

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BRAZIL**

**PROGRAM TO SUPPORT THE MODERNIZATION OF THE OFFICE  
OF THE ATTORNEY GENERAL (PRO-AGU)**

**(BR-L1277)**

**LOAN PROPOSAL**

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1.	Annual work plan (AWP) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298088">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298088</a>
2.	Monitoring and evaluation arrangements <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35421600">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35421600</a>
3.	Itemized procurement plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298106">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298106</a>
<b>OPTIONAL</b>	
1.	Program execution plan <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36305238">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36305238</a>
2.	Economic analysis <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35421473">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35421473</a>
3.	Itemized program budget <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298163">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298163</a>
4.	Annual work plan for the fulfillment of conditions precedent to the first disbursement <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36297968">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36297968</a>
5.	Strategic guidelines 2008-2015 (AGU) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298375">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298375</a>
6.	Program request (August 2009) and approval by External Financing Committee (December 2009) <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298397">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298397</a>
7.	AGU organizational chart <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36444849">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36444849</a>
8.	Organizational chart for implementation – Committee and groups under the strategic direction of the AGU <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36444757">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36444757</a>
9.	Safeguard policy filter and screening form <a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35422823">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35422823</a>

## ABBREVIATIONS

ADR	Alternative dispute resolution
AGU	Advocacia-Geral da União [Office of the Attorney General]
AWP	Annual work plan
CGU	Consultoria-Geral da União [Office of the General Counsel]
CSAGU	Conselho Superior da Advocacia-Geral da União [Senior Council]
DCP	Departamento de Cálculos e Perícias [Department of Estimates and Appraisals]
DGE	Departamento de Gestão Estratégica [Department of Strategic Management]
DPP	Departamento de Patrimônio e Probidade [Department of Public Property and Administrative Integrity]
PCC	Program coordination committee
PCU	Program coordination unit
PGBC	Procuradoria-Geral do Banco Central [Office of the Prosecutor General for the Central Bank]
PGF	Procuradoria-Geral Federal [Office of the Federal Prosecutor General]
PGFN	Procuradoria-Geral da Fazenda Nacional [Office of the Prosecutor General for the Treasury]
PGU	Procuradoria-Geral da União [Office of the Prosecutor General]
SFC	Secretaria Federal de Controle Interno [Office of the Federal Secretary for Internal Control]
SGAGU	Secretaria-Geral da Advocacia-Geral da União [Office of the Secretary General for Administration]
SGCT	Secretaria-Geral de Contencioso [Office of the Secretary General for Litigation]
SIAFI	Sistema Integrado de Administração Financeira do Governo Federal [Integrated Financial Administration System of the Federal Government]
SICAU	Sistema Integrado de Controle das Ações da União [Integrated Case Tracking System]
STF	Supremo Tribunal Federal [Federal Supreme Court]
TCU	Tribunal de Contas da União [National Court of Audit]
WAL	Weighted average life

## PROJECT SUMMARY

### BRAZIL

## PROGRAM TO SUPPORT THE MODERNIZATION OF THE OFFICE OF THE ATTORNEY GENERAL (PRO-AGU) (BR-L1277)

Financial Terms and Conditions					
Borrower: Federative Republic of Brazil  Executing agency: Advocacia-Geral da União [Office of the Attorney General] (AGU)			Flexible Financing Facility*		
			Amortization period:	Bullet payment on 15 May 2028	
			Weighted average life (WAL):	Maximum of 15.25 years**	
			Disbursement period:	5 years	
Source	Amount (US\$)	%	Grace period:	Bullet payment on 15 May 2028	
			Inspection and supervision fee:	***	
IDB (Ordinary Capital)	17,100,000	40	Interest rate:	LIBOR-based	
Local counterpart	25,690,000	60	Credit fee:	***	
Total	42,790,000	100	Currency:	U.S. dollars from the Bank's Ordinary Capital	
Project at a Glance					
The general objective of the program is to arrange for effective and greater legal defense of the State's interests, for the benefit of society. The specific objectives are to improve: (i) strategic and knowledge management; (ii) the effectiveness and efficiency of legal action; and (iii) administrative and management activities.					
<b>Components:</b> (i) Component I. Strengthening of strategic management. (ii) Component II. Improved management of legal operations at the AGU. (iii) Component III. Improved management of administrative operations at the AGU.					
<b>Special conditions precedent to the first disbursement of the loan proceeds:</b> (i) presentation of evidence of the creation of the program coordination committee (PCC) and the program coordination unit (PCU), with their respective functions; (ii) presentation of evidence of the selection of the program technical coordinator, with his or her functions; and (iii) presentation of evidence of the implementation of a management system with demonstrated operational and technical capacity to effectively guide program activities. (paragraph 3.6)					
<b>Retroactive financing and recognition of expenditures:</b> In accordance with Bank policies (OP-504), expenditures may be retroactively financed and recognized provided they are for program activities and comply substantially with the Bank's procurement policies and procedures. Consulting services, equipment, and training courses are envisaged among the planned expenditures. Expenditures eligible for recognition are those incurred during the 18 months prior to Board approval of the loan. Retroactive financing will be available for expenditures of up to US\$1 million equivalent chargeable to the loan and up to US\$7 million equivalent chargeable to the local counterpart contribution. (paragraph 3.9)					
<b>Exceptions to Bank policies:</b> None					
<b>Procurement:</b> Project procurements will follow applicable Bank policies (documents GN-2349-9 and GN-2350-9).					
<b>Project consistent with country strategy:</b>					
	Yes [ X ]	No [ ]			
<b>Project qualifies as:</b>	SEQ [ ]	PTI [ ]	Sector [ ]	Geographic [ ]	Headcount [ ]

\* Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting modifications to the amortization schedule, as well as currency and interest rate conversions. When considering such requests, the Bank will take into account operational and risk management considerations.

\*\* The original WAL will be determined on the date of the contract and may not be less than 15.25 years.

