

* The credit fee and the 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 applicable policies.

** The individual operations approved under the PROCIDADES lending facility (document PR-3086-4) are financed with resources from the Single Currency Facility of the Bank's Ordinary Capital, with the option of converting disbursements and outstanding loan balances under the Local Currency Facility (LCF), in accordance with the terms previously approved by the Board of Executive Directors pursuant to Resolution DE-112/06, rather than the terms of the Flexible Financing Facility (document FN-655-1), established subsequently. As with a global credit program, the Bank, in discussions with the country authorities of Brazil, has developed a design for individual operations under the facility that allows the terms and conditions for disbursements in local currency to be standardized for all participating municipal governments (see document PR-3086-4, paragraph 5.17).

I. DESCRIPTION AND RESULTS MONITORING

A. Background

- 1.1 The Município of Cascavel, located in the western part of the state of Paraná, 491 km from the capital, Curitiba, is one of this region's main economic hubs, with a population of 289,339,¹ of whom 94% live in the urban area.² The city has been experiencing rapid economic and demographic growth: in the 1990-2010 period, its population grew by 53%,³ and this had adverse impacts on its urban environment.
- 1.2 One of the effects of this growth was an increase in the number of vulnerable families⁴ in Cascavel, who have been occupying the outlying neighborhoods of the city with infrastructure and services deficits (see paragraphs 1.9 and 1.10). In 2000, there were 18,841 dwellings inhabited by vulnerable households, and the figure had risen to 19,528 by 2010.⁵ Since average family size in Cascavel is estimated at 3.5 people, the vulnerable population is projected at 68,348 in 2010.
- 1.3 Other indicators, such as gross domestic product (GDP), showed positive growth between 2005 and 2009; the município's real GDP grew by 42.51% (average real growth of 8.5% per year), making it one of the 100 fastest-growing municípios in the country. The city has 1,634 businesses⁶ in the garment and furniture sectors, and also in agribusiness. It is one of the region's university hubs, with 20,000 students enrolled at its three universities and six colleges. The fact that this situation contrasts with that described in paragraph 1.2 points to concentration of income and, at the same time, territorial disparities.
- 1.4 The city has good urban infrastructure and social services, as reflected in its municipal human development index of 0.81,⁷ which ranks it 15th out of the state's 399 municípios. In terms of institutions, Cascavel scored 0.85 on the Fiscal Management Index published by the Federation of Industries of the State of Rio de Janeiro, or 22nd among Brazilian municípios, with management classified as excellent.⁸ Despite these positive indicators, urban population growth in recent decades has led to a lopsided development process, which has unequally impacted various areas of the município and the quality of life of its inhabitants. Cascavel experienced urban and social transformations over the last few decades, with

¹ Brazilian Institute of Geography and Statistics (IBGE), 2011.

² Idem.

³ Idem.

⁴ Families are classified as vulnerable by the Unified Cadastre System if they have a monthly per capita income of no more than half a minimum wage or a total family income per month of up to three minimum wages.

⁵ Communiqué of 11 May 2011, Paraná Economic and Social Development Institute (IPARDES).

⁶ IPARDES, 2010.

⁷ United Nations Development Programme 2000 (last available for Brazilian municípios).

⁸ This indicator measures five main factors: (i) own income and collection capacity; (ii) payroll expenses and budget rigidity; (iii) liquidity and the ratio between cumulative payments in the year and available financial assets; (iv) total investment in relation to net income; and (v) debt cost / committed budget.

significant growth in outlying areas with deficits in infrastructure, social facilities, and urban services, deterioration of green spaces, and concentration of poverty. Such transformations have also affected mobility in the city, resulting in a poorly integrated road system and a significant worsening of travel times. In addition, the Município of Cascavel's limited institutional capacity did not allow it to keep up with accelerated urban growth, resulting in deficient management systems.

B. Main determinants, problems and challenges

- 1.5 The main urban challenges facing Cascavel relate to its rapid urban growth (paragraphs 1.1 and 1.2). In addition to the lack of planning in urban development in recent years, the growth has caused mobility and environmental problems. These issues were given priority in the Município of Cascavel Master Plan (2006),⁹ but the projects to solve them have not yet been executed owing to the volume of resources needed. The problems in question are described below.

C. Transportation and mobility issues

- 1.6 **Poorly integrated road system.** Cascavel developed along the BR-35 highway. Following the creation of alternative routes to divert heavy traffic, a segment of BR-35 became Avenida Brasil/Tancredo Neves, which is the city's main road artery, around which the urban development process consolidated. A few years ago, a route was developed that diverted public transportation to two parallel lanes, which has affected city center access and connectivity. The uneven growth of the urban grid has resulted in disconnection between streets in adjacent neighborhoods, such as Calle José de Sá Cavalcanti, which connects the Parque Verde and Recanto Tropical neighborhoods with those of Cancelli and Canadá. Overcoming this situation requires building a road along the watercourse that separates them. The worst problem is in the neighborhoods to the south of the município of Cascavel, which connect to the city center by crossing BR-277, a heavily trafficked federal highway, where over 175 accidents occur every year.¹⁰
- 1.7 These road grid problems are compounded by the expansion of the vehicle fleet, amounting to nearly 165,000 at the end of 2011.¹¹ This increase in the number of vehicles and the limitations of the main artery (Avenida Brasil/Tancredo Neves/Jacarezinho) reduce average bus speeds to no more than 16 km/h during the heaviest traffic hours. Further problems are caused by the poor integration of the bus system, with just three transfer terminals serving the entire city. Lastly, the network of bike lanes (5 km) is not connected and tends to be used for sporting activities—a situation that impairs cyclists' mobility and ultimately also affects traffic because of the lack of specific bike routes.

⁹ Article 40, paragraph 3, of the City Charter requires the published master plans to be updated at least every 10 years.

¹⁰ Statistics issued by the Federal Highway Police (2010/11) related to the three-kilometer segment of BR-277.

¹¹ Traffic Department, 2012.

- 1.8 **Pedestrian circulation hindered by pavement conditions.** According to data from the Municipal Planning and Urban Development Department (SEPLAN) for August 2012, close to 80% of the streets did not have adequate sidewalks and, in many cases, these were discontinuous and without patterns. This underscores the need for the creation/application of the Sidewalks Program under Law 5,744/2011, to standardize their construction and restoration, and thus ensure safe circulation for pedestrians and accessibility for people with disabilities using wheelchairs. That operation will enable the Municipal Government of Cascavel (PMC) to upgrade access areas around public buildings, setting an example for the owners of buildings to improve the sidewalk areas outside their properties.

