

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**PROGRAM TO SUPPORT FISCAL MANAGEMENT
MODERNIZATION AND TRANSPARENCY IN THE STATE OF PARÁ
(PROGEFAZ)**

(BR-L1093)

INDIVIDUAL OPERATION WITHIN CCLIP PROFISCO (BR-X1005)

LOAN PROPOSAL

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1.	Project work plan (AWP) - 18 months http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1503985
2.	Monitoring and Evaluation Arrangements and Project Indicators Table http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1510347
3.	Operating Regulations of the CCLIP- PROFISCO credit line and annexes http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1510348
4.	Project Procurement Plan - 18 months (descriptive) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502745
5.	Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1542359
ADDITIONAL TECHNICAL REFERENCES	
1.	Problem map - Summary diagnostic of fiscal governance http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1510349
2.	Project plan of action and investments (PAI) - 4 years http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1512189
4.	Project financial analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1512214
5.	State law to contract the credit operation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502872
6.	Regulatory instruction creating the Project Coordination Unit (PCU/PE) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502822
7.	SEFA/PA strategic plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502826
8.	Consultation letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502832
9.	Fiscal Restructuring and Adjustment Program (PAF) 2008-2010 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1502846

ABBREVIATIONS

AWP	Annual Work Plan
CAFE	<i>Coordenação de Assuntos Fazendários Estratégicos</i> [Strategic Public Finance Coordination Unit]
CCLIP	Conditional Credit Line for Investment Programs
CECOMT	<i>Coordenação Executiva Especial de Controle de Trânsito</i> [Special Traffic Control Executive Coordination Unit]
CEEAT	<i>Coordenação Executiva Especial de Administração Tributária</i> [Special Tax Administration Executive Coordination Unit]
CERAT	<i>Coordenação Executiva Regional de Administração Tributária</i> [Regional Tax Administration Executive Coordination Unit]
CESI	Committee on Environment and Social Impact
CIDE	<i>Contribuição Incidente sobre Combustíveis</i> [Fuel Taxes]
CMGF	<i>Coordenação de Modernização e Gestão Fazendária</i> [Finance Modernization and Governance Coordination unit]]
CONFAZ	<i>Conselho Nacional de Política Fazendária</i> [National Finance Policy Council]
DAD	<i>Diretoria de Administração</i> [Administration Department]
DAIF	<i>Diretoria de Arrecadação e Informações Fazendárias</i> [Revenue and Fiscal Information Department]
DFI	<i>Diretoria de Fiscalização</i> [Inspection Department]
DICONF	<i>Diretoria de Gestão Contábil e Fiscal</i> [Fiscal and Accounting Management Department]
DITES	<i>Diretoria do Tesouro Estadual</i> [State Treasury Department]
DTI	<i>Diretoria de Tecnologia da Informação</i> [Information Technology Department]
DTR	<i>Diretoria de Tributação</i> [Taxation Department]
ECD	<i>Escrituração Contábil Digital</i> [Digital Bookkeeping]
EFD	<i>Escrituração Fiscal Digital</i> [Digital tax accounting]
ESAF	<i>Escola de Administração Fazendária</i> [School of Public Finance Management]
FIV	<i>Comissão de Inspeção e Vigilância</i> [Vigilance and Inspection Fee]
FPE	<i>Fundo de Participação dos Estados</i> [State Participation Fund]
FUNDEF	<i>Fundo de Desenvolvimento do Ensino Fundamental</i> [Fundamental Education Development Fund]
GED	<i>Gestão Eletrônica de Documentos</i> [Electronic Document Management System]
GDP	Gross Domestic Product
IBGE	<i>Instituto Brasileiro de Geografia e Estatística</i> [Brazilian Institute of Geography and Statistics]
ICMS	<i>Imposto sobre a Circulação de Mercadorias e Prestação de Serviços</i> [Goods and Services Sales Tax]
ICTs	Information and Communication Technologies

IPI	<i>Imposto sobre Produtos Industrializados</i> [Industrialized Product Tax]
IPVA	<i>Imposto sobre a Propriedade de Veículos Automotores</i> [Motor Vehicle Ownership Tax]
ITCD	<i>Imposto de Transmissão Causa Mortis e Doação</i> [Inheritance and Gifts Tax]
LRF	<i>Lei de Responsabilidade Fiscal</i> [Fiscal Responsibility Law]
NCI	<i>Receita Corrente Líquida</i> [Net Current Income]
NF-e	<i>Nota Fiscal Eletrônica</i> [Electronic Tax Invoice]
NRI	<i>Receita Líquida Real</i> [Net Real Income]
OC	Ordinary Capital
PAF	<i>Programa de Ajuste Fiscal</i> [Fiscal Adjustment Program]
PCR	Project Completion Report
PCU	Project Coordination Unit
PGE	<i>Procuradoria Geral do Estado</i> [Office of the State Attorney General]
PNAFE	<i>Programa Nacional de Apoio à Modernização da Administração Fiscal para os Estados Brasileiros</i> [National Program to Support the Modernization of Tax Administration in the Brazilian States]
PNAGE	<i>Programa de Modernização da Gestão dos Estados e Distrito Federal</i> [States and Federal District Governance Modernization Program]
PP	Procurement Plan
PROFISCO	<i>Programa de Gestão e Integração dos Fiscos</i> [Program for Management and Integration of Fiscal Administrations]
PROGEFAZ	<i>Programa de Apoio a Modernização e Transparência da Gestão Fiscal do Estado do Pará</i> [Fiscal Management Modernization and Transparency Program for the State of Pará]
RFB	<i>Receita Federal do Brasil</i> [Federal Revenue Department]
SEFA	<i>Secretaria de Estado da Fazenda</i> [State Finance Secretariat]
SEPOF	<i>Secretaria de Estado de Planejamento, Orçamento e Finanças</i> [State Planning, Budget, and Finance Secretariat]
SIAFEM	<i>Sistema Integrado de Administração Financeira de Estados e Municípios</i> [Integrated States and Municipal Financial Management System]
SIAT	<i>Sistema Integrado de Administração Tributária</i> [Integrated Tax Management System]
SPED	<i>Sistema Público de Escrituração Digital</i> [Digital Public Accounting System]
STN	<i>Secretaria do Tesouro Nacional</i> [National Treasury Department]
TARF	<i>Tribunal Administrativo de Recursos Fazendários</i> [Administrative Tribunal for Tax Appeals]
UNDP	United Nations Development Program

PROJECT SUMMARY

BRAZIL

PROGRAM TO SUPPORT FISCAL MANAGEMENT MODERNIZATION AND TRANSPARENCY IN THE STATE OF PARÁ (PROGEFAZ) – (BR-L1093)

INDIVIDUAL OPERATION WITHIN CCLIP PROFISCO (BR-X1005)

Financial Terms and Conditions				
Borrower: State of Pará			Amortization period:	20 years
Guarantor: Federative Republic of Brazil			Grace period:	4 years
Executing agency: State of Pará acting through its Finance Secretariat (SEFA)			Disbursement period:	4 years
Source	Amount (US\$ million)	%	Inspection and supervision fee:	*
IDB (Ordinary Capital)	10	71	Interest rate:	Libor
Local	4	29	Credit fee:	*
Total	14	100	Currency:	US dollars from the OC Single Currency Facility
Project at a glance				
<p>Project objective/description:</p> <p>Objectives: The general objective is to improve the efficiency and transparency of fiscal management, with a view to: (i) increasing the state's internal revenue; (ii) tightening control of public expenditure; and (iii) providing better services to citizens.</p> <p>Description: This Program is part of the CCLIP PROFISCO (BR-X1005) and is divided into four components, with their respective subcomponents:</p> <ol style="list-style-type: none"> Component I – Integrated strategic management: (i) improve organization and strategic management; and (ii) increase the national and international interagency cooperation. Component II – Tax administration and tax litigation: (i) increase the efficiency and effectiveness of tax administration; (ii) improve tax registry management and implement the digital public accounting system; and (iii) promote efficiency and effectiveness of tax litigation administration. Component III – Financial and asset management, and internal oversight: (i) increase efficiency and effectiveness of financial management; (ii) improve efficiency and effectiveness of resources and assets management; and (iii) improve internal oversight and supervision mechanisms. Component IV – Strategic product management: (i) improve transparency mechanisms and public communications; (ii) modernize management and improve information technology and communication (ITC) services; (iii) improve human resource management; and (iv) strengthen knowledge management. <p>Special contractual conditions:</p> <p>Prior to the first disbursement of the financing resources, the borrower must submit to the Bank's satisfaction, evidence that the PROFISCO CCLIP Operating Regulations (ROP), established by the Bank, are in effect (see paragraph 3.4 of main document).</p> <p>Exceptions to Bank policies:</p> <p>The borrower requests the use of national legislation for procurement and the use of direct contracting according to the explanation in paragraphs 2.5 and 2.6 respectively.</p>				
Project qualifies as: Not applicable SEQ [] PTI [] 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, problems addressed, and justification