\*\*\* 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.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems addressed, and rationale

- 1.1 The Office of the Attorney General (AGU) is the institution that, directly or through its agencies, provides legal representation for the State and federal public agencies and foundations, in addition to providing legal counsel and advisory services to the executive branch. The institution is established by the federal constitution, which classifies it as an essential instrument of justice. Accordingly, it is an apex institution independent of the three branches of government. It performs internal control of the legality of official activities, in addition to suggesting legal measures necessitated by public interest. It has the obligation to ensure that laws are being properly enforced and to prevent and resolve impasses between the legal agencies of the federal government. It plays a crucial role in resolving the fiscal implications of claims on the government. It interprets the constitution, laws, treaties, and other regulatory instruments and must be obeyed without exception by the agencies and entities of the federal government to ensure the uniformity of the country's administrative jurisprudence. The institution's maximum authority is the Attorney General, who has the status of a minister of State, is freely appointed by the President of the Federative Republic of Brazil, whom he or she advises directly, and represents the State before the Federal Supreme Court (STF).
- 1.2 The organizational model of the AGU, which can be seen in [optional electronic link #7](#), is built around three pillars related to institutional management: (i) strategic management; (ii) management of substantive processes; and (iii) management of administrative support processes. At the level of strategic management, the organizational structure includes: (i) the Department of Strategic Management (DGE), which coordinates the institution and promotes administrative modernization; and (ii) the Senior Council (CSAGU), which handles the institution's career service and coordinates legal strategies. At the level of management of substantive processes, the structure includes: (i) the Office of the Secretary General for Litigation (SGCT), which represents the State before the STF; (ii) the Office of the Prosecutor General (PGU), which provides legal defense; (iii) the Office of the General Counsel (CGU), which provides legal counsel to the various ministries; and (iv) the Office of the Federal Prosecutor General (PGF), which defends and provides legal counsel to federal public agencies and foundations. In addition, the following are attached to the AGU: (i) the Office of the Prosecutor General for the National Treasury (PGFN), which defends and advises the State in tax matters; and (ii) the Office of the Prosecutor General for the Central Bank (PGBC), responsible for providing legal representation and counsel to the Central Bank. At the administrative level is the Office of the Secretary General for Administration (SGAGU), which handles administrative processes.
- 1.3 The AGU has three strategic products that are part of its activities: (i) legal representation of the State, in and out of court, and as both plaintiff and defendant; (ii) legal counsel and advisory services for the executive branch, including its agencies and foundations; and (iii) collection of unpaid administrative fees and

penalties, as well as recovery of assets belonging to the State and federal public agencies and foundations. The following table presents these strategic products and the entities responsible for them:

Strategic product	AGU entity with direct responsibility
Legal representation of the State and federal public agencies and foundations, as plaintiff or defendant	Office of the Prosecutor General Office of the Federal Prosecutor General Office of the Prosecutor General for the National Treasury Office of the Prosecutor General for the Central Bank
Legal counsel and advisory services for entities in the central and decentralized government <sup>1</sup>	Office of General Counsel Office of the Federal Prosecutor General Office of the Prosecutor General for the National Treasury Office of the Prosecutor General for the Central Bank
Collection of administrative fees and penalties, and recovery of assets	Office of the Prosecutor General Office of the Federal Prosecutor General Office of the Prosecutor General for the National Treasury Office of the Prosecutor General for the Central Bank

- 1.4 The main problem that the AGU must address is ineffectiveness in legal proceedings, including litigation in which the State is involved. This problem pivots on two major areas of management that are closely interrelated: (i) legal defense; and (ii) collections of claims and recovery of assets.
- 1.5 **Legal defense.** The effectiveness of the AGU in the courts, measured as the percentage of decisions that are unfavorable to the State, remains too low, averaging 55.2% for the period in question (2005-2010), and 58.9% in 2010.

	Rate of unfavorable decisions (%)						
	2005	2006	2007	2008	2009	2010	Average
Rate of unfavorable decisions	57.0	58.3	52.2	51.5	53.1	58.9	55.2
Variation (2005=100)	100.0	102.2	91.5	90.2	93.2	103.2	

- 1.6 **Collection of claims and recovery of assets.** In those functions in which the State adopts a creditor position, as the entity responsible for collecting unpaid taxes or imposing administrative penalties, the AGU is not effective enough at collecting

<sup>1</sup> Central government includes ministries and decentralized government includes public agencies and foundations.

balances due prior to initiating legal action, or at taking legal action via collection proceedings. Problems involving the recovery of State assets in cases of fraud and corruption have also been detected.

- a. In the case of collection of claims, 24.4% of balances owed, as reported by public agencies and foundations, were entered in the adjudicated claims system in 2010, a step that must be taken in order to proceed with collection or other recovery actions, including legal action.<sup>2</sup> In monetary terms, the balance of claims appearing in the system is very high, at US\$6.7 billion.<sup>3</sup> In 2010, collection was executed on 3.1% (US\$210 million) of amounts in the adjudicated claims system. Entering a claim in the system is important because it is only then that legal action to collect can be executed. The percentage of cases registered in the adjudicated claims system that are referred to the courts is a good indicator of how actively collections are being pursued. In 2010, the rate was 0.24%, which confirms that there is considerable room for improvement.<sup>4</sup>
- b. In the case of recovery of assets, the two indicators analyzed to determine performance also point to weaknesses, despite the progress made in recent years. The percentage of asset recovery cases that were successfully pursued in 2010 was 7.5%, which represents US\$331 million. The other indicator that was considered to measure asset recovery performance is the percentage of total assets subject to claims that were blocked and encumbered as a precautionary measure, which was 8.2%.<sup>5</sup>

- 1.7 **Effects.** The AGU's performance weaknesses have a direct impact on the public accounts inasmuch as they affect government payments and revenue. A high rate of unfavorable decisions influences the payments that the State must make to pay damages ordered by the courts. Accordingly, in those cases in which action is brought against the State, a decrease in the rate of unfavorable decisions would likely be accompanied by a decrease in payments. According to available data,<sup>6</sup> payments made represented 54% of the total amount sought in cases brought against the State in 2010, a rate that demonstrates that there is significant room for improvement. With respect to revenue, inefficient handling of collections and recovery of public assets directly affects the volume of revenues collected. Available data for 2010<sup>7</sup> show that the rate of revenue collected to the sum total of

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<sup>2</sup> The information corresponds to 23 government agencies and foundations. This figure would be even lower if all amounts owed to the government were considered, but for a variety of reasons not all claims appear in the system and so their total is unknown. In any event, the full extent of the universe of balances owed to the State is clearly unknown.