D. Environmental and social issues

- 1.9 **Environmental deterioration and lack of green spaces.** As a result of the failure to control the rapid urban growth of the 1980s and unregulated squatting by people arriving from rural areas, the quality of Cascavel's green spaces has been deteriorating—particularly those classified as permanent conservation areas, adjacent to the rivers and water sources. Although these zones are in a degraded condition, the PMC has been working on vacating them in an orderly manner. Some of them need reforestation and maintenance as envisaged in the program being presented here. The program's park projects were designed to combine conservation and recreation areas, because the consolidation of adequate land use and occupation ensures that green areas are permanently maintained and do not get invaded by squatters or put to other undesirable uses.
- 1.10 The city has a total of 2.6 million m² of green spaces (8.98 m² per person),¹² below the international standard of 12 m²/person set by the World Health Organization (WHO).¹³ Based on the WHO index, these zones need to be expanded to benefit the residents of the most underserved neighborhoods, the target of this program, which do not have green areas or recreational spaces. This priority is recognized in the 2006 Cascavel Municipal Master Plan, which stresses the importance of restoring the permanent conservation areas as a fundamental aspect of the município's sustainability, since this facilitates rainwater run-off and biodiversity, while also improving the population's quality of life.
- 1.11 **Lack of community social facilities.** In addition to the lack of green and recreational spaces, the outlying zones of the city display pockets of poverty. There are social service deficits in these areas, particularly in terms of social assistance, and a lack of recreational spaces for sports.¹⁴ The most poverty-stricken neighborhoods are Cascavel Velho, Santa Felicidade, Morumbi, Floresta, and

¹² Cascavel Municipal Master Plan. This document did not provide for the green spaces of the permanent conservation areas that run alongside the city's rivers.

¹³ The Brazilian Environment and Renewable Natural Resources Agency specifies a minimum of 8 m² of green space/person (PL 3,057/2000 of the Federal Government).

¹⁴ Social-territorial diagnostic assessment of the Município of Cascavel /PR, 2009-2010, Social Welfare Department.

Interlagos, as identified in the Municipal Social Welfare Plan. Of the 30 neighborhoods in the município, these five are the city's most heavily populated and are home to 40% of low-income families.¹⁵ Although these zones receive basic education and health services, they need community and leisure centers, in addition to the social assistance services offered by social welfare referral centers (CRASs). The latter, which are a component of Brazil's social welfare policy, provide social assistance to the most vulnerable population groups. The main service they offer the município's most vulnerable families is the Comprehensive Family Protection and Services Program (PAIF). While Cascavel currently has five CRASs,¹⁶ its goal, which is aligned with national mandates,¹⁷ is to set up two new centers, with support from the present operation (see the diagnostic assessment contained in the Environmental Assessment Report (EAR) in [OEL 9](#)).

E. Institutional issues

- 1.12 Systems integration between the PMC and its decentralized units is deficient; although 89 of the 189 municipal units are integrated through a proprietary data network, it is a low speed (512 Kbps) and highly unstable one. A similar situation prevails in the telephony system, which has analog lines and a few digital lines supplied by the local operator. In addition to the precarious nature of these services (telephony and data transmission), system costs are high compared with other technological alternatives available. In the interest of improving services and increasing the speed of the data network, the PMC has developed the "Digital Cascavel" project ([OEL 12](#)), which aims to improve its management capacity and the integration between its decentralized units, through modernization of the data and voice network. This will also make it possible to provide new services to citizens and cut costs.
- 1.13 The aim of optimizing the data and voice network (the "Geoportal" project) is to provide new online services and enhance the integration of tax data and information— e.g. by integrating the database of the urban property tax and the services tax. Currently, about 3,000 consultations are made in SEPLAN each month, and it takes eight days to receive a response. Once the projects planned under the institutional strengthening component have been executed, the services in question will be available online.

F. Municipal strategy

- 1.14 In 2009, the PMC sent a request to the External Financing Commission (COFIEX) for financing from the Bank for interventions focused on urban development and

¹⁵ Estimate based on the number of beneficiary families in the *Bolsa Família* family subsidy program, February 2012.

¹⁶ See National Social Welfare Policy 2004; Basic Operational Standard; and the Unified Social Welfare System.

¹⁷ Implementing CRASs throughout the country represented an additional component in the extensive social protection and promotion network that has been constructed in Brazil, premised on the belief that development only occurs if economic growth is accompanied by social protection.

public transportation, an increase in the município's green spaces, improvement in the quality of urban services, and an upgrade of the municipal government's own planning and urban and environmental management capacity. These priorities are reflected in the the Cascavel Municipal Master Plan, which sets the following main objectives: (i) promotion of quality of life and environmental development; (ii) public control of the use and occupation of urban space; (iii) prioritization in the formulation and execution of plans, projects, and programs for at-risk individuals; and (iv) integration of public policies on urban and rural development.

- 1.15 The program and loan proceeds will enable the município to prepare adequately to deal with future challenges, addressing the high growth rates of the last few years and the ensuing problems (see paragraphs 1.1, 1.2, and 1.3), which are obstructing its sustainable development. The investments financed by the Bank will be executed over a five-year period and will guarantee a better quality of life for the município's inhabitants, as measured by outcome indicators (see paragraph 1.23).
- 1.16 With this vision, the PMC will address the urban, social, and environmental development priorities identified in the municipal master plan and in the sector plans. The program will support the implementation of actions to: (i) improve mobility by creating connections, integrating schedules, improving urban public transportation/terminals/stations, bike lanes, and sidewalks, and restoring the downtown area of the city; (ii) restore the permanent conservation areas and green spaces by installing five linear parks; (iii) increase the supply of social facilities; and (iv) consolidate the PMC's services and management network, on an integrated and transparent basis. The investments needed to undertake these actions were calculated taking into account the PMC's capacity to bear the maintenance and operation costs and address the needs of the poor and vulnerable population.