- 1.1 This Program is part of the CCLIP-PROFISCO credit line (BR-X1005). The Government of the State of Pará and the Bank have agreed to adapt the Public Finance Modernization Program (PROGEFAZ), which was well advanced in its preparation, for its inclusion in the CCLIP-PROFISCO as the Program to Support Fiscal Management Modernization and Transparency in the State of Pará. The CCLIP – PROFISCO offers better conditions and allows for greater synergy with the process of finance modernization in other Brazilian states. One of PROFISCO's goals is to complement actions implemented under the Brazilian States Modernization Program (PNAFE), funded by the Bank, which is seen as a major pillar of support for the Brazilian States Fiscal Adjustment Program (PAF), now being implemented by the federal government.
- 1.2 **Socioeconomic setting.** Situated in the north of the country, Pará is Brazil's second largest state in area, occupying 14% of national territory. According to the Brazilian Institute of Geography and Statistics (IBGE, 2006), it has a population of 7.1 million inhabitants (the ninth largest), and it contributes 1.8% to the nation's GDP. State GDP grew by 4.17% in 2005, 4.9% in 2006, and 5.3% in 2007, outpacing GDP growth nationwide. Nonetheless, it has the lowest per capita GDP in the northern region, and the fifth smallest in the country as a whole. The status of Pará as a "frontier" state means that it receives migratory flows from other northern and northeastern states; its population growth averaged 2.5% per year in the period 1990-2005, the second highest in the country. As an Amazon state, it faces the challenges of controlling and exploiting its vast natural wealth, while maintaining environmental balance, in a context of long distances between municipalities, a scattered population, and various natural obstacles such as the forest and wide rivers. Although the country's fourth largest net exporter (the state exported US\$7.9 billion and imported US\$0.6 billion in 2007), Pará does not benefit from the taxation of exports, nor does it benefit fully as a net domestic importer, due to the mixed (origin-destination) regime governing Brazil's Goods and Services Sales Tax (ICMS).
- 1.3 **Fiscal setting.** The State of Pará finances almost half of its expenditure out of internally generated resources,¹ and has the 13th largest tax revenue of the 27 states in the Union. The constitutional transfers it receives from the Union² account for about 40% of its current revenues. The state contributes to the financing of the municipalities within its geographic area (143 municipalities altogether, of which 33 have over 50,000 inhabitants), transferring roughly 12% of its total revenue to

¹ Fiscal prerogatives in terms of the political-administrative autonomy to impose taxes, charges and improvement contributions, along with the characteristics of transfers between the different levels of government, are specified in the 1988 Constitution.

² Transfers include the State Revenue Sharing Fund (FPE), IPI-Exportação, Salário-Educação, FUNDEF, Financial Offsetting and Other Transfers and Agreements.

- them.³ The main taxes administered by the state are: (i) ICMS, which generates 89.5% of total revenue; (ii) the Vehicle Ownership Tax (IPVA), with 3.2%; and (iii) the Inheritance and Gifts Tax (ITCD), which, in conjunction with fees, accounts for the remaining 7.3% of the state revenue.
- 1.4 The state's fiscal situation is sound, reflecting prudent public finance management over the last few years, and fulfillment of the targets set by the Fiscal Responsibility Law (LRF).⁴ In 2006, the State of Pará spent just 51.55% of its net current revenue (NCI) on payroll expenses (limit of 60%); and its entire public debt accounted for 50% of net revenue (limit 200%).
- 1.5 **Institutional aspects.** From 2003 to 2007, public finance activities were shared between the State Finance Secretariat (SEFA), which managed tax revenue, and the State Planning, Budget, and Finance Secretariat (SEPOF), which handled the budget and public expenditure. To ensure coordination between the two Secretariats, a financial board was set up, which also includes the Secretariats of Government and *Casa Civil*. The board meets once a week to discuss, prioritize, and coordinate the state's fiscal actions. In May 2007, treasury and accounting functions were transferred to SEFA.
- 1.6 SEFA consists of a Central Body, Special Tax Administration Executive Coordination Units (CEEATs), Regional Tax Administration Executive Coordination Units (CERATs), Special Transit Control Executive Coordination Units⁵ (CECOMTs), and the Administrative Tribunal for Tax Appeals (TARF).
- 1.7 The Central Body comprises offices of the Secretary, Deputy Undersecretary for Taxation, Deputy Finance Secretary, and the Finance Ombudsman (*Ouvidoria Fazendária*). It also has a Strategic Public Finance Coordination Unit (CAFE) and Finance Modernization and Governance Unit (CMGF). Its strategic oversight bodies are the Fiscal Research and Analysis Center, the Public Finance School (*Escola Fazendária*), the Finance Counsel's Office (*Corregedoria*), and the Legal Consultation Unit. The regulatory bodies are the Inspection Department (DFI), the Revenue and Fiscal Information Department (DAIF), the Taxation Department (DTR), the Information Technology Department (DTI), the Administration Department (DAD), the Administrative Appeals Department (*Julgadoria*), the State Treasury Department (DITES), and the Fiscal and Accounting Management Department (DICONF).

³ The transfer shares are established in Article 158 of the Constitution and account for 25% of ICMS and 50% of IPVA revenue, and also include the share of IPI-Exportação and CIDE.

⁴ The LRF (Complementary Federal Law No. 101 of May 4, 2000), which was designed as a tool to support the organization of public finance, establishes a framework of clear rules and indicators to be observed at all government levels. The LRF also establishes transparency in governance as a social control mechanism, through the publication of reports and budgetary execution statements.

⁵ To control the transit of goods and services within the state, the tax base of the ICMS.