<sup>3</sup> Rate of exchange: R\$1.60 per US\$1.00.

<sup>4</sup> Data from the PGF.

<sup>5</sup> 2010 data from the PGU.

<sup>6</sup> Department of Estimates and Appraisals, AGU.

<sup>7</sup> Department of Estimates and Appraisals and Department of Public Property and Administrative Integrity, AGU.



all balances in collection and asset recovery action was 4.8%. That figure is very telling and suggests that there is ample room for improvement in the handling of collections and asset recovery. As for indirect effects, sending a signal that there is little pressure to collect reduces the perceived risk of failure to pay obligations among potential tax evaders or debtors.

- 1.8 **Causal factors of the main problem.** The AGU's main problem derives from sets of weaknesses seen in the three major areas of management. The first set of weaknesses underlying the institution's ineffectiveness is in the area of strategic and knowledge management. The problems in this area are related to: (i) limited capacity to design and implement public policies in the area of case management due to the absence of instruments for prioritizing activities based on a risk matrix that takes into consideration, *inter alia*, the nature and complexity of the case, the amount involved, and the time limits, for the functions of legal defense and advisory services, collection of fees, and recovery of assets; (ii) absence of management instruments to monitor adjudicated claims and fiscal risks because there is no consolidated system for managing the adjudicated claims of federal public agencies and foundations. Thus, only 24% of adjudicated claims have been entered into the official claims registry; (iii) absence of performance indicators and tools (balanced scorecard) that would provide a way to track and monitor institutional performance using a results-based management approach. The average time it takes at the present time for a response from the AGU in the prosecution of asset recovery cases is more than 90 days, due in part to the absence of indicators, monitoring systems, early warning systems, and performance commitments with the responsible units; (iv) lack of protocols, tools (text and data mining), and organizational solutions to properly manage knowledge and provide online access to information on proceedings in cases similar to those brought by attorneys for the government in which decisions favorable to the State were issued (creation and access to an AGU case law database); and (v) lack of methodologies and tools for monitoring and control of operational and management processes.
- 1.9 The second set of weaknesses underlying the institution's lack of effectiveness is in the area of legal action by attorneys (court litigation, advisory services, and collections). In the case of judicial proceedings, one of the most significant problems has to do with the difficulty of efficiently processing the workload derived from litigation and the advisory services provided to the various ministries, agencies, and foundations. With the number of cases in a stable trend, in part due to the preventive action of counsel and advisory services (decisions issued by the CGU rose to 54.5% from October 2009 to March 2011), the response to the ineffectiveness of the courts consisted in increasing the number of attorneys, based on the logic that the high rate of unfavorable decisions could largely be explained by a presumably heavy caseload for attorneys. Thus, the caseload per attorney fell from 1,167 cases in 2005 to 713 cases in 2010.<sup>8</sup> However, despite assigning more attorneys, the effectiveness rate in the courts did not improve, which suggests that

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<sup>8</sup> PGU data. Source: *Sistema de Controle de Ações da União*.

the problem was not related to caseload, but rather to weaknesses in the case management model. Along these lines, the strategy to increase the number of attorneys is clearly unsustainable in the current scenario of budget cuts.

- 1.10 This points up the need to focus attention on the following weaknesses: (i) inefficiencies in litigation proceedings, with inadequate work procedures, redundancies, little value added, poor coordination with legal counsel and advisory activities, lack of mechanisms for tracking cases based on the different categories of difficulty and relevance, a weak skill mix, and a subnational organizational structure (regional and sector units) that makes it hard to take advantage of economies of scale and aggregation (the AGU does not have an integrated case tracking system to support and provide relevant information for the decision-making process); (ii) problems with legal counsel and advisory processes, which, *inter alia*, limit the use of intelligence in the preparation of strategies for preventing State liability for legal damages, as well as poor coordination with the functions of the litigation area (there is no system in place for integrating the AGU case law library with mechanisms for monitoring attorney productivity and performance, nor is there a system to facilitate advisory services in cases involving the AGU: cadastre of petitions, investigation, detection of disputes, defense of the State, control and distribution, out-of-court settlement and representation); (iii) insufficient development of alternative dispute resolution methods, which require an effective cost-benefit analysis so they can be used broadly and expanded; (iv) weak management of State claims due to obsolete operational and management systems and tools for collecting adjudicated balances, poor training for claims and collections personnel, and lack of a strategy for institutional coordination between the entities involved in processing adjudicated claims (it takes over 120 days to complete the steps required to proceed with collection of funds through timely action to block the assets of agents who are alleged to have committed crimes involving State property, and only 8.2% of amounts sought are recovered); (v) lack of a fiscal risk assessment model, absence of statistical tools to determine fiscal contingent liabilities, lack of a risk assessment and monitoring system and integration with litigation case management systems, and lack of information on the implicit and explicit expenditure commitments of cases in litigation against the government (there is no mechanism for prioritizing legal action strategically, so cases are processed by date of filing instead of by importance); and (vi) insufficient functionalities for operational support and limited interconnection between case management systems, due to weak system architecture, fragmentation and limited integration of the systems, and lack of a data generation model to facilitate the intelligent handling of information (i.e., workflows are not reasonably automated; instead, data is entered manually and documents are transferred physically between internal units with an unnecessary impact on cost and time).
- 1.11 Lastly, the third set of weaknesses underlying the low effectiveness of the AGU is in the area of management of administrative support processes. In this case, weaknesses are seen throughout the area: (i) logistical inefficiencies and ineffectiveness due to the lack of cost centers and the fact that consumption cannot

be linked to production; (ii) lack of coordination between budget formulation and strategic planning, lack of a stock management system, and fragmentation of administrative management systems; (iii) skill sets that do not match the needs of the institution, in particular a lack of understanding of the competencies of public servants and their relationship with the new tasks developed following institutional innovations and changes, as well as lack of a good performance evaluation system to manage careers (according to studies conducted by the AGU itself, only 50% of professionals in the PGF and the AGU meet the competencies criteria established for the functions they perform); and (iv) weak capacity for project design, formulation, and execution (a project desk has recently been created in the DGE to evaluate requests and projects of all AGU units and ensure alignment with strategic guidelines and corporate priorities. Although this unit is highly relevant in the context of the AGU, it has yet to be staffed with the necessary number of specialists, and methodologies have not yet been developed for project management and operations-related routines corresponding to performance in the framework of the project cycle).