G. Lessons learned

- 1.17 The strategy for preparing this operation took into account lessons learned in the preparation/execution of similar projects in Brazil and others, such as the publications BRT Manual – Planning Guide, December/2008, and Priority for Urban Mass Transit, August/2002. The combination of environmental and social projects, such as the installation of linear parks alongside rivers, equipped with social services and sports facilities, is a practice adopted by municípios in Brazil. An example of the success of this modality is the Tietê Ecological Park, in the city of São Paulo.¹⁸ The program also forms part of the PROCIDADES credit facility. In PROCIDADES the most significant value added for the municípios stems from: (i) close technical monitoring from the Bank's multidisciplinary team; (ii) strengthening of municipal project planning capacities, and the adoption of

¹⁸ In 1976, the architect Ruy Othake was commissioned to prepare the architectural and landscaping design for the Tietê Ecological Park, to include: (i) creation of forest areas; (ii) restoration of original fauna and flora; (iii) creation of individual lakes for landscape enhancement and recreational use; and (iv) creation of social facilities for leisure, educational, and research activities. The park was inaugurated on 14 March 1982, and its area remains conserved to this day. On sunny weekends it attracts about 60,000 visitors (Water and Electricity Department – DAEE/2009).

project management and evaluation tools; and (iii) the chance to leverage investment resources from other national programs.

H. Strategic alignment and intervention strategy

- 1.18 The topics being given priority are aligned with the Bank's strategy with Brazil (document GN-2662-4), which aims to support: (i) an improvement in living conditions and efficiency in the cities; and (ii) the strengthening of urban management capacities and the delivery of services/infrastructure in intermediate cities. The program will also contribute toward the targets of the Bank's Ninth General Increase in Resources (GCI-9), by supporting: (i) the execution of transport infrastructure; (ii) institutional strengthening at the subnational level; and (iii) environmental protection.

I. Objectives, components, costs and impacts, and expected results

- 1.19 **Objective.** The program's general objective is to upgrade urban space in the município of Cascavel. The specific objectives are to: (i) make the mobility system more efficient; (ii) increase green areas and improve the most vulnerable population groups' access to social services; and (iii) enhance the Município's information management. The program will cover the entire population living in the urban area, totaling 269,000 inhabitants. Its components are as follows:
- 1.20 **Component 1. Transportation and mobility (US\$31,775,000).** This component will finance: (i) installation of approximately 13 km of corridors with bus lanes along Avenidas Brasil/Tancredo Neves/Barão do Rio Branco, including the installation of medians and pavement markings and road signs; (ii) the construction and adaptation of four bus terminals and construction of up to 50 raised-platform bus stops; (iii) construction and improvement of approximately 100,000 m² of sidewalks; (iv) installation of approximately 11 km of bike lanes, to be integrated into the city's public transportation system;¹⁹ (v) paving of approximately 6.5 km of urban roads; (vi) construction of a viaduct; and (vii) the expropriations necessary to carry out the proposed works (without provisions for resettlement).
- 1.21 **Component 2. Environment and social services (US\$18,700,000).** This component will finance the installation of five linear parks: Vitoria, Morumbi, Santa Cruz, Santa Felicidade, and Interlagos/Floresta. The installation of the parks will include the restoration of plant cover in permanent conservation areas alongside the rivers, landscaping, the creation of pedestrian sections, and the purchase of sports equipment. It will also finance the construction of up to four intergenerational community centers (ICCs) where social services will be provided in outlying neighborhoods housing vulnerable population groups. The ICCs will be integrated into the linear parks (except for the Cascavel Velho Center).
- 1.22 **Component 3. Institutional strengthening (US\$3,950,000).** The component will finance: (i) the "Digital Cascavel" data network project, which will extend

¹⁹ The PMC has developed a project to upgrade the bike lane system, which will connect the neighborhoods to mass transit terminals, passing through the downtown to reach the linear parks developed by the program.

broadband Internet connection to approximately 190 units of the municipal government; (ii) improvement of the “Geoportal” system project (via Internet), which will make it possible to integrate the databank and update online services (OEL 13) to enhance urban planning and reduce the average time involved in issuing a prior consultation for a building project from eight days to immediate availability online;²⁰ (iii) municipal staff training; and (iv) procurement of digital mapping services.

- 1.23 **Program management (US\$3,075,000).** The program will also finance the operation’s management activities, such as: (i) the contracting of consulting services for monitoring and evaluation; and (ii) supervision expenses.

Table 1.1: Summary of Program Costs (US\$000)

Categories	IDB	Local	Total	%
I. Investment components	28,250	26,175	54,425	94.65
II. Program management	500	2,575	3,075	5.35
Total	28,750	28,750	57,500	100

- 1.24 **Results framework and indicators.** The following program outcome indicators were defined in conjunction with the PMC: (i) journey time in public buses between the west and east terminals of the Avenida Brasil corridor; (ii) market value of properties located in the area of the linear parks and ICCs; (iii) flow of cyclists along Avenida Brasil; (iv) frequency of park use; (v) increase in the number of families served by the município’s CRAS/PAIF network; (vi) average time taken for a prior consultation to be issued for construction; and (vi) expenses arising from PMC telecommunication services. Further details on the indicators, including their baseline values and annual targets, are shown in the Results Matrix (Annex II) and in the Monitoring and Evaluation Plan.

II. STRUCTURE OF THE FINANCING AND MAIN RISKS

A. Financial instruments

- 2.1 **Program resources and disbursement schedule.** This loan is governed by the PROCIDADES credit facility (BR-L1043). It has a total cost of US\$57.50 million, of which 50% will be financed by the Bank from the Ordinary Capital (OC) and the other 50% will be provided by the Município of Cascavel. The execution period is five years from the entry into force of the loan contract, with a disbursement schedule as follows.

²⁰ These services include consultations on buildings, regularization certificates, etc.