- 1.8 The CEEAT consists of four units dealing with: (i) Large-Scale Taxpayers; (ii) IPVA/ITCD, (iii) Microenterprises and Small Businesses; and (iv) Tax Substitution. The CERAT is represented in 12 localities of the state, while the CECOMT has a presence in eight. The TARF consists of a President and two Permanent Appeals Chambers, each consisting of 12 Councilors, with representatives from the state and the private sector.
- 1.9 SEFA has a staff of 1,523, of whom, 914 (60%) have tertiary education and 541 have secondary (36%), while the remaining 68 (4%) have only completed primary school.
- 1.10 **Progress and previous work with the Bank.** With support from the Bank, SEFA has made significant progress in rationalizing and modernizing fiscal management. More specifically, it has: (i) promoted large-scale staff training; (ii) improved the quality of taxpayer services; (iii) modernized its technological base, including developing and installing new computer systems; (iv) implemented services over the Internet, through the online office “*Delegacia Virtual*”, which offered 66 services and attended 475,000 consultations in 2006; (v) created the Finance Ombudsman; (vi) established a call center service; and (vii) modernized the structures of inspection units. It has also supported actions and projects in other units of the Government of the State of Pará, such as: modernization of the State Auditor General’s Office; modernization of the Office of the State Attorney General; and restructuring of SEPOF, where it also supported implementation of the Integrated Financial Management System (SIAFEM).
- 1.11 The Bank has provided support through the National Program to Support PNAFE (980/OC-BR), implemented between 1996 and 2006. PNAFE/Pará had a budget of US\$30.54 million, of which US\$15.27 million (50%) was funded by the Bank, to pursue a basic fiscal modernization process aimed at implementing reforms and overcoming the fiscal deficit.
- 1.12 **Fiscal challenges facing the State.** Despite the good results achieved, there are still major challenges to be overcome in strengthening the state’s fiscal governance, including the following areas:
- a. ***Integrated strategic management.*** Insufficient management capacity in support of SEFA’s institutional goals, caused mainly by: (i) process of planning and monitoring the objectives and targets of the strategic plan, which is not sufficiently disseminated in the institution; (ii) processes that are inconsistent with the organizational model; (iii) shortcomings in physical infrastructure; and (iv) key actors in the secretariat do not share or benefit from the experiences of other institutions.
 - b. ***Tax administration and tax litigation.*** Unsatisfactory performance resulting from the obsolescence of tax administration instruments, such as: (i) excessive time spent posting tax regulations on the Internet; (ii) shortcomings in the oversight of firms that receive tax benefits; (iii) lack of economic studies to guide new tax policies; (iv) lack of an adequate policy for managing the IPVA

and the ITCD; (v) little integration between the SEFA ICMS inspection areas; (vi) inspection model for goods in transit out of date (resulting in long delays for freight vehicles at tax inspection posts); (vii) little technological support for establishment of inspection procedures; (viii) shortcomings in information processes and systems with respect to compliance with the requirements of the Law on Microenterprises; (ix) few payment alternatives for fulfilling tax obligations; (x) an inadequate fiscal planning model due to unsatisfactory knowledge of the extent of tax evasion; (xi) discrepancies in data registration between the Union, State, and Municipal levels; (xii) unreliable data contained in paper-based tax invoices, and shortcomings in the storage and recovery of such information; (xiii) incomplete and unreliable accounting and tax information published by firms; (xiv) ineffective and inefficient Administrative Appeals Department (*Julgadoria*); and (xv) low rate of recovery of tax credits through administrative and judicial collection procedures, since SEFA systems are not integrated with those of institutions participating in the judicial collection of tax credits.

- c. ***Financial management, assets, and internal oversight.*** Problems in managing public funds, arising from: (i) poor integration between SEFA management systems and those of other secretariats (including SIAT and SIAFEM); (ii) state's involuntary noncompliance (because the model for administering agreements is inadequate and not computerized); (iii) lack of costs calculation and control of the various Finance units (preventing proactive management of the Secretariat's resources); and (iv) ineffective SEFA internal oversight.
- d. ***Strategic resource management.*** In this area, there are difficulties in the decision-making process, arising from unsatisfactory institutional performance in terms of communication with society and management of human, technological and knowledge resources, mainly because: (i) the public expenditure social oversight system does not encourage monitoring by citizens; (ii) the content of the SEFA portal provides limited tax information, and its navigation and language are not user-friendly, thus making it harder for citizens to use; (iii) the Finance Secretariat Counsel's Office and Finance Secretariat Ombudsman face problems exercising their respective functions in the Secretariat; (iv) the service provided does not meet the expectations of taxpayers and civil servants; (v) the technological and communications infrastructures are inadequate and obsolescent, and the information contained in SEFA databases is vulnerable; (vi) SEFA computer systems do not meet the Secretariat's current needs and are developed on an obsolete platform; (vii) the institution does not have a policy for managing human talent, based on professional development of its staff, resulting in inadequate staff distribution in Finance Secretariat units; (viii) lack of a training policy containing a continuous training plan and programs; (ix) lack of progress in the tax education area; and (x) lack of a knowledge management program.

B. Project objective, components, and costs

- 1.13 The project's general objective is to improve the efficiency and transparency of fiscal governance, aiming to: (i) increase the state's revenue (ii) improve public expenditure oversight; and (iii) provide better services to citizens. The project is structured in four components with subcomponents:
- 1.14 **Component I – Integrated strategic management (US\$1.9 million).** This component seeks to improve the organization and management of the state's public finances, and will include the following subcomponents and respective outputs:
- a. ***Organization and strategic management.*** This subcomponent will finance: (i) improvements in the planning and management of public finance policies; (ii) updating of the organizational structure and administrative processes; and (iii) improvement of physical infrastructure of Finance Secretariat units, including the construction, remodeling, expansion, and modernizing the equipments of the facilities.
 - b. ***National and international interagency cooperation.*** This subcomponent will finance the development of a strategy for partnerships with other organizations and entities, including information exchange and cooperation mechanisms.
- 1.15 **Component II – Tax administration and tax litigation (US\$2.1 million).** This component seeks to improve the performance of tax administration and to increase revenues; it will include the following subcomponents and respective outputs:
- a. ***Tax administration.*** This subcomponent will finance the following: (i) implementation of a model for organizing tax and nontax regulations, including their consolidation, system of storage, and the production of tax legislation support material for Finance Secretariat units; (ii) implementation of a model to control benefits granted, together with tax expenditures estimation and respective counterpart commitments, including an automated system; (iii) identification and undertaking of studies on policies relating to tax incentives, tax reform and royalties, among other issues, to define strategies for focusing on new tax policies; (iv) implementation of an automated ITCD management model, and revision of the IPVA management model and improvement of its automated system; (v) design and implementation of a new conceptual management model, integrating inspection of goods in transit and of establishments; (vi) implementation of the new operational model for transit inspection, and creation of a Special Goods in Transit Control Center, automation of procedures, and the adaptation, construction, and technological equipping of tax inspection units, including land and water-borne mobile units; (vii) implementation of a new risk-based operational model for establishment inspection, integrating SEFA fiscal audit routines with those of the Office of the Public Attorney, and an automated support system; (viii) revision and restructuring of microenterprise and small business planning and management processes, as well as the

preparation of rules and agreements and the corresponding adaptation of information systems to the requirements of Complementary Law No. 123; (ix) implementation of a model allowing for the use of alternative means of payment (debit/credit card, online, correspondent banks, etc.), including automation of procedures; and (x) implementation of a tax planning model supported by an inspection management system, risk analysis methodologies, selection criteria, and state-of-the-art tools.

- b. ***Registry management and implementation of the Digital Public Accounting System (SPED).*** This subcomponent will finance: (i) complementation of the process of aligning the state registry with those at the federal and municipal levels to include legacy data (firms registered before July 2007), development of a system of cross-referencing and data selection from various registries, using predefined criteria supported by automated tools; (ii) systemization of the Electronic Tax Invoice (NF-e) model, and adaptation of the support system provided by the Federal Revenue Department to SEFA systems; and (iii) implementation of new modules in the Integrated Tax Administration System (SIAT), namely Digital Tax Accounting (EFD), NF-e, and Digital Bookkeeping (ECD)
 - c. ***Administration of tax litigation.*** This subcomponent will finance: (i) implementation of a new system for rulings in Finance Secretariat administrative proceedings (inspection, and first and second instances), including a review of the flow of processes, supported by an automated management system integrating the *Julgadoria* and TARF, as well as activities to make the services provided by these entities available on the SEFA portal; and (ii) implementation of a management model for debt collection, encompassing the Offices of the Public Prosecutor and Attorney, and the Court of Justice, and integration of SIAT with the systems in place in those institutions, including updating of the administrative collection system.
- 1.16 **Component III – Financial and asset management, and internal oversight (US\$1.1 million).** This component aims to improve the performance of financial management and to tighten public expenditure controls, implementing the following subcomponents and respective products for this purpose:
- a. ***Financial management.*** This subcomponent will finance: (i) migration of SIAFEM to a more functional and secure platform, including a new version of the application and database; (ii) a new model for managing agreements, supported by a computerized system; and (iii) implementation of a model for the calculation and control of SEFA unit costs.
 - b. ***Internal oversight and supervision mechanisms.*** This subcomponent will finance implementation of the SEFA internal oversight management model, supported by a computerized management system.
- 1.17 **Component IV – Strategic product management (US\$8.4 million).** This component aims to improve the environment and tools available to the State