- 1.12 **Challenges and rationale.** The proposed support strategy will produce three outcomes directly associated with the effectiveness of the judicial management performed by the AGU: (i) greater effectiveness in the management of judicial proceedings; (ii) greater effectiveness in the collection and recovery of adjudicated claims (creditor position); and (iii) improvement in the quality of legal counsel and advisory services provided by attorneys and prosecutors at the AGU.
- 1.13 The foregoing problems were identified based on internal AGU documents, reports, presentations, and working meetings held during program preparation with representatives from the various agencies and units comprising the institution. In addition, there was external input in the form of two successful legal defense models: Chile's State Defense Council notably improved the effectiveness rate in court by implementing a management improvement program, and the Municipality of Bogota (Colombia) performed a major overhaul of its defense model in the period 2002-2006, with empirically verifiable results.<sup>9</sup> Given that Chile's State Defense Council and the Municipality of Bogota have business models that are very similar to the AGU's, the expectation is that the lessons learned at those two institutions can be extrapolated to the AGU model. It is important to note that these comparative international experiences, together with the AGU's, demonstrate that making defense of the State's legal interests a specialized area is the most effective institutional model inasmuch as it prevents the function from being spread across many agencies, as is the case in other countries. The advantage conferred by this model is even greater given the continental scale of Brazil. The main challenge

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<sup>9</sup> In the case of Chile, see Grafe, F., "Diagnóstico del Consejo de Defensa del Estado [Diagnostic Assessment of the State Defense Council]," October 2010, in the framework of program CH-L1060, and Grafe F. and Mariana Martínez, "Evidencia empírica de un cambio exitoso del modelo de gestión jurídica de la Alcaldía Mayor de Bogotá [Empirical evidence of a successful change in the judicial management model of the Municipality of Bogota]" (in progress).

for the AGU is to resolve the problems identified above, and initiatives, plans, and projects in varying stages of design and development are part of this effort (see [optional electronic link #5](#)). The formal framework for consolidating an institutional improvement process is the program request presented by the AGU and approved by the External Financing Committee in December 2009, requesting the Bank's financial and technical support. The Ministry of Planning, Budget, and Management, aware of the comparative advantages that the Bank can offer to Brazil in strengthening the capacity of the public sector, is in favor of the loan, assuming 60% of the costs to strengthen the AGU, both for the technical and strategic value it sees in modernizing the State as well as for the sustainability of the institutional change process that will be supported by the Bank program (see [optional electronic link #6](#)).

- 1.14 This operation is also consistent with the Bank's country strategy with Brazil for 2012-2014 (document GN-2662-1), inasmuch as it will improve strategic and knowledge management and the effectiveness and efficiency of legal, administrative, and management systems to achieve greater effectiveness in the legal defense of the State's interests. The program will contribute to the strategic objective of strengthening the institutional capacity of public sector entities and was included in the 2013 Operational Program Report (document GN-2696). It focuses on one of the priority areas of support to strengthen key government institutions. The program also contributes to the GCI-9 priorities and the Strategy for Institutions for Growth and Social Welfare (document GN-2587-2) by strengthening fiscal and budgetary management in the public sector. And by lowering the State's litigation costs, it will strengthen State capacity to use its resources more efficiently. It should be noted that the Bank is becoming increasingly involved in the area of legal defense of State interests (CH-L1058, CO-L1097).

## **B. Objectives, components, and cost**

- 1.15 The general objective of the program is to arrange for effective and greater legal defense of the State's interests, for the benefit of society. The specific objectives are to improve: (i) strategic<sup>5</sup> and knowledge management; (ii) the effectiveness and efficiency of legal action; and (iii) administrative and management activities.

**Table 1: Program Lines of Activity**

Components	Problems	Magnitude of problem	Expected outputs	Outcomes
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Components	Problems	Magnitude of problem	Expected outputs	Outcomes
Strategic and knowledge management	<ul style="list-style-type: none"> <li>Weaknesses in strategic (institutional) and knowledge management at the AGU.</li> </ul>	<ul style="list-style-type: none"> <li>Only 24.4% of adjudicated claims appear in the official registry.</li> <li>Absence of a risk matrix to prioritize AGU cases before the courts.</li> </ul>	<ul style="list-style-type: none"> <li>System for strategic monitoring of adjudicated claims and risks to the State.</li> <li>Indicators, targets, and evaluation systems for results-based management.</li> <li>Installation of business intelligence tools.</li> <li>Change management and communications strategies.</li> </ul>	<ul style="list-style-type: none"> <li>More effective management of legal action</li> <li>More effective management of collection of claims and recovery of State assets</li> </ul>
Legal management	<ul style="list-style-type: none"> <li>Operational failures and limitations in the substantive processes of legal action: (i) defense in court; (ii) collections; and (iii) recovery of State assets and legal advisory services.</li> <li>Weaknesses in the technical and legal quality of action by attorneys and prosecutors at the AGU.</li> </ul>	<ul style="list-style-type: none"> <li>Low rate of judicial effectiveness: 59% of decisions issued in 2010 were unfavorable for the State.</li> <li>Low rate of recovery via collection proceedings of adjudicated claims (3.1%).</li> <li>Low rate of recovery of State assets (7.5%).</li> <li>Over 90 days, on average, to prosecute asset recovery cases.</li> </ul>	<ul style="list-style-type: none"> <li>Reengineering of workflows in the area of litigation.</li> <li>Reengineering of workflows in the area of legal counsel and advisory services.</li> <li>Reengineering of workflows in the area of collections.</li> <li>Management system for adjudicated claims and economic risks.</li> <li>Integrated case management system.</li> </ul>	
Administrative management	<ul style="list-style-type: none"> <li>Weaknesses in the delivery of support for substantive processes, especially in the management of human, logistical, and budgetary resources.</li> </ul>	<ul style="list-style-type: none"> <li>Low degree of automation of workflows in support of the AGU's substantive work.</li> </ul>	<ul style="list-style-type: none"> <li>Adaptation of budget management to cost centers</li> <li>Reengineering of logistics</li> <li>Reengineering of personnel management processes, including management for skills</li> </ul>	