Table 2.1: Disbursement Schedule (US\$000)

Financing source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	3,943	10,031	11,078	3,065	633	28,750
Município of Cascavel	3,925	9,409	9,704	4,287	1,425	28,750
Annual Total	7,868	19,440	20,782	7,352	2,058	57,500
%	13.7	33.8	36.1	12.8	3.6	100.0

- 2.2 **Recognition of expenses.** The Bank will recognize, as a charge against the local contribution, eligible expenses incurred during the 18 months prior to the loan approval date, but after 13 July 2012 (the project profile approval date). Such expenses will total up to US\$1.6 million, 5.5% of the value of the local counterpart funding, related to transportation and mobility works, community centers and parks, institutional strengthening, and the procurement of goods and consulting services. Recognition will be given provided that requirements substantially analogous to those set out in the Bank's procurement policies have been met.
- 2.3 **Financial analysis.** Information for the 2007-2011 period, together with the expenditure projected, showed that the PMC will be able to contribute the counterpart funds needed to execute the program in the indicated amounts and timeframes. With respect to the requirements of the Fiscal Responsibility Law (Complementary Law 101 of 4 May 2000), the Município of Cascavel was found to be in compliance with the ceilings established for all of the indicators examined.
- 2.4 PMC revenue and expenditures in the 2007-2011 period are compatible with the process of generating primary surpluses²¹ of R\$9.468 million (2007), R\$28.758 million (2008), R\$11.668 million (2009), R\$12.957 million (2010), and R\$14.507 million (2011), at present values. The income and expenditure projections for the next 10 years show that, taking into account the execution of this operation, there will be no deficit in the PMC's accounts and the primary surplus will be maintained throughout the period, thereby guaranteeing debt service payments.
- B. Environmental and social risks**
- 2.5 To comply with the Bank's safeguards policy, during the preparation of the operation the PMC prepared an EAR²² on the program's social and environmental impacts. The environmental impact assessment was structured by intervention area, in the program's execution and operation phases. No family resettlement is envisaged. Nevertheless, for Component 1 of the program, private property will need to be expropriated. Significantly, the process of expropriating the affected areas has already begun. The expropriation decrees have been published and the

²¹ Difference between government revenues and expenditures, excluding interest- and financing-related revenue and expenditures.

²² Also known as the program Environmental Assessment Report or RAA (the acronym for *relatório de avaliação ambiental*), this document can be accessed at [OEL 9](#).

PMC is in negotiations with the property owners regarding appropriate financial compensation.

- 2.6 According to the EAR, the program will have: (i) positive impacts, which will be directly and indirectly reflected throughout the município's urban area, with regional repercussions (increase in green areas to 12.49 m²/person); better mobility, shorter journey times in public transportation; and enhanced care for vulnerable people by the ICC/CRAS; and (ii) temporary negative impacts, of low-to-moderate magnitude, associated with works construction and changes in the physical, biotic, and socioeconomic environment.
- 2.7 The adverse social and environmental impacts were identified/evaluated on the basis of environmental considerations of relevance in the program's areas of influence, and measures were put forward to prevent/mitigate them. During the works execution period, the negative impacts are expected to be mitigated with the established technology, supported by the application of good engineering practices (e.g. works plans). Moreover, the impacts will be mitigated pursuant to the program's environmental eligibility criteria—as described in the Environmental and Social Management Plan—and contingencies arising from each project's environmental licensing process.
- 2.8 Presentations were made of the program and EAR in 2012, as follows: on 4 June in the Santa Felicidade neighborhood; on 5 June in the Morumbi neighborhood; on 6 June in Cascavel Velho; on 11 June in Santa Cruz; on 12 June in Coqueiral; on 13 June at the Itecne College; on 14 June at the Cascavel Trade and Industry Association; on 15 and 20 June in the PMC auditorium; and on 18 June at the Regional Engineering Council. The invitation to the presentations was published in the press and the EAR was posted for viewing on the Município of Cascavel website.
- 2.9 With these characteristics, the program was rated a category B operation, according to the Bank's Environment and Safeguards Compliance Policy (OP-703).

C. Institutional capacity and fiduciary risks

- 2.10 **Institutional capacity analysis.** The institutional capacity of the executing agency, SEPLAN, was evaluated using the Bank's institutional capacity assessment system (ICAS), as part of the studies undertaken for program preparation. The results showed medium development and risk levels for program execution. The total score of 76.67% shows that SEPLAN is well structured for executing the operation, but needs strengthening in complementary capacities for program execution.
- 2.11 **Fiduciary risks and mitigation actions.** As a result of the study, the risks matrix shows that the program entails moderate risk, given the limited installed capacity in administrative and fiduciary terms, both in SEPLAN and in the other participating agencies. The assessment of inherent execution risks also identified the potential for execution delays owing to poor knowledge of the Bank's procurement and financial management policies. The risk mitigation matrix sets out the measures to be

adopted to ensure effective program execution within the specified timeframe, including the development of a module in the PMC's computerized system to generate the necessary reports. Evidence that the module has been introduced will be demonstrated to the Bank within 90 days following the signing of the loan contract.

D. Other special considerations

2.12 **Technical and economic viability.** To establish the program's economic viability, cost-benefit and least-cost analyses were performed for the following representative actions in each component: (i) Component 1, works on Avenida Brasil/Tancredo Neves and on highway BR-377; (ii) Component 2, the Morumbi and Vitória parks; and (iii) Component 3, the "Digital Cascavel" and "Geoportal" projects. The least-cost methodology was also used to evaluate the Morumbi and Cascavel Velho community centers. The results of the analysis were as follows:

2.13 **Avenida Brasil and BR-277.** The studies for these works projected an internal rate of return (IRR) of 21.5% per year, considering the two works in the sample simultaneously. The sensitivity analysis shows that a 20% increase in costs would reduce the IRR to 18.2% per year, whereas a 20% reduction in benefits would lower it to 17.8% per year. A combination of a 10% increase in costs and a 10% reduction in benefits would cut the IRR to 14.4% per year. The IRR for the baseline and for the three situations analyzed are shown in Table 2.2.

Table 2.2: Internal Rate of Return/Sensitivity Analysis (Av. Brasil and highway BR-277)

Condition	Avenida Brasil	BR-277	Two works simultaneously
Baseline	21.4% p.a.	23.8% p.a.	21.5% p.a.
20% increase in costs	18.2% p.a.	20.3% p.a.	18.2% p.a.
20% reduction in benefits	17.5% p.a.	19.6% p.a.	17.8% p.a.
10% increase in costs and 10% reduction in benefits	14.5% p.a.	16.3% p.a.	14.4% p.a.

2.14 **Morumbi and Vitória parks.** The economic benefits of the parks were measured in terms of the rise in property values in the program's areas of influence. For Morumbi Park, the projected net present value was R\$566,000, the cost-benefit ratio was 1.08, and the IRR was 27.61%. In the case of Vitoria, the projected net present value was R\$6.9 million, the cost-benefit ratio was 2.81, and the IRR was 236.55%.