Finance Secretariat to fulfill its functions more effectively. It will include the following subcomponents and respective outputs for that purpose:

- a. ***Transparency mechanisms and communication with society.*** This subcomponent will finance: (i) implementation of a public expenditure social oversight model; (ii) implementation of a new portal developed using modern technological tools, including the optimization of online service provision, expansion of full services, availability of information on integrated national programs (SPED, NF-e, etc.), income and public expenditure, and improvements in public access to information; (iii) implementation, in the Finance Secretariat Counsel's Office, of the national model recommended by GT-18/CONFAZ, and, in the Finance Secretariat Ombudsman, of the model adopted by the Ombudsman Offices of the State of Pará; (iv) implementation of a policy for communication with society and the social accountability program, with emphasis on the use of information technologies; and (v) implementation of a model to serve taxpayers and SEFA service users, including actions in the quality program, and expanding and automating procedures in attendance-based and virtual services.
- b. ***Modernization and improvement of information and communication technology services.*** This subcomponent will finance the implementation of: (i) an Electronic Document Management System (GED); (ii) administrative and tax management support systems; (iii) a policy on communication and information security; and (iv) technology infrastructure to support fiscal governance.
- c. ***Human resource management.*** This subcomponent will finance the implementation of: (i) a staff management policy, including a system of performance appraisal for civil servants in the Secretariat, creation of a talent bank, production of a draft scheme of jobs and careers and the ideal staffing plan for Finance Secretariat units; (ii) a training policy, including a training plan, execution of programs in the areas of finance management and tax education, supported by an evaluation and monitoring system, video conferencing tools, and distance learning methods; and (iii) a tax education program.
- d. ***Strengthening of knowledge management.*** This subcomponent will finance the formulation of a knowledge management program to integrate and systemize data, information, and knowledge, supported by specific technical events.

- 1.18 To implement these components and subcomponents, the borrower will contract the services and procure goods, as follows: (i) **training** (contracting of courses, seminars, or other forms of training, as well as domestic and international technical visits); (ii) **consulting** (hiring of individuals or legal entities, whether domestic or international, to support or develop project activities, including computerized systems); (iii) **information and communication technology systems and**

equipment (procurement and installation of hardware, computer networks, basic and system software); (iv) **equipment, materials, and operational support services** (procurement of permanent material, for communication and instructional resources, and the hiring of technical, administrative, and operational support services); and (v) **physical premises** (remodeling and physical adaptation of operational and taxpayer-citizen service units).

- 1.19 **Overall budget.** The total cost of the project is **US\$14 million** of which **US\$10 million** (71%) is financed by the loan and **US\$4 million** (29%) by the local counterpart, as shown in Table 1.1 below:⁶

Table 1.1: Overall budget of Project BR-L1093 - By source
(in US\$)

Categories	IDB	Local	TOTAL	%
1- Project administration	346,709		346,709	2.5
Project management	282,133		282,133	2.0
Monitoring and evaluation	64,576		64,576	0.5
2 - Direct costs	9,607,189	3,914,857	13,522,046	96.6
Integrated strategic management	253,724	1,685,567	1,939,291	13.9
Tax administration	2,078,449		2,078,449	14.8
Financial management	241,694	872,904	1,114,598	8.0
Strategic resource management	7,033,322	1,356,386	8,389,708	59.9
3- Not specifically assigned	46,102	85,143	131,245	0.9
3.1 Contingencies	46,102	85,143	131,245	0.9
3.2 Financial costs				
TOTAL	10,000,000	4,000,000	14,000,000	
Percentages	71.00	29.00	100.00	100.00

- 1.20 **Disbursement scheduling.** Disbursements will be made over a four-year period counted from the date of signing of the loan contract, according to the disbursement schedule shown next page in Table 1.2:

Table 1.2: Disbursement schedule
(US\$ thousand)

SOURCE	2009	2010	2011	2012	TOTAL	%
IDB	4,801.9	3,250.0	1,307.0	595.0	9,953.9	72.00
Local	1,495.2	1,608.6	437.2	373.9	3,914.9	28.00
TOTAL	6,297.1	4,858.6	1,744.2	968.9	13,868.8	
Percentages	45.4	35.0	12.6	7.0	100.00	100.00

- 1.21 **Financial analysis.** In view of the scale of the operation, the Project Team made a comparison of the incremental financial costs and benefits resulting from

⁶ There is no budgetary provision for FIV and Credit Fee expenses, since these will be paid out of the state's internally generated funds.

implementation of some of the project's products. The following items were considered in the financial analysis: (i) reduction of costs as a result of several measures, including the introduction of electronic tax invoicing, use of VOIP telephone technology, and electricity saving; (ii) increase in IPVA revenue as a result of noncompliance reduction; (iii) increase in ITCD revenue as a result of control enhancements; and (iv) increase in revenues obtained from administrative and judicial recovery of credits. In addition, the analysis used the following reference points: (i) 10-year horizon; (ii) discount rate of 12.5% per year; and (iii) growth rate of 4% per year.⁷

- 1.22 Table I in the technical references (Project Financial Analysis) estimates that by the fourth year of disbursement (2012), there will already be a cumulative net financial return of US\$15.1 million, and that six years after the end of execution (2018) there will be a cumulative financial return of US\$61.3 million, both figures expressed in present value terms. Thus, the project is financially justified even when considering the estimated benefits generated by a sub-set of the products financed by the operation.

C. Key indicators of the Project results matrix

- 1.23 By the end of Project execution, the most important expected results are as follows:
- a. **General objective:** (i) reduced ratio debt stock to Net Real Income (NRI); (ii) stable primary result; (iii) smaller payroll expenses/Net Current Income (NCI) ratio; (iv) increased internal revenues; (v) reduced other current expenses/NRI ratio; and (vi) higher investments/NRI ratio. These fiscal targets have been agreed upon with the federal government in the framework of the PAF, but can be renegotiated with the National Treasury (STN), in which case the revised values take precedence. See details in Annex I – Indicators Matrix.
 - b. **Component I:** (i) 100% of executive Finance Secretariat Units (12 CERATs, 8 CECOMTs, and 4 CEEATs) with tactical and operational planning implemented; (ii) seven macroprocesses supported by up-to-date procedural manuals; (iii) seven Finance Secretariat Units created and/or equipped, and 24 Finance Secretariat Units remodeled and equipped; (iv) Finance Secretariat administrative costs reduced to 3.5% of internally generated income; and (v) a 5% reduction in the total cost of electric energy used by remodeled Finance Secretariat Units.
 - c. **Component II:** (i) 100% of firms receiving tax benefits registered in the new system; (ii) 100% of ITCD-generating events registered in the system; (iii) reduction in the IPVA noncompliance index in the Metropolitan Region of Belém from 25% to 15%, and a 50% increase in ITCD revenue with 100% of ITCD taxpayers registered; (iv) integrated goods-in-transit and establishment inspection plan implemented and shared by the units; (v) 15% increase in revenue obtained from the wholesale commerce segment;

⁷ Rate of growth of GDP of the State of Pará, projected in the 2008-2011 multiyear plan.

(vi) synchronization of 75% of the SEFA enterprise registry with the SRFB and with the Commerce Board of the State of Pará; (vii) NF-e implemented in the cigarette, fuel, medication, automobile, and cement segments; (viii) integration of digital bookkeeping systems with the Federal Revenue Department (RFB); (ix) a 33% reduction in average time for processes to be completed in the Administrative Appeals Department; and (x) a 10% increase in administrative and judicial credit recovery.