**1.16 Component I. strengthening of strategic management (US\$3,933,861).** The main outputs of this component will be: (i) design of a plan to improve the legal protection of the State and the role of the AGU in the legal sustainability of public policy, and design and implementation of a system and a tool for monitoring adjudicated claims, contingent liabilities, and the fiscal risks and costs implicit in action brought against the State; (ii) design and implementation of a results-based management system and procurement of a tool for monitoring consistency between strategic guidelines and operational results; (iii) creation of a knowledge management unit and installation of a business intelligence tool, including text and data mining resources; (iv) creation of a case management office, implementation of a methodology for dynamic modeling of management and control functions, and installation of a unit to identify and monitor institutional projects; and (v) design

and implementation of internal and public communications policies, as well as design and implementation of a change management strategy plan.

- 1.17 **Component II. Improved management of legal operations at the AGU (US\$34,710,695).** The main outputs of this component will be: (i) a restructuring of organizational units at all levels, a review of current legal counsel and advisory practices, including an assessment of capacity to take preventive action, and design and implementation of a comprehensive prevention strategy plan; (ii) a mechanism for tracking cases by type, redefined professional profiles (by functions, areas, training, etc.), and a review of current legal counsel and advisory practices, including an assessment of capacity to take preventive action; (iii) preparation of a diagnostic assessment of causes, practices, and routines that lead to complaints, and proposals to reduce litigiousness; (iv) reengineering of alternative dispute resolution (ADR) methods, including a survey of good practices, identification of disputes within the federal public administration, an analysis of the legal conditions, implications, and opportunities for development of the ADR methods, development of the conceptual model, preparation of the diagnostic assessment of the profile and needs of the CGU, and design and implementation of a plan for disseminating the ADR methods; (v) recovery and management of federal government claims, including a plan for ongoing training in claims administration and recovery; (vi) an action plan to improve the integration of agencies responsible for adjudicated claims; (vii) design of a methodology and installation of an information technology solution for risk assessment and integration of the solution into the federal government's systems, and design of a methodology and installation of an information technology solution to identify and facilitate the elimination of unwarranted payments in cases brought against the State; (viii) the integrated case management system at the AGU, including a conceptual model, a new system architecture with strategies for migrating the existing systems, development and implementation of an integrated case management system that encompasses the functions of legal defense and advisory services, including interconnection with the systems of the judicial branch, and development of an electronic document management system; and (ix) redesign of workflows in the area of estimates and appraisals, including a diagnostic assessment of the current situation, a reengineering of workflows, and design and installation of a tool with new algorithms for estimating potential damages.
- 1.18 **Component III. Improved management of administrative operations at the AGU (US\$2,917,222):** The main outputs of this component will be: (i) a strategic management plan for the SGA, consisting of a diagnostic assessment, an identification of objectives, and strategic guidelines; (ii) a reengineering of workflows, consisting of a diagnostic assessment, identification, and description of the set of macroprocesses for meeting the strategic guidelines, review and redefinition of internal management processes, operational requirements, including technology, and a training plan; (iii) implementation of cost centers, consisting of the identification of activity centers, the identification of cost centers, the identification of changes in accounting records, gradual implementation, and

management systems; (iv) review of the subnational logistics management model and evaluation of implementation, consisting of mapping and analysis of work procedures in the regional units, proposals to standardize procedures, and specification of professional responsibilities, rules, and procedures; (v) an integrated administrative management system, consisting of a survey of experiences and external references, mapping and analysis of procedures and workflows, proposals to standardize procedures, identification of information flows for administrative control, identification of professional responsibilities, and implementation of the system; and (vi) competency-based management, consisting of mapping and updating professional profiles (duties, areas of expertise, training, etc.), reviewing, purging, updating, and standardizing personnel management policies, including training, and applying a performance evaluation (rating) model linked to professional careers.

### **C. Key results indicators and economic analysis**

- 1.19 Results will be measured using the following indicators: (i) percentage rate of decisions that are unfavorable; (ii) percentage rate of the sum total of adjudicated claims that are recovered in collection proceedings each year; (iii) percentage rate of the sum total of State assets subject to claims that are recovered; and (iv) rate of budget execution, based on the budget approved in the Annual Budget Act. The indicators and corresponding targets are presented in the results matrix.
- 1.20 To establish economic viability, a cost-benefit analysis was run based on the expected impacts in the area of collections and recovery of claims by the government (public agencies and foundations, and State assets in cases of corruption). These impacts are directly related to the activities envisaged in the program components. The economic analysis compared results under two scenarios—with the Bank program and without the Bank program—and found that in terms of efficiency, the scenario with the Bank-financed program is better (IRR of 1,041.9%) than the scenario without the program (IRR of 1,039.8%). In addition to this economic advantage, there are other reasons that argue for the Bank program, including the fact that the financial resources will be guaranteed, ensuring implementation of the effort (see [optional electronic link #2](#)).

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 The financing will be provided in the form of an investment loan and thus will include, apart from technical assistance, the procurement of high-technology equipment and servers. The total cost of the program will be US\$42,790,000, of which US\$17,100,000 (40%) will be financed by the Bank with resources from the Ordinary Capital and US\$25,690,000 (60%) will be contributed by the local counterpart. The program will have an execution period of five years from the effective date of the loan contract. The budget is presented in Table II-1. An [itemized budget \(optional electronic link #3\)](#) is also available.