2.15 **Morumbi and Cascavel Velho intergenerational community centers.** The cost-efficiency methodology was used to evaluate the community centers. The cost of the Morumbi ICC (investment of R\$3.2 million and constructed area of 3,292.93 m²) is R\$990.66/m², while the cost of the Cascavel Velho Center (investment R\$2.64 million and area of 4,752.24 m²) is R\$557.49/m². Both sets of figures are much lower than those of the benchmark facilities (CRAS, 14 de setembro), which cost R\$1,677 per m² to execute.

- 2.16 **“Digital Cascavel” and “Geoportal.”** The projects in Component 3 were evaluated using the cost-benefit method (cost recovery), calculating the costs avoided by implementing the “Digital Cascavel” and “Geoportal” projects. The benefits were measured in terms of the savings arising from the implementation of each project, estimated at R\$600,000 and R\$1.2 million, respectively. The cost-benefit ratios thus calculated were 1.13 for “Digital Cascavel” and 1.63 for “Geoportal”.

III. PROGRAM IMPLEMENTATION AND MANAGEMENT MODEL

A. Implementation arrangements

- 3.1 The borrower will be the Município of Cascavel, while the Federative Republic of Brazil will act as guarantor for the financial obligations arising from the loan. The Municipal Planning and Urban Development Department (SEPLAN) will execute the program through the program coordination unit (PCU). Other participating agencies include the following municipal departments: Public Works and Services (SESOP), Environment (SEMA), Social Action (SEASO), Sports and Recreation (SEMEL), Culture (SEMUC), Administration (SEADM), and Companhia de Engenharia de Transporte e Trânsito (CETTRANS), or any that replace them. [OEL 2](#) gives details of the competencies of each institution. **The signing and entry into force of cooperation agreements between SEPLAN and each of the municipal institutions involved in the program, under terms agreed upon previously with the Bank, will be a special condition precedent to the first disbursement of the loan proceeds.**
- 3.2 The PCU will consist of an executive coordinator and five professionals in the following areas: (i) legal; (ii) administrative-financial; (iii) infrastructure; (iv) social and environmental; and (v) monitoring and evaluation. In addition, a firm or individual consultants will be hired to support the PCU in activities management and supervision. **Publication of the decree creating the PCU and the appointment of its members will be a special condition precedent to the first disbursement.**
- 3.3 A Technical Support Group will be created to support program execution, comprised of a technical representative from each of the departments and autonomous agencies participating in program execution. **Publication of the decree creating the Technical Support Group and the appointment of its members will be a special condition precedent to the first disbursement.**
- 3.4 To avoid delays in program execution, a Special Bidding Commission will be set up, attached to the SEADM, to conduct program tendering processes, in accordance with the Fiduciary Agreements and Requirements (Annex III). **Publication of the decree creating the Special Bidding Commission and the appointment of its members will be a special condition precedent to the first disbursement.**

- 3.5 **Advances of funds.** The Município of Cascavel will request advances of funds through the PCU to meet program needs, as indicated in a financial plan to accompany each request. Within 60 calendar days from the end of each six-month period, the executing agency will send the Bank a semiannual report on the use of funds previously advanced.
- 3.6 **Procurement.** The procurement of works, goods, and related services and the contracting of consulting services will be undertaken pursuant to the Bank's policies on the procurement of goods (document GN-2349-9) and its policies on the selection and contracting of consultants (document GN-2350-9). Works, goods, and services will be procured in accordance with the Fiduciary Agreements and Requirements (Annex III).
- 3.7 **Program supervision.** The results of the risk analysis classify the program as of moderate risk. Supervision in operations with this risk level involves ex post review, by external auditors, of procurement procedures and disbursements. For the purposes of this program, and to ensure that the Bank's policies are internalized, it was decided that all processes involving the use of Bank resources will be reviewed ex ante for the first 12 months of execution. After this, the Bank will perform another risk analysis and, depending on the findings, may adopt an ex post review modality for the remainder of program execution.
- 3.8 **Audit.** During the execution period, the PCU will file annual financial statements for the program, audited by the Paraná State Audit Office through sampling, as per the annual external audit plans.
- B. Monitoring and evaluation arrangements**
- 3.9 **Monitoring and tracking system.** To ensure program execution is effectively monitored, an agreement was reached with the PCU to use the physical and financial schedule, program planning, procurement plan, and results matrix. The PCU will also prepare semiannual status reports, based on the results matrix indicators, which will include the information required by the Bank to complete the program's monitoring report. The PCU will be assisted by a physical-financial management system, which will contain information for monitoring and tracking the program.
- 3.10 **Evaluation instruments.** A total of R\$257,800 has been earmarked for evaluation tasks at three stages: (i) survey of data for the baselines; (ii) midterm evaluation; and (iii) impact evaluation, including the contents of the program completion report. The monitoring and evaluation plan describes the contents and costs of the evaluations ([REL 3](#)).
- 3.11 **Evaluation of the program's impact and outcomes.** The evaluation will be based on a quasi-experimental methodology, using the differences-in-differences method. This entails comparing changes in outcome indicators before and after the intervention, such as the market value of properties located around the parks and journey times in public mass transit from the program zones in relation to similar

zones not covered by the program. The evaluation uses a longitudinal approach identifying city zones/areas/blocks to pinpoint the intervention units and construct the control group. The evaluation aims to decide whether the program generates the socioeconomic and environmental benefits foreseen at the time of its approval. The evaluation methodology, work plan, and budget are described in detail in the monitoring and evaluation plan.

C. Sustainability

- 3.12 **Program sustainability.** To ensure the sustainability of the investments, the PMC agencies involved in works execution have prepared management plans for Avenida Brasil, the parks, and the ICCs ([OEL 15](#) to [OEL 17](#)). In addition, the annual execution reports and the inspection visits will provide information on the status of the operation and maintenance of the works and equipment financed by the program.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending for poverty reduction and equity enhancement.		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Municipal or other sub-national governments supported.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2662-1	Increase capacities for urban management and the provision of municipal services/infrastructure in medium-sized cities and metropolitan regions.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	8.6		10
3. Evidence-based Assessment & Solution	8.1	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	7.8	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: Budget, Treasury, and Accounting and reporting. Procurement: Shopping method, Contracting individual consultant, and National public bidding (use of some national sub-system).	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The project promotes the improvement of urban spaces in the municipality of Cascavel through interventions grouped into three components addressing various problems and populations within the municipality: urban mobility, improving recreational areas and social welfare in outlying areas, and improved information systems and institutional strengthening of the Municipality of Cascavel. The components of the program are consistent with the development priorities of the municipality proposed in the Master Municipal Plan of Cascavel. For each problem, the proposal includes a diagnosis, the target population, and the proposed solution.