- d. **Component III:** (i) SIAFEM migrated from mainframe to a low level platform; (ii) cost control system implemented in all regional Departments and coordination units; (iii) 50% reduction in the time taken to analyze bidding processes; and (iv) 50% reduction in the number of amendments in SEFA budgetary, financial, and asset management processes.
- e. **Component IV:** (i) 35 full services put online on the SEFA portal; (ii) 12 self-service posts implemented; (iii) increase in SEFA portal hits from 600,000 to 800,000 per year; (iv) achievement of a satisfactory index in 90% of SEFA cases attended; (v) 20% reduction of communication costs with the use of VOIP technology; (vi) four SIAT modules migrated to the web platform; (vii) at least one performance appraisal for each civil servant; and (viii) 70% of civil servants, both permanent and contracted, have participated in a training activity of some kind.

II. PROJECT FINANCING STRUCTURE AND MAIN RISKS

A. Financing, procurements, and contractual conditions

- 2.1 **Procurements.** The procurement of goods and technical services and the selection and contracting of consulting services, wholly or partially financed out of the loan proceeds within the Project framework, will be undertaken in accordance with the *Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank* (document GN-2349-7), and the *Policies for the Selection and Contracting of Consulting Services Financed by the Inter-American Development Bank* (document GN-2350-7), and pursuant to the provisions established in the Loan Contract.
- 2.2 **Sharing and technical cooperation.** The borrower may participate in international and domestic actions on integration and cooperation, and in the fiscal area, particularly in sharing technical solutions, information exchange, knowledge transfer, formation of thematic networks, and interagency cooperation.
- 2.3 **Reimbursement of expenses and retroactive financing.** The Bank may recognize up to the equivalent of US\$1.3 million chargeable to the Financing, and up to the equivalent of US\$1.9 million chargeable to the local counterpart, relating to expenses incurred by the borrower in the preparation of the Program no more than 18 months prior to the approval of the operation by the Board of Executive Directors, but it in no event prior to registration of the operation in the Bank's records. The procurement carried out by the borrower that could be subject to

reimbursement or retroactive financing appears in the Procurement Plan and the Annual Work Plan (AWP) for the first 18 months of the project attached hereto (see technical reference).

- 2.4 **Bank oversight.** The Bank will review *ex ante* the first three procurement processes for the acquisition of goods, for the hiring of services and for the execution of works irrespective of their amounts or the type of selection process used by the borrower (whether carried out under the Bank's procurement policies or under national legislation). Thereafter, the Bank will review *ex ante* only those processes that involve direct contracting and those which require international competitive bidding (for goods and works) or ,which exceed US\$250.000 in the case of consulting firms and US\$50.000 in the case of individual consultants.
- 2.5 **Use of national procurement policy.** The borrower may use national procurement legislation for the acquisition of goods and the contracting of related services under US\$5 million and for the execution of works under US\$25 million, provided that the following requirements set forth in the Bank's procurement policies are upheld: (i) those relating to the origin of the goods; (ii) those relating to the nationality of the vendors; (iii) those relating to the modification of purchasing orders; (iv) those relating to the prohibition of price margins; and (v) those relating to the publishing of bids in main national newspapers, in the case of procurement of works between R\$500.000 and R\$25 million, and procurement of goods between R\$100.000 and R\$5 million. The borrower must indicate in the Procurement Plan if it intends to use of national legislation.
- 2.6 **Direct contracting.** The borrower may hire the School of Finance Administration (ESAF) of the Ministry of Finance to carry out training of public servants. The borrower may also hire the State School of Government or the State Finance Administration School for the same aforementioned purpose provided that the Bank has determined that those schools have the required capabilities to provide the services. When those schools have independent legal personality from the borrower and are part of the borrower's indirect administration, the borrower must sign a legal instrument with the school whereby the latter assumes at least the following obligations: (i) to carry out all procurement of goods and services in accordance with the provisions of the Loan Contract between the Bank and the borrower and (ii) to allow the Bank and the project auditors to access the documentation evidencing the procurement of goods and services.

B. Environmental risks and social safeguard

- 2.7 On environmental issues, the project obtained a "C" rating, under the criterion of the Bank's *Sustainable Finance Toolkit*. This is consistent with the evaluation made by the Project Team, since the operation involves institutional modernization in a Finance Secretariat. It is therefore not considered necessary to prepare an environmental strategy for the project. Risk analysis was performed by a specialist team from the Bank's Country Office in Brazil, which rated the project as low-moderate risk and made no additional recommendations (see technical references).

C. Fiduciary risk

- 2.8 The main risks are as follows: (i) the executing agency may have insufficient experience in using the Bank's procurement policies. To mitigate this risk, SEFA has been receiving training on those policies from Bank specialists; and (ii) the possibility of changes in the executing agency team or in the Program's priorities as a result of changes in state government—the next state elections are scheduled for 2010. To mitigate this risk, the Project Coordination Unit (PCU) team was drawn from state civil servants, 80% of whom are SEFA staff. Full details of the results of the analysis and risk matrices are contained in the Program's technical files.

III. PROJECT IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements for execution

- 3.1 The borrower and Executing Agency will be the State of Pará, which will carry out the Project through its Finance Secretariat, within which the borrower has established a Strategic Public Finance Coordination Unit (PCU).
- 3.2 The PCU will be led by a Coordinator General, supported by four coordinators. The Technical Coordinator will be supported by four managers (technology, organization and management, taxation, and transparency), and will act in coordination with technical staff from related areas and representatives of the Board of Directors or SEFA units that participate in the Program. The Administration and Finance Coordinator will be supported by three managers: (i) Administration; (ii) Treasury; and (iii) Accounting and Accountability. The Bidding and Contracts Coordinator will be supported by two management divisions: (i) Bidding Processes; and (ii) Contracts. The PCU will be staffed by SEFA employees. The Monitoring and Evaluation Coordinator will be supported by a Project Management, Monitoring, and Evaluation System.
- 3.3 The PCU's main responsibilities will be: (i) submit disbursement requests to the Bank with the appropriate support documentation; (ii) supervise the bidding processes for the purchase of goods, of the execution of works and the hiring of services in accordance with the Procurement Plan the Bank's procurement policies; (iii) manage the Project's financing accounting systems, according to the Bank's policies; (iv) submit the progress reports on Project execution; (v) submit the Annual Operating Plans and update the Procurement Plan; (vi) file invoices, contracts, and purchasing orders, and submit them to the Bank or to the Project's auditors upon request; and (vii) ensure that goods and works financed with the resources of the Loan comply with the technical guidelines set forth by the Bank.
- 3.4 **Operating Regulations (ROP).** The Project will be executed in accordance with CCLIP PROFISCO operating regulations previously approved by the Bank. The operating regulations set forth the eligibility criteria regarding the borrower, the Projects under individual operations, and the products that may be financed under the individual operations.

B. Summary of arrangements for monitoring results

- 3.5 Project monitoring will be based on programming activities and the physical and financial specification of the products, as contained in the Annual Work Plan (AWP); and on the descriptions of procurement and contracting processes contained in the Procurement Plan.
- 3.6 The borrower must submit to the Bank semi-annual progress reports and send copies thereof to the Executive Secretariat of the Ministry of Finance of the Federative Republic of Brazil. Such reports must include information regarding the current state of implementation of the activities related to the national integration mentioned in paragraph 1.15 (b).
- 3.7 **Annual Work Plan (AWP) for the first 18 months.** The borrower has submitted, and the Bank has validated an AWP for the first 18 months, counted from the effective date of the loan contract.
- 3.8 **Procurement Plan (PP) for the first 18 months.** The borrower has submitted, and the Bank has validated, a Procurement Plan for the first 18 months of project execution.
- 3.9 **Audited financial statements.** The Project financial statements will be audited annually by an independent auditing firm acceptable to the Bank; or by the State's Accounting Tribunal in case the latter has been accredited by the Bank.