Table II-1

	IDB (US\$)	Local	Total	
<b>A. Direct costs</b>	<b>15,938,387</b>	<b>25,623,391</b>	<b>41,561,778</b>	
Component I: Strengthening of strategic management	2,369,758	1,564,103	3,933,861	10%
Component II: Improved mgmt. of legal operations	10,796,685	23,914,010	34,710,695	83%
Component III: Improved mgmt. of administrative operations	2,771,944	145,278	2,917,222	7%
<b>B. Administration</b>	<b>1,027,566</b>	<b>-</b>	<b>1,027,566</b>	
B1 – Project management	947,566	-	947,567	
B2 – Independent evaluation	80,000	-	80,000	
<b>Subtotal</b>	<b>16,965,953</b>	<b>25,623,391</b>	<b>42,589,344</b>	
<b>C. Contingencies</b>	<b>134,047</b>	<b>66,609</b>	<b>200,656</b>	
<b>D. Financial costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Program total</b>	<b>17,100,000</b>	<b>25,690,000</b>	<b>42,790,000</b>	

## B. Risks to the operation

- 2.2 **Risks.** The participatory risk management workshop determined that the program has a moderate-low level of risk. Based on the analysis, the main risks are as follows: (i) sector teams may not dedicate their time exclusively to the program; (ii) skilled personnel could be transferred; (iii) problems could arise during program implementation related to supporting the institutional guidelines, given the size of the AGU; and (iv) resistance to change among AGU officials.
- 2.3 The following mitigation measures were agreed upon with the AGU: (i) adopt a resolution to appoint skilled personnel to work exclusively on the program; (ii) make current and any new officials aware of the importance of the program and the continuity of the teams, and establish formal rules for the coordination of actions; (iii) hold meetings and seminars to identify a mechanism for ongoing evaluation of program initiatives and their alignment with the strategic guidelines, and develop materials to publicize the program and the expected results; and (iv) hold awareness-raising events with the management team, organize dissemination workshops, and publish materials on the program and its benefits.
- 2.4 **Environmental risks.** There are no environmental or social risks associated with the planned activities. In accordance with the Environment and Safeguards Compliance Policy, the program has been classified as a category “C” operation.

## III. IMPLEMENTATION AND MANAGEMENT PLAN

### A. Summary of implementation arrangements

- 3.1 The borrower will be the Federative Republic of Brazil, and the executing agency will be the Office of the Attorney General (AGU), acting through a program coordination unit (PCU).
- 3.2 **PCC.** The program will have a coordination committee (PCC) consisting of the central entities of the AGU, the DGE, and the PCU technical coordinator, appointed



- by the DGE. This committee will be presided by the Attorney General or the authority designated by him. The PCC will establish the general and strategic guidelines for the execution of program activities and will conduct strategic monitoring, in addition to holding regular meetings and validating and approving final products.
- 3.3 The functions of the PCC will be to: (i) coordinate the overall strategic progress of the program; (ii) approve the annual work plans and procurement plans prior to their delivery to the Bank by the PCU technical coordinator; (iii) participate, through committee members, in program dissemination activities and build the consensus needed to ensure the full participation of all AGU staff; (iv) review the final products that must be submitted to the minister for approval; and (v) issue an opinion on matters submitted by the PCU technical coordinator. The PCC chairperson will convene the first meeting, which will be attended by at least the central agencies of the AGU, and a working procedure and decision-making mechanism will be agreed upon. Meetings will be held monthly, or on an exceptional basis, when the chairperson so instructs.
- 3.4 **PCU.** A program coordination unit (PCU) led by the program technical coordinator will be established in order to implement the operation-related decisions adopted by the PCC and coordinate the execution of program components following the guidelines established for that purpose. The PCU will have the support of working groups in charge of the technical execution of each component, whose members will come from the various participating units. The functions of the program technical coordinator will be to: (i) participate as secretary at the meetings of the PCC and refer any matters that require a decision by it; (ii) prepare, with the support of the working groups and the SGAGU, the annual work plans and procurement plans and deliver them to the PCC for consideration; (iii) disseminate program activities both within and beyond the AGU; (iv) participate in consensus-building activities; (v) support the working groups in the preparation of terms of reference for the procurement of the consulting services and the goods and equipment listed in the procurement plans; (vi) submit requests to the SGAGU for the procurements needed for program implementation; (vii) support the working groups in the preparation of short lists of consulting firms and goods and service providers; and (viii) propose, as applicable, changes to the annual work plans and procurement plans, to be ratified first by the PCC and subsequently by the Bank.
- 3.5 **SGAGU.** The PCU will have the support of the SGAGU for administrative, budgetary, financial, and logistical activities, for which the latter will designate staff.
- 3.6 **Special contractual conditions precedent to the first disbursement of the loan proceeds:** (i) presentation of evidence of the creation of the PCC and the PCU, with their respective functions; (ii) presentation of evidence of the selection of the program technical coordinator, with his or her functions; and (iii) presentation of evidence of the implementation of a management system

**with demonstrated operational and technical capacity to effectively guide program activities.**

- 3.7 **Procurement.** Works, goods, and related services, including consulting services, will be procured in accordance with the Bank's policies (documents GN-2349-9 and GN-2350-9). International competitive bidding will be used for the procurement of works with an estimated cost of US\$25 million or more and goods and services with an estimated cost of US\$5 million or more. National competitive bidding will be used for the procurement of works or goods and services with an estimated cost of less than US\$25 million and US\$5 million, respectively, but equal to or more than US\$500,000 and US\$100,000, respectively. Shopping may be used for the procurement of works or goods and services with an estimated cost of less than US\$500,000 and US\$100,000, respectively.<sup>10</sup> Based on the moderate-low level of risk but the limited experience of the PCU in working with the Bank, the first two procurements made under each procurement modality using proceeds from the loan will be reviewed ex ante, regardless of their value, as will all direct contracting and procurements with an estimated cost of more than US\$5 million. Subsequently, the Bank may decide to review all procurements ex post, with the exception of the specific cases mentioned.
- 3.8 **Advance funding mechanism.** The establishment of an advance funding mechanism is planned. Advances will be made on the basis of financial projections, will have a maximum frequency of up to six months, and will be for no more than 20% of the loan amount in view of the disbursement schedule. Requests for new advances cannot be made until 80% of pending amounts have been processed.
- 3.9 **Retroactive financing and recognition of expenditures.** The Bank will recognize, against the loan and the local counterpart contribution, eligible expenditures incurred during the 18 months prior to the date of approval of the loan by the Board of Executive Directors, but in no case will expenditures incurred before 16 August 2010 (approval date of the project profile) be included. Expenditures of up to US\$1 million, equivalent to approximately 6% of the amount of the loan, may be charged against the loan. Expenditures of up to US\$7 million, or approximately 27% of the amount of the local counterpart contribution, may be charged against the contribution. Expenditures will be made in accordance with Bank procurement policies or substantially similar procedures. Consulting services, equipment, and training courses are envisaged among the planned procurements.
- 3.10 **Audits.** During program execution, the PCU will deliver audited financial statements 120 days after the end of each fiscal year. The final audit reports will be