The monitoring of results will be done by the Program Coordination Unit. Evaluation activities include baseline surveys and midterm and impact evaluations. The proposed impact evaluations are quasi-experimental, using difference-in-differences to measure the impact of program components on transport time and property values, comparing changes in results between treated and untreated populations.

RESULTS MATRIX

General Objective:	The general objective of the program is to promote the improvement of urban space in the município of Cascavel. The specific objectives are to: (i) make the mobility system more efficient; (ii) increase green areas and improve the most vulnerable population groups' access to social services; and (iii) enhance municipal government information management.
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Component 1: Transportation and mobility	Objective: Make the road and public transportation systems more efficient.			
Outcome indicators	Unit of measure	Baseline	Target	Source/means of verification/comment
Journey time by bus between the west and east terminals of the Av. Brasil corridor.	Minutes	32.1	26.1	Control of vehicle departure-arrival in bus terminals $TP = \frac{F1 + F2 + F3 + \dots}{\text{Quant. de percursos}}$
Flow of cyclists on Av. Brasil	Cyclists	1,100/day	1,540/day	Control of cyclist flow

Output indicators	Unit of measure	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Source, means of verification, and comment
Corridors with exclusive bus lanes implemented	Km	3	5	5	-	-	13	Source: Program Coordination Unit (PCU) Semiannual report According to schedule
Transfer terminals constructed	Terminals	1	1	1	1	-	4	Source: PCU Semiannual report According to schedule
Raised-platform bus stops constructed	Bus stops	10	20	20	-	-	50	Source: PCU Semiannual report According to schedule

Sidewalks constructed	m ²	10,000	90,000	-	-	-	100,000	Source: PCU Semiannual report According to schedule
Number of accessible buildings, pursuant to Law 5744/2011 and Standard NBR9050	Buildings	0					130	Source: Inspection of sidewalk accessibility
Bike lanes	Km	4.00	4.00	3.00	-	-	11.00	Source: PCU Semiannual report According to schedule
New roads opened	Km	2.5	3.00	1.00	-	-	6.5	Source: PCU Semiannual report According to schedule
Viaduct for BR-277 interchange constructed	Viaducts	-	1	-	-	-	1	Source: PCU Semiannual report According to schedule
Component 2: Environment and social services	Objective: Increase the city's green areas and improve access to social services for the most vulnerable population groups.							
Outcome indicators	Unit of measure	Baseline		Target		Source/means of verification/comment		
Market price per square meter of properties located in the vicinity of the linear parks and community centers (Morumbi).	R\$	126.14		138.75		Market study – Longitudinal/counterfactual		
Market price per square meter of properties located in the vicinity of the linear parks and community centers (Vitória).	R\$	314.80		346.28		Market study – Longitudinal/counterfactual		
Market price per square meter of properties located in the vicinity of the linear parks and community centers (Santa Cruz).	R\$	198.51		218.37		Market study – Longitudinal/counterfactual		

Market price per square meter of properties located in the vicinity of the linear parks and community centers (Santa Felicidade).	R\$	178.31			196.14		Market study – Longitudinal/counterfactual	
Market price per square meter of properties located around the linear parks and community centers (Morumbi).	R\$	174.76			192.24		Market study – Longitudinal/counterfactual	
Frequency of park use	Qualitative figure	Baseline research			Estimate		Study of the frequency of park use	
Increase in the number of families served by the Social Welfare Referral Center (CRAS)/Comprehensive Family Protection and Service Program (PAIF) network	Families/year	7,699			9,299		Management report – Municipal Social Action Department (SEASO)	
Output Indicators	Unit of measure	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Source, frequency, and comment
Linear parks installed	m²	187,000	85,000	547,000	311,000	-	1,130,000	Source: PCU Semiannual report According to schedule
Intergenerational community centers (ICCs) constructed	No. of ICCs	2	1	1	-	-	4	Source: PCU Semiannual report According to schedule

Component 3: Institutional strengthening		Objectives: Improve information management.						
Outcome indicators	Unit of measure		Baseline		Target		Source/means of verification/comment	
Average time taken to obtain a prior consultation form for a building project	Days		8		Immediate		Management report – “Geoprocessing”	
Telecommunication service expenses	Reais/month		242,962.64		115,976.55		Management report – “Digital Cascavel”	
Output indicators	Unit of measure	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Source, frequency, and comment
Fiber optic network installed	Km/points		65/100	60/89	-	-	125/189	Source: PCU Semiannual report According to schedule
Civil servants trained	Civil servants	25	25	25	25	-	100	Source: PCU Semiannual report According to schedule
Mapping of tree cover in the município completed	Study	01	-	-	-	-	01	Source: PCU Semiannual report According to schedule

(*) Acronyms:

PCU – Project coordination unit.

PMC – Municipal Government of Cascavel.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil
Project number: BR-L1344
Project name: Município of Cascavel Integrated Development Program
Prepared by: Leise Estevanato (Financial Management Consultant)
Marília Santos (Procurement Specialist)

I. EXECUTIVE SUMMARY

- 1.1 Fiduciary management was evaluated on the basis of the operation's preparation documents, together with the institutional capacity assessment, the results of the analysis mission, and the Bank's experience of working with similar projects at the federal, state, and municipal government levels.
- 1.2 In view of the evaluation of the executing agency, fiduciary agreements have been prepared for both procurement and financial management, which will apply during program execution.
- 1.3 The fiduciary agreements also took into account the country's fiduciary context and that of the executing agency, the salient points of which are summarized below.

II. FIDUCIARY CONTEXT OF THE COUNTRY

- 2.1 Brazil is known to have robust country fiduciary systems that allow for and enable effective management of administrative, financial, control, and procurement processes, upholding principles of transparency, economy, and efficiency. With a view to strengthening them further, the Bank has formulated a fiduciary strategy for Brazil aimed at making progressive and sustainable use of the country's fiduciary systems.
- 2.2 The Bank has been working with the three government levels to ensure that existing management tools are used, thereby persevering with the strengthening process and simultaneously reducing transaction costs.
- 2.3 This is exemplified in the agreement protocols that have been and are being implemented with external control agencies, such as the Federal Internal Control Department (SFCI), the State Audit Offices (TCEs) of Bahia, the Federal District, Minas Gerais, Paraná, and Santa Catarina, which are already eligible to audit programs partly financed by the Bank, and with the TCEs of Ceará, Pernambuco, and Rio Grande do Sul and the Municipal Audit Office of Ceará, which are currently being analyzed for eligibility.