BRAZIL
PROGRAM TO SUPPORT FISCAL MANAGEMENT MODERNIZATION AND TRANSPARENCY IN THE STATE OF PARÁ (PROGEFIZ)
(BR-L1093)

RESULTS FRAMEWORK - INDICATORS MATRIX

Project Objective		To improve the efficiency and transparency of fiscal management in the State of Pará, and make revenue collection and expenditure reduction more efficient and effective.					
Results	Base year 2006¹	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
Debt stock / NRI (%) (maximum value) ² .	0.51	0.48	0.47	0.47	0.47	Maintain the ratio between the debt stock and net real income agreed upon with the STN for the second year of project execution.	Fiscal targets agreed upon with the federal government, under the PAF. Targets for subsequent years can be revised in the annual PAF renegotiation with the STN.
Primary result (million) (minimum value) ² .	(60)	176	168	167	170	Maintain the value agreed upon with the STN until the second year of project execution, and projections in years 3 and 4.	
Payroll/ NCI (%) (maximum value) ² .	51.81	51.08	50.69	51.15	50.97	Keep payroll expenses in relation to NCI below the prudential limit set by the LRF (57,6%).	
Internal revenue (million) (minimum value) ² .	4,284	5,064	5,479	5,919	6,395	Attain a internal revenue level of R\$6.395 billion.	
Other current expenses (%) (maximum value) ² .	35.40	40.6	41.23	40.36	40.73	Maintain the percentage agreed upon with the STN until the second year of project execution, and projections for years 3 and 4.	
Investments/ NRI (%) (maximum value) ² .	17.72	16.33	16.14	16.39	16.28	Maintain the percentage agreed upon with the STN until the second year of project execution, and projections for years 3 and 4.	

¹ The base year was 2006 because the project (albeit not approved by the IDB) started in that year funded with internal resources. The aim was thus to measure progress made as a result of actions already begun, from the outset.

² These are indicative/target parameters that are negotiated between the state of Pará and the National Treasury Secretariat, in accordance with the Fiscal Adjustment Plan (PAF). They are revised yearly for three-year rolling periods. It is a common practice to negotiate these parameters with a slack. The empirical evidence indicates that the actual outcomes are usually better than the negotiated ones.

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
COMPONENT I: INTEGRATED STRATEGIC MANAGEMENT							
Subcomponent 1: Organization and Strategic Management							
Products							
01 - Planning and management of Treasury policies implemented.	Only the 12 CERATs use operational tactical planning.		6 CERATs update tactical operational planning. 4 CECOMTs develop operational tactical planning. 2 CEEATs develop operational tactical planning.	6 CERATs update tactical operational planning. 4 CECOMTs develop operational tactical planning. 2 CEEATs develop operational tactical planning.		100% of Executive Treasury Units (12 CERATs, 8 CECOMTs, and 4 CEEATs) with tactical and operational planning implemented.	
02- Organizational structure and administrative processes implemented.	2 macroprocesses supported by procedural manuals.		2 macroprocess procedural manuals updated. 2 macroprocess procedural manuals prepared.	3 macroprocess procedural manuals prepared.		7 macroprocesses supported by updated procedural manuals.	
03- SEFA restructuring program implemented.	No unit constructed and just two units remodeled.	3 Treasury Units constructed and equipped 6 Treasury Units constructed and equipped.	4 Treasury Units constructed and equipped. 6 Treasury Units constructed and equipped.	6 Treasury Units constructed and equipped.	6 Treasury Units constructed and equipped.	7 Treasury Units constructed and/or equipped and 24 Treasury Units remodeled and equipped.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
Results							
R1.1 - Reduction in the cost of finance administration in relation to internal revenue.	Cost of Treasury administration in relation to internal revenue = 4.14%.				Cost of Treasury administration in relation to internal revenue = 3.5%.	Reduction to 3.5% in the cost of Treasury administration in relation internal revenue.	
R1.2 - Reduction in electricity consumption by remodeled units and the Central Body.	Total electricity consumption = 5,104,376 kWh.		3% reduction in total electricity consumption by Treasury Units = 153,131 kWh.	1% reduction in total electricity consumption by Treasury Units = 51,044 kWh.	1% reduction in total electricity consumption by Treasury Units = 51,044 kWh.	5% reduction in total cost of electric in Treasury units = 255,219 kWh.	
COMPONENT II: TAX ADMINISTRATION AND TAX LITIGATION							
Subcomponent 3: Tax Administration							
Products							
06 - Tax benefits oversight model implemented.	There is no computerized oversight of tax benefits.		100% of firms registered.			100% of firms with tax benefits registered in the new system.	
07 - IPVA and ICTD tax governance model.	It is not possible to identify all ITCD-generating events.		New IPVA system implemented.	New ICTD system implemented.	100% of ITCD-generating events registered in the system.	100% of ITCD- generating events registered in the system New IPVA and ITCD systems implemented.	
08 - Integrated inspection model implemented.	There is no integrated planning of inspection actions.				Integrated inspection plan implemented.	Integrated inspection plan for goods in transit and establishments implemented and shared by the units.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
			500 microenterprises and small firms registered.	1,500 microenterprises and small firms registered.	2,217 micro- enterprises and small firms registered.		
Results							
R3.1 - Increase in the number of microenterprises and small firms registered.	Number of microenterprises and small firms currently registered = 10,583.					Number of microenterprises and small firms registered increases to 14,800 (40%).	
R3.2 - Increase in revenue from the wholesale commerce segment.	Revenue from the wholesale commerce segment = R\$947,995,415.15.			7% increase in revenue from the wholesale commerce segment.	8% increase in revenue from the wholesale commerce segment.	15% increase in revenue from the wholesale commerce segment.	
R3.3 - Reduction in the IPVA evasion index.	IPVA evasion index in the Metropolitan Region of Belém = 25%.			IPVA evasion index in the Metropolitan Region of Belém = 20%.	IPVA evasion index in the Metropolitan Region of Belém = 15%.	Reduction in the IPVA evasion index in the Metropolitan Region of Belém to 15%.	
R3.4 - Increase in ITCD revenue.	ITCD revenue = R\$2,493,905.33.				50% increase in revenue.	50% increase in ITCD revenue.	
R3.5 - Increase in revenue from microenterprises and small firms.	Revenue from microenterprises and small firms represents 0.57% (R\$18,737,092.15) of total ICMS revenue.				Revenue from National Simplified Tax System/ ICMS revenue = 1%.	Revenue from National Simplified Tax System/ ICMS revenue increases from 0.57% to 1%.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
Subcomponent 4: Registry Management and Implementation of the Digital Public Accounting System							
Products							
09 - Synchronized registry implemented.	The SEFA enterprise registry is not synchronized with the SRFB or with the State Commerce Board.		25% of the SEFA registry synchronized with the SRFB and the Pará State Commerce Board.	50% of the SEFA registry synchronized with the SRFB and the Pará State Commerce Board.	75% of the SEFA registry synchronized with the SRFB and the Pará State Commerce Board.	Synchronization of 75% of the SEFA enterprise registry with the SRFB and the Pará State Commerce Board.	
10 - Electronic tax invoicing implemented.	No economic segment issues tax invoices electronically.	Electronic tax invoicing implemented for the cigarette and fuel segments.			Electronic tax invoicing implemented for the medicine, automobile, and cement segments.	Electronic tax invoicing implemented in at least five economic segments (automobiles, cement, medicines, cigarettes, and fuels).	
Results							
R4.1 - Reduction in the annual cost of typing the tax invoice for the state.	Annual cost of typing the tax invoice in the SEFA = R\$4,176,000					60% reduction in the annual cost of typing the tax invoice.	
Subcomponent 5: Administration of Tax Litigation							
Products							
11 – New management model implemented for the Administrative Appeals Department and the TARF.	Management model inadequate.				New management model implemented.	New management model implemented.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
Results							
R5.1 - Reduction in processing time in the TARF.	Average processing time in the TARF = 45 days.			Average processing time in the TARF = 30 days.		33% reduction in average processing time in the TARF (30 days).	
R5.2 - Increase in administrative credit recovery levels.	Administrative credits recovered = R\$17.2 million.		R\$ 17.6 million.	R\$ 18 million.	R\$ 19 million.	Obtain at least R\$19 million per year in administrative credit recovery.	
COMPONENT III: FINANCIAL AND ASSET MANAGEMENT AND INTERNAL OVERSIGHT							
Subcomponent 6: Financial Management							
Products							
12 - Migration of SIAFEM to a low-level platform.	Mainframe platform inadequate.		SIAFEM migrated to low-level platform.			SIAFEM migrated to low-level platform.	
13 - Regional/special directorates and coordination units with cost control system implemented.	No systematic control of unit costs.			7 regional/special directorates and coordination units with cost control system implemented.	24 regional/special coordination units with cost control system implemented.	100% of regional/special directorates and coordination units with cost control system implemented.	
Results							
R6.1 Reduction in the number of errors and inconsistencies in the daily report on banking transactions.	Daily errors.				Elimination of errors in report on banking transactions.		