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<sup>10</sup> Furthermore, the Bank may recognize the following types of procurement established in Law 10.520 for contracts charged against the loan proceeds: (i) electronic reverse auction, using systems approved by the Bank for the procurement of off-the-shelf goods and services with an estimated cost of US\$5 million or less; (ii) fixed price contracts, for the procurement of off-the-shelf goods and services with an estimated cost of US\$5 million or less, where the pricing has been previously accepted by the Bank; and (iii) onsite reverse auction, for the procurement of off-the-shelf goods and services with an estimated cost of less than US\$100,000.

delivered within 120 days after the last disbursement. Audits will be conducted by the Office of the Secretary for Internal Control of the Presidency of the Republic at no cost to the operation.

**B. Program monitoring and evaluation arrangements**

- 3.11 **Monitoring and evaluation system.** A monitoring system and evaluation plan have been developed and agreed upon with the executing agency. The monitoring system will make it possible to: (i) evaluate the operation's progress towards its objectives; (ii) identify problem areas and obstacles encountered during implementation; (iii) improve productivity and generate greater value added from the financed activities and disbursements; and (iv) determine the success or failure of the program in achieving its objectives, as measured by attainment of the expected outputs (physical and budgetary targets). To this end, the system: (i) includes indicators and deadlines for delivery of the outputs (physical and budgetary targets); (ii) identifies the instruments, sources of information, and entity responsible for recording, monitoring, and reporting the information; and (iii) establishes the required content of the semiannual reports to be delivered to the Bank. To ensure monitoring, the PCU will implement a financial-accounting control and management system that is compatible with the Bank's systems, in order to monitor the outcome and output indicators established in the [results matrix](#). Implementation of the program management system with sufficient operational and technical capacity to guide the program will be a condition precedent to the first disbursement.
- 3.12 **Midterm and final reviews.** The evaluation plan will be used to report on the fulfillment of the annual targets corresponding to the respective outcome and impact indicators. The evaluation methods will be as follows: (i) an ex post cost-benefit analysis for components I and II; and (ii) comparison before and after the program of the expected outcome and impact indicators for components I, II, and III. Although the period covered by the ex ante cost-benefit analysis extends to 2021, for the purpose of the final evaluation, the period will be limited to the outcomes achieved in 2016, at the end of program execution (see [optional electronic link #4](#)).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Not aligned		
Lending Program			
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2662-1	Strengthen the competencies of civil servants in the federal government.	
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
	8.5		10
3. Evidence-based Assessment & Solution	9.1	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	6.4	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
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	C		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	The project relies on the use of all Financial management and Procurement country systems.	
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 to support the Solicitor General Office aims to achieve a more effective legal defense management of the interests of the Union. The project will seek that objective through the improvement of the strategic management and knowledge, and the effectiveness and efficiency of the legal, administrative and managerial systems. The program seeks to contribute to the strategic objective of strengthen institutional capacity of public entities and was included in the 2013 Country Program Document.

The intervention is well designed, with empirical evidence on the problem and its factors. The logic is clear and presents evidence on similar interventions that have been developed successfully in Chile and the District of Bogota. The relationship between the dimensions of the problem and the intervention is well defined and the program has SMART indicators of impact, outcomes and outputs.

There is a cost-benefit analysis, and the document presents a monitoring and evaluation plan that considers a before and after methodology and an ex-post replication of the cost-benefit analysis.

The program has a medium overall level of risk and a "C" classification of environmental and social risk. The risks are clearly identified, as well as the mitigation measures with indicators to monitor these mitigation measures.

## RESULTS MATRIX

**PROJECT OBJECTIVE:** The general objective of the program is to arrange for effective and greater legal defense of the State's interests, for the benefit of society. The specific objectives are to improve: (i) strategic and knowledge management; (ii) the effectiveness and efficiency of legal action; and (iii) administrative and management activities.

### EXPECTED IMPACT

Indicators	Unit of measure	Base level		Intermediate levels						Target level		Source / Means of verification <sup>1</sup>	Observations
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
EXPECTED IMPACT: Improvement in the fiscal impact of action in legal defense of the State in Brazil													
1. Percentage rate of amounts paid to the sum total of amounts sought in action brought against the State	Annual rate (%)	54.0	2010			52.0	2014			50.0	2016	Office of the Prosecutor General (PGU)/DCP for 2010. At program completion, the data will be provided by the new integrated case management system of the Office of the Attorney General (AGU)	Amounts paid (provisional)
2. Percentage rate of amounts collected to the sum total of amounts sought in action brought by the State	Annual rate (%)	4.8	2010			9.0	2014			13.5	2016	Office of the Federal Prosecutor General (PGF, collection data) and PGU/DPP (asset recovery data)	PGF data for 2010: 19 agencies and foundations. Total amounts sought include claims subject to collection and assets subject to recovery.

<sup>1</sup> For an in-depth analysis of all impact and results indicators, the monitoring and evaluation plan describes: (i) all elements of the indicators; (ii) the calculation method for the indicators; (iii) the period of coverage; and (iv) the sources of information, both at program start-up and program completion.