- 2.4 Lastly, the Bank has substantially increased the use of country public procurement systems, mainly COMPRASNET (the online reverse auction system operated by the federal government), the e-procurement system operated by Banco do Brasil, and the State of São Paulo's online procurement exchange system (BEC).

III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 3.1 The program's executing agency will be the Municipal Planning and Urban Development Department (SEPLAN), acting through a program coordination unit (PCU), which will be responsible for coordinating, planning, monitoring, and executing activities related to the projects and actions financed with Bank resources. It will also serve as the municipal government's interlocutor for program execution matters with the Bank and the other (direct and indirect) government agencies involved in executing and monitoring the program.
- 3.2 As this is a municipal project, it is governed by national legislation regulating public administration, including the Fiscal Responsibility Law. The execution of procurement processes is governed by Law 8,666/93.
- 3.3 Because the Municipal Government of Cascavel will have to comply with the Bank's policies when conducting the program's procurement processes, it is recommended that a special bidding commission be created/set up for these purposes. To execute the planned actions, the team needs strengthening and training in the Bank's policies, standards, and procedures; and a computerized system needs to be developed, upgraded, and/or purchased to implement the controls and generate the reports required by the Bank.
- 3.4 The PCU/SEPLAN will be responsible for coordination with the other departments and institutions involved, and also for fiduciary management of the operation's execution—which includes formulating the budget and completing procedures for the authorization and recognition of expenses and the respective payments.

IV. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 4.1 The assessment of the risks inherent in program execution identified the following fiduciary risks: potential delays in execution owing to a lack of knowledge of the Bank's procurement and financial management policies and procedures. Mitigation actions: (i) creation of the PCU/SEPLAN; (ii) creation of a Special Bidding Commission for the program; (iii) training events for members of the execution team; (iv) development/upgrading of a module in the municipal government's computer system to enable it to maintain the records and generate the reports required by the Bank. Evidence that this has been implemented will be provided to the Bank within 90 days following the signing of the loan contract.

V. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 5.1 Conditions precedent to the first disbursement: (i) Presentation of evidence that the PCU/SEPLAN has been set up; and (ii) presentation of evidence that the Special Bidding Commission has been set up.
- 5.2 Financial statements of expenditures: Arrangements for the program's annual audits will be agreed upon with the TCE/PR.
- 5.3 Other financial management requirements: Documentation in support of disbursements will be reviewed ex ante by staff or a consultant appointed by the Bank. This will be the case throughout the first year of execution or until such time as the review modality is formally modified to ex post, after which disbursements will be reviewed by external auditors, or whenever requested by the Bank.

VI. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 6.1 The Fiduciary Agreements and Requirements for procurement specify the provisions to be applied and observed for executing all program procurement processes:
 - a. **Procurement of works, goods, and nonconsulting services.** Works, goods, and services to be financed in whole or in part with the proceeds from the Bank's loan will be procured in accordance with the Policies for the procurement of goods and works financed by the IDB (document GN-2349-9) of March 2011.
- 6.2 If the procurement has an estimated cost of US\$25 million or more, in the case of works, and US\$5 million or more, in the case of goods and services, the international competitive bidding (ICB) method will be used, following the procedures set out in section II of document GN-2349-9. When the estimated cost is less than US\$25 million, in the case of works, and less than US\$5 million, in the case of goods and services, the process may be undertaken through national competitive bidding (NCB); and for amounts below US\$500,000, in the case of works and US\$100,000, in the case of goods and services, the shopping method may be used, following the procedures set out in section III of the same GN document.
- 6.3 The Bank may recognize the modalities defined in Law 10,520/2002, the Online Auction Law, in processes that have an estimated cost below the specified ICB thresholds, per contract, provided the requirements of the Bank's procurement policies are respected, particularly in relation to: (i) the origin of the goods; (ii) the nationality of the suppliers; (iii) changes in purchase orders; (iv) prohibition of the use of price bands; and (v) publication in a national newspaper.
- 6.4 If the provisions of Law 10,520/2002 are applied, the following thresholds will be observed: (i) online auction, using the systems approved by the Bank for the procurement of standard goods and services with an estimated cost of no more than

US\$5 million; (ii) registered price list for the procurement of standard goods with an estimated cost of no more than US\$5 million, provided the list has previously been accepted by the Bank; and (iii) live auction for the procurement of standard goods and services with an estimated cost of no more than US\$100,000. The Bank may cancel the use of one or more of the modalities described in this paragraph at any time during program execution.

- a. **The selection and contracting of consulting services**, financed in whole or in part from the loan proceeds, will be carried out in accordance with the Policies for the selection and contracting of consulting services financed by the IDB (document GN-2350-9) of March 2011.
- 6.5 Processes for selecting and contracting consulting firms will follow the methods specified in sections II (Quality- and cost-based selection – QCBS) and III (Other selection methods) of document GN-2350-9, with the processes being structured on the basis of the guidelines and standards described in section II (Quality- and cost-based selection – QCBS).
 - 6.6 To implement the contracting processes, the executing agency will draw up shortlists of six selected firms that have fulfilled the technical requirements specified in the call for expressions of interest.
 - 6.7 The shortlist for processes with an estimated cost of up to US\$1 million, per contract, may consist entirely of national consulting firms. If the estimated cost of the contract is equal to or above that amount, the shortlist will consist of six firms, with no more than two having the same nationality.
 - 6.8 Irrespective of the selection method used, when the estimated cost of the contract is US\$200,000 or more per contract, the call for expressions of interest will be published in United Nations Development Business (UNDB) online (international advertising).
 - 6.9 Individual consultants, financed in whole or in part with the loan proceeds, will be selected and contracted in accordance with section V (Selection of individual consultants) of document GN-2350-9.
 - a. **Recognition of expenses.** The Bank will recognize eligible expenses as a charge against the local counterpart, incurred during the 18 months prior to the loan approval date but after 13 July 2012 (project profile approval date). A total of up to US\$1.6 million of such expenses may be recognized (5.5% of the local counterpart funding), related to transportation and mobility works, community centers and parks, digital strengthening, and the procurement of goods and consulting services. The Bank's procurement policies, or substantially analogous procedures, will have been followed.
 - b. Retroactive financing. Not applicable.
 - c. Domestic preference. National preference margins will not apply.