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
Subcomponent 7: Internal Oversight and Supervision (<i>Correição</i>) Mechanisms							
Products							
Results							
R7.1 Reduction in the time taken to analyze bidding processes.	4 days.				2 days.	50% reduction in the time taken to analyze bidding processes.	
R7.2 - Reduction in the number of restrictions in budgetary, financial and asset processes.	413 restrictions.				206 restrictions.	50% reduction in the number of restrictions in SEFA budgetary, financial and asset processes.	
COMPONENT IV: STRATEGIC PRODUCT MANAGEMENT							
Subcomponent 8: Transparency Mechanisms and Public Communications							
Products							
14 - SEFA portal implemented.	23 full services made available on the portal.		4 new services made available.	4 new services made available.	4 new services made available.	35 full services available on the SEFA portal.	
15 - Taxpayer service quality model implemented.	3 self-service posts.			4 new self-service posts.	5 new self-service posts.	12 self-service posts implemented.	
Results							
R8.1 - Increase in the number of hits on the SEFA portal.	600,000 hits.		650,000 hits.	720,000 hits.	800,000 hits.	800,000 portal hits per year.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
R8.2 - Increase in satisfaction level among SEFA service users (criteria: service provided by staff and ease of obtaining the service).	Satisfaction levels at 81.8 and 85.4 respectively.				Satisfaction level among SEFA service users rises to 90%.	Satisfaction level among SEFA service users rises to 90% (criteria: service provided by staff and ease of obtaining the service).	
Subcomponent 9: Modernization of Management and Improvement of Information and Communication Technology Services							
Products							
16 - Electronic document management system (GED) implemented.	Information currently exists on paper or microfilm.			Electronic document management system (GED) implemented.	Digitization of 100% of the stock held on microfilms.	Digitization of 100% of the stock held on microfilms.	
17 - Application systems to support administrative and tax management implemented.	SIAT operating on a client-server platform.		4 SIAT modules migrated to a web platform.			4 SIAT modules migrated to a web platform (access control, taxpayer register, human resources, and protocol).	
Results							
R9.1 – Reduction in communication costs .	R\$1,690,548 in communication costs.				Communication costs reduced to at least R\$1.4 million.	Communication costs reduced to at least R\$1.4 million.	
Subcomponent 10: Human Resource Management							
Products							
18 - Personnel management policy implemented in SEFA.	No formal personnel management policy in SEFA.				SEFA personnel management policy posted on the web.	SEFA personnel management policy prepared and disseminated on the web.	
	No SEFA careers plan.			Career plan submitted to the Management		Career plan proposal prepared and presented to the Management Division.	

Component/ Subcomponent/ Product	Base year 2006	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Target	Comment
				Division.			
19 - Implementation of performance appraisal for civil servants.	No performance appraisal for Treasury civil servants.				1 performance appraisal for each civil servant.	At least one performance appraisal undertaken for each civil servant.	
20 - Strategic tax education actions undertaken.	No strategic tax education action.		1 strategic tax education action.	1 strategic tax education action.		2 strategic tax education actions undertaken for society.	
Results							
R10.1 Additional training for Treasury civil servants.	478 civil servants trained.		1,000 civil servants trained.	1,000 civil servants trained.	1,000 civil servants trained.	70% of civil servants, including permanent and contract staff (1,000 civil servants) trained per year.	
R10.2 Increase in satisfaction index among domestic customers ³ .	Domestic customer satisfaction index at 70%.				Domestic customer satisfaction index rises to 80%.	Domestic customer satisfaction index rises to 80%.	

³ Criteria used: Nos. 4, 5, 6, 9, 11, 19, 21, 31, 36 and 37 of the document entitled *Relatório de Pesquisa da Satisfação dos Clientes Internos* (Survey of Domestic Client Satisfaction), undertaken in 2004.

BRAZIL

**PROGRAM TO SUPPORT FISCAL MANAGEMENT MODERNIZATION AND TRANSPARENCY IN THE STATE OF PARÁ (PROGEFAZ)
(BR-L1093)**

SUMMARY TABLE - PROCUREMENT PLAN - 18 MONTHS

No	Description of Contract	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
CONSULTING SERVICES		US\$ = 1.77								
1	Development of strategic planning and review of tactical and operational processes.	01, 02, 04	308,340	QCBS		100%		Q1 / 2009	Q2 / 2012	
2	Development of a computerized model and computerized system for tax benefits, IPVA, and ITCD.	06, 08	181,533	CQS		100%		Q1 / 2009	Q2 / 2011	
3	Development of computerized inspection models and systems, goods in transit and establishments.	09, 10, 11	886,290	QCBS		100%		Q2 / 2009	Q4 / 2010	
4	Development of computerized SEFA procedures and systems to adapt to the Microenterprise Law (LC123).	12	106,680	CQS		100%		Q1 / 2009	Q4 / 2011	
5	Development of alternative model and systems for tax collection.	13	76,200	CQS		100%		Q1 / 2009	Q4 / 2009	
6	Development of a computerized model and system for surveys, investigations, and analyses of tax frauds.	14	76,200	CQS		100%		Q3 / 2009	Q4 / 2010	
7	Development of tax registry systems.	15	114,300	CQS		100%		Q1 / 2009	Q2 / 2010	
8	Development of systems for adapting that provided by the Federal Revenue Department to SEFA systems.	16	53,340	CQS		100%		Q1 / 2009	Q2 / 2010	
9	Development of a computerized model and system for collecting tax credits.	19	76,200	CQS		100%		Q1 / 2009	Q2 / 2010	
10	Migration of the SIAFEM platform and implementation of middleware.	20	216,000	QCBS		100%		Q1 / 2009	Q4 / 2010	
11	Design and layout, remodeling and standardization of the SEFA portal.	25	69,850	CQS		100%		Q1 / 2009	Q4 / 2010	
12	Development of the SEFA portal system.	25	22,860	CQS		100%		Q1 / 2009	Q4 / 2010	