Table of Thresholds for Brazil (in US\$)

Works			Goods			Consulting services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International advertising /consulting services	100% national shortlist
≥ 25,000,000	< 25,000,000 and ≥ 500,000	< 500,000	≥ 5,000,000	< 500,000 and ≥ 100,000	< 100,000	≥ 200,000	< 1,000,000

Main Procurement processes

Activity	Procurement method	Estimated date	Estimated amount (US\$)
Works			
Execution of works in Avenida Brasil, upgrading of Rua Jacarezinho, terminals, medians, road surfacing, bike lanes.	NCB	Apr-2013	16,975,000
Installation of the environmental park and community center in the Morumbi neighborhood.	NCB	Apr -2013	4,500,000
Nonconsulting services			
Contracting of a firm for execution of the optic fiber network and network maintenance and expansion.	NCB	Mar-2014	1,650,000
Contracting of a firm for the installation of applications to expand the Geoportal.	NCB	Apr -2013	710,000
Consulting services (firms)			
Contracting of support for program management, and works supervision and monitoring.	QCBS	Mar-2013	2,875,000

B. Supervision of procurement processes

6.10 The processes indicated in the procurement plan, financed in whole or in part by the Bank, will be reviewed ex ante, as will all processes that have an estimated cost above the ICB thresholds and all direct contracting. For purposes of this operation, to ensure that procurement policies are internalized and fulfilled by the team, ex ante review of all procurement using the loan proceeds is recommended in the first 12 months of execution. After this phase and the IDB's evaluation, reviews could be performed on the traditional ex post basis. Following this period, the Bank will perform another risk analysis and, depending on the results, may adopt an ex post review modality for the remainder of program execution

C. Special provisions

- Procurement plan: The PCU will submit updates to the procurement plan for the following 18 months for Bank review and approval, either annually or as needed.
- The procurement of goods and nonconsulting services based on Law 10,520/2002 (the Online Auction Law) will be processed using systems recognized by the Bank for that purpose, in this case COMPRASNET or Banco do Brasil's e-procurement system.

D. Records and files

- 6.11 The program's records and files will satisfy the following conditions, at a minimum:
- a. The records/processes will contain original documentation, filed in chronological order;
 - b. The records/files will be maintained in a suitable environment intended for that purpose, with restricted access and security guaranteed by preventive measures such as no smoking on site, access to authorized personnel only, etc.;
 - c. A record will be kept of all documentation filed.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Financial management agreements and requirements

- 7.1 The characteristics of this program, and the fact that the Municipal Government of Cascavel does not have previous experience in executing the proceeds of external loans, underscored the need to create a PCU.
- 7.2 It was also found necessary to hire consulting services to support the management of actions and works supervision of the program and its targets and outcomes.
- 7.3 The budget will be duly registered and operated through the municipal government's system—in which a module will be developed/upgraded to record, monitor, and control budget and financial execution of the program's actions.
- 7.4 The budget assigned to program activities will be approved through an appropriate legal instrument. The Bank will reimburse eligible project expenses according to the established and executed line items.

B. Accounting and information system

- 7.5 The project's budget and financial execution will be undertaken through the system module mentioned above.

C. Disbursements and cash flow

- 7.6 The program will operate with funds advanced by the Bank, to satisfy the project's real liquidity needs. For that purpose, a disbursement request will be presented, duly accompanied by financial planning reflecting the funding need for the period intended, as previously agreed upon with the Bank.
- 7.7 The PCU will present an initial project financial plan to the Bank, containing the disbursement schedule for the entire project execution period. That initial plan will give rise to the annual plan for year 1 of execution, based on which the first advance of funds will be planned.
- 7.8 For future advances, at least 80% of the funds previously advanced will need to be accounted for, and a new financial plan presented for the intended period.

- 7.9 For the purposes of accounting for the loan proceeds and local counterpart funding, the following exchange rules will be applied to convert amounts paid in local currency into the currency of the operation:
- a. The exchange rate used for converting amounts disbursed in United States dollars into the borrowing country's currency.
 - b. In that case, for the purpose of reimbursing expenses charged against the loan and recognizing expenses charged against the local counterpart, the exchange rate prevailing on the day before the disbursement request is presented to the Bank will be used.
- 7.10 Expenses considered ineligible by the Bank will be reimbursed from the local counterpart funding or other resources, at the borrower's discretion, depending on the nature of the ineligibility.

D. Internal control and internal audit

- 7.11 Internal control will be performed by the Município's central internal control unit, pursuant to Municipal Law No. 5,307, of 14 September 2009.

E. External control and reporting

- 7.12 The Paraná State Audit Office (TCE/PR) will maintain external control, through activities undertaken annually and on a sampling basis, pursuant to the mandated annual external audit plans.
- 7.13 The PCU/SEPLAN will file annual financial statements with the Bank, duly audited by the TCE/PR.
- 7.14 The contents of the reports and opinions to be issued will follow the standard defined by the Bank for external audits and will be delivered to the Bank by the deadline specified in the loan contract.

F. Execution mechanism

- 7.15 Given the execution mechanism proposed by the municipal government, a centralized administrative and financial execution scheme is needed, in which PCU/SEPLAN will be responsible for annual budget formulation and financial execution, both of the local counterpart and of the Bank's contribution.

Financial Supervision Plan

Supervision Activities	Supervision plan			
	Nature and Scope	Frequency	Responsibility	
			Bank	Third-party
OPERATIONAL	Review of the physical status of the actions/activities set out in the components, versus disbursements.	Semiannual	Sector and financial specialists	PCU
	Review of the disbursements projection.	Semiannual	Sector and financial specialists	PCU
FINANCIAL	Ex ante/ex post review of disbursements and procurement	Annual	Fiduciary team	Fiduciary team and TCE/PR TCE/PR
	Financial and operational audit	Annual		
	Review of disbursement requests and accompanying reports	Periodic	Fiduciary team	
	Supervision visit/analysis of internal controls and control environment	Annual	Sector specialist and fiduciary team	
COMPLIANCE	Annual budget allocation needed for project execution	Annual	Sector specialist and fiduciary team	Executing agency
	Delivery of audited financial statements and operational audit	Annual	Sector specialist and fiduciary team	Executing agency
	Conditions precedent to the first disbursement	Once	Sector specialist and fiduciary team	Executing agency