No	Description of Contract	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
13	Definition of the SEFA policy on communication with citizenry.	27	19,050	CQS		100%		Q1 / 2009	Q2 / 2010	
14	Development of a computerized quality model and system for taxpayer services.	28	76,200	CQS		100%		Q1 / 2010	Q2 / 2011	
15	Survey of climate and satisfaction (internal and external).	28	102,870	CQS		100%		Q1 / 2010	Q2 / 2011	
16	Development of electronic document management system (GED).	29	108,000	CQS		100%		Q1 / 2009	Q2 / 2010	
17	Change of platform for SEFA corporate systems.	30	1,958,400	QCBS		100%		Q1 / 2009	Q2 / 2010	
18	ITC security consulting services.	31	36,000	DC		100%		Q1 / 2009	Q2 / 2010	
19	Definition of personnel management policy, ideal staffing plan, and jobs and careers plan.	33	66,675	DC		100%		Q1 / 2010	Q2 / 2011	
20	Development of performance appraisal system and talent bank.	33	53,340	DC		100%		Q1 / 2010	Q2 / 2011	
21	Definition of a policy, plan, and program for continuous training.	34	406,400	QCBS		100%		Q1 / 2009	Q4 / 2012	
22	Development of a training appraisal and monitoring system.	34	101,600	CQS		100%		Q1 / 2009	Q4 / 2012	
23	Develop distance learning system.	34	203,200	QCBS		100%		Q1 / 2009	Q4 / 2012	
24	Development of strategic planning for the Tax Education Program in conjunction with other institutions.	35	3,810	DC		100%		Q1 / 2009	Q4 / 2012	
25	Development of the Public Tax Education Project.	35	297,180	QCBS		100%		Q1 / 2009	Q4 / 2012	
26	Development of computerized system and program for knowledge management.	36	189,540	QCBS		100%		Q1 / 2009	Q4 / 2011	
27	Development of the project management system.	37	219,456	QCBS		100%		Q1 / 2009	Q4 / 2012	
28	Contracting of independent external auditors to evaluate and monitor the project.	38	114,300	QCBS		100%		Q1 / 2009	Q4 / 2012	
TOTAL			6,143,814							

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(2) Ex-ante or ex-post.

No	Description of Contract	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
NONCONSULTING SERVICES										
1	Procurement of flight tickets.	01, 02, 04, 06, 08, 09, 12, 13, 14, 15, 16, 19, 20, 27, 28, 30, 31, 33, 35, 36, 37	412,000	NCB		100%		Q4 / 2008	Q4 / 2012	2008
2	Contracting of administrative management training services.	01, 04, 19, 33, 34, 36, 37	405,910	NCB		100%		Q1 / 2009	Q4 / 2012	
3	Contracting of fiscal management training services.	04, 06, 08, 09, 11, 12, 14, 16, 34	987,110	NCB		100%		Q1 / 2009	Q4 / 2012	
4	Contracting of training services to hold seminars on the policy for communication with society and taxpayer services.	27, 28	97,200	CP		100%		Q3 / 2009	Q4 / 2012	
5	Contracting of training services to hold the Graduation Course.	34	240,000	NCB		100%		Q1 / 2009	Q4 / 2012	
6	Contracting of training services for holding the Post-Graduation Course.	34	320,000	NCB		100%		Q1 / 2009	Q4 / 2012	
7	Contracting of training services for the Tax Education Program.	35	172,950	NCB		100%		Q1 / 2009	Q4 / 2012	
8	Contracting of training services to hold the Project Management and Evaluation Course.	37	20,000	DC		100%		Q4 / 2008	Q2 / 2009	2008
TOTAL			2,243,170							

(1) Bidding/selection methods: **a) IDB: ICB:** International public bidding; **NCB:** National competitive bidding; **S:** Shopping; **Auction, DC:** Direct contracting; **QCBS:** Quality- and cost-based selection; **CQS:** Selection based on the consultants' qualifications; **A35; (b) Law 8666: CV:** Invitation, **TP:** Price quotes, **C:** Competition.

(2) Ex- ante or ex-post.

No	Description of Procurement	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
GOODS										
1	Wireless equipment.	31	45,000	Auction		100%		Q4 / 2008	Q2 / 2009	2008
2	Procurement of PCs, notebooks, no-breaks (UPS), barcode reader, server rack, LCD 42" monitor, stabilizer (72), nonmanageable switch (5), file and printer server (2), barcode reader (200xR\$164), printers: thermal, authenticator, dot matrix and ink jet, multimedia projector, portable external HD, USB, 250 Gb.	04, 12, 13, 14, 19, 27, 30	801,130	ICB		100%		Q4 / 2008	Q3 / 2009	2008
3	VOIP equipment.	31	40,000	Auction		100%		Q4 / 2008	Q3 / 2009	
4	EAD software.	34	481,077	Auction		100%		Q2 / 2009	Q3 / 2010	
5	Red-hat operating system, databank, natural language, natural licenses, Entire X middleware.	20	910,800	ICB		-	100%	Q4 / 2008	Q4 / 2010	
6	High-resolution scanner, OCR software license.	29	1,400,000	ICB		100%		Q2 / 2009	Q4 / 2010	
7	Service digital terminals.	28	100,000	Auction		100%		Q2 / 2009	Q4 / 2009	
8	Servers, storage, autoloader, rack.	20	400,000	Auction		-	100%	Q4 / 2008	Q4 / 2010	
10	License: MS Office, Terminal Server, Windows Server (counterpart).	30	598,922	ICB		100%		Q4 / 2008	Q2 / 2009	
11	Computer hardware: PCs 2.0GHz, Coordinator Notebook; Vehicle Notebook.	30	460,950	Auction		100%		Q4 / 2009	Q2 / 2010	
12	Magazines, manuals, notebooks, apostile certificates, informational material.	01, 02, 04, 08, 12, 13, 15	170,150	Auction		100%		Q1 / 2009	Q4 / 2012	
13	Folder, manual, magazine.	33, 34, 35, 37	204,100	Auction		100%		Q1 / 2009	Q4 / 2012	
14	Miscellaneous media materials.	27	150,000	Auction		100%		Q1 / 2009	Q4 / 2012	
15	Digital camera, LCD 29" television and projection screen, system for recording television images, sound equipment for the auditorium, multimedia projector, ceiling support for projector, film maker, sound box, videoconferencing camera.	01, 27, 34, 35	49,990	Auction		100%		Q1 / 2009	Q2 / 2012	

No	Description of Procurement	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
16	Furniture kits (workstation), director chair, revolving chair, fixed chair, tool cupboard, workbench (1.20x70x0.90m), revolving chair with arms, rectangular meeting table, sliding file cabinet, mobile structure for pedagogic office.	04, 09, 12, 14, 19, 33, 34	353,860	Auction		100%		Q2 / 2009	Q2 / 2012	
17	Tax education kit.	35	120,000	Auction		100%		Q1 / 2009	Q2 / 2012	
TOTAL			6,285,979							

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(2) Ex-ante or ex-post.

No	Description of Contract	Related product in the Procurement Plan or AWP	Estimated cost (US\$)	Procurement method (1)	Review (2)	Source (%)		Estimated dates		Comments
						IDB	Local	Publication of announcement	End of contract	
WORKS										
1	General remodeling of inspection and administration blocks in the Marituba CERAT.	03	234,463	TP	ex post		100%	Q1 / 2009	Q4 / 2009	
2	Construction of new Tucurui CERAT adapted for telecenter.	03	419,503	TP	ex post		100%	Q1 / 2009	Q4 / 2009	
3	Completion and expansion of CECOMT inspection post at Gurupi.	03	480,226	TP	ex post		100%	Q4 / 2008	Q4 / 2009	
4	Adaptation of new inspection vessel at Candiru.	03	479,096	TP	ex post		100%	Q4 / 2008	Q4 / 2009	
5	Construction of new inspection post in the Goods in Transit Inspection Unit at Alça Viaria.	03	251,412	TP	ex post		100%	Q2 / 2009	Q1 / 2010	
6	Goods in Transit Inspection Unit, Curralinho – Land based.	03	197,740	TP	ex post		100%	Q3 / 2009	Q2 / 2010	
7	OEAT, Soure.	03	169,492	TP	ex post		100%	Q2 / 2009	4Q4 / 2009	
8										
9										
10										
TOTAL			2,231,932							

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(2) Ex-ante or ex-post.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Brazil. Loan ____/OC-BR to the State of Pará
Program to Support Fiscal Management
Modernization and Transparency
in the State of Pará
PROGEFAZ

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 Pará, as Borrower, and the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of a program to support fiscal management modernization and transparency in the State of Pará - PROGEFAZ. Such financing will be in the amount of up to US\$10,000,000, 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.