## EXPECTED OUTCOMES

Indicators	Unit of measure	Base level		Intermediate levels						Target level		Source / Means of verification	Observations
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
EXPECTED OUTCOME 1: Greater effectiveness in the management of legal action brought by or against the State													
R.1. Percentage of decisions that are unfavorable	Annual rate (%)	58.9	2010							30.0	2016	Integrated Case Tracking System (SICAU) / In 2016: Integrated Case Management System	Unfavorable: Unfavorable, partly unfavorable, and partly favorable. Criteria used by the SICAU.
EXPECTED OUTCOME 2: Greater effectiveness in claims collection and asset recovery actions													
R.2. Percentage of the sum total of adjudicated claims that are recovered in collection proceedings each year	Annual rate (%)	3.1				5.0	2014			8.0	2016	PGF report / In 2014: Adjudicated claims system	PGF data for 2010: 19 agencies and foundations
R.3. Percentage of the sum total of State assets subject to claims that are recovered (TCU, agreements, public civil actions, etc.)	Annual rate (%)	7.5	2010			13.0	2014			22.0	2016	PGU/DPP report / In 2016: DPP module in the Integrated Case Management System	
EXPECTED OUTCOME 3: Improved administrative and financial management in support of substantive processes at the AGU													
R.4. Rate of budget execution, based on the budget approved in the Annual Budget Act	Annual rate (%)	94.7	2009			97.0	2014			99.0	2016	SIAFI system report	

## INTERMEDIATE OUTCOMES

Indicators	Unit of measure	Base level		Intermediate levels						Target level		Source / Means of verification	Observations
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
INTERMEDIATE OUTCOME 1: Improved decision-making processes													
1.1. Rate of use of the balanced scorecard tool by AGU managers	Annual rate (%)	0	2010			30	2014			100	2016	Department of Strategic Management (DGE) report	Number of users of the tool/ management-level users in substantive areas (final)
1.2. Rate of use by AGU managers of the tool for monitoring contingent liabilities generated in action against the State	Annual rate (%)	0	2010							100	2016	DGE report	Number of users of the tool/ management-level users in substantive areas (final)
INTERMEDIATE OUTCOME 2: Improved legal action at the AGU													
2.1. Use of the AGU Integrated Case Management System in all substantive workflows by attorneys and prosecutors	Annual rate (%)	0	2010							100	2016	DGE report	Number of users of the system/ total number of attorneys and prosecutors in litigation and legal counsel areas
2.2. Degree of automation of substantive workflows in the AGU Integrated Case Management System	Annual rate (%)	0	2010							100	2016	DGE report	Number of automated workflows/ total workflows identified in substantive processes

Indicators	Unit of measure	Base level		Intermediate levels						Target level		Source / Means of verification	Observations
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
2.3. Percentage of Federal Supreme Court (STF) decisions checked to verify acceptance/ rejection of the case made by the attorneys to the total number of registered cases	Annual rate (%)	0	2010							100	2016	CGU/ SISCON report	STF
2.4. Claims registered in the adjudicated claims system to total claims by agencies and foundations	Annual rate (%)	24.5	2010							70.0	2016	PGF report	
2.5. Average number of days for a response in the prosecution of asset recovery cases (TCU)	Days	90	2010							20	2016	PGU/DPP report	
2.6. Percentage of amounts blocked and encumbered to total State assets subject to recovery action	Annual rate (%)	8.2	2010							25	2016	PGU/DPP report	
<b>INTERMEDIATE OUTCOME 3: Improved administrative management at the AGU</b>													
3.1. Percentage of standardized processes to total administrative processes identified	Annual rate (%)	0	2010			70	2014			100	2016	SGA report	
3.2. Percentage of AGU budget resources associated with cost centers implemented	Annual rate (%)	0	2010			60	2014			80	2016	SGA report	



## OUTPUTS<sup>2</sup>

Output	Unit of measure	Base level	Year 1	Year 2	Year 3	Year 4	Year 5	Target level
<b>Component 1: Strengthening of strategic management</b>								
1.1. Action plan to implement the strategy to improve the legal defense of the State and the role of the AGU in the legal sustainability of public policies, including an assessment of risks to the State (2008/2015 strategic guidelines)	Plan	0	1					1 plan approved
1.2. Strategic monitoring system for adjudicated claims and risks to the State	System	0	1					1 information system approved and installed
1.3. Study to calculate the implicit fiscal cost of cases brought against the State	Study	0			1			1 study approved
1.4. System of indicators, targets, and evaluation for results management	System	0		1				1 system approved and installed
1.5. Information system to verify and monitor the consistency between strategic guidelines and operational results	System	0			1			1 system installed
1.6. Creation of a knowledge management office	Office	0	1					1 office created
1.7. Installation of a business intelligence tool including resources for text and data mining	Tool	0			1			1 tool installed
1.8. Creation of a case management office	Office	0	1					1 office created
1.9. Dynamic model for management, control, optimization, integration, and sustainability of operational and management processes	Re-engineering	0	1					1 reengineering process approved and implemented
1.10. Office responsible for identifying and monitoring institutional projects (project management office)	Office	0	1					1 office created
1.11. Design of policies to inform the public of changes resulting from program activities	Report	0	1					1 design proposal approved
1.12. Plan to communicate changes internally	Plan	0	1	1	1	1	1	5 annual plans executed

<sup>2</sup> All outputs will be verified using the mandatory acceptance report approved by the AGU Department of Strategic Management (DGE).

Output	Unit of measure	Base level	Year 1	Year 2	Year 3	Year 4	Year 5	Target level
1.13. Design and implementation of a change management strategic plan	Plan	0	1	1	1	1	1	5 annual plans executed
<b>Component 2: Improved management of legal operations at the AGU</b>								
2.1. Reengineering of workflows for litigation cases in central government	Re-engineering	0			1			1 reengineering process approved and implemented
2.2. Reengineering of workflows for legal counsel and advisory services in the central government	Re-engineering	0		1				1 reengineering process approved and implemented
2.3. Strategic prevention plan encompassing all central government departments	Plan	0		1				1 plan approved and implemented
2.4. Reengineering of workflows for litigation cases and legal counsel and advisory services in decentralized agencies and entities	Re-engineering	0			1			1 reengineering process approved and implemented
2.5. Strategic prevention plan encompassing all decentralized agencies and entities	Plan	0			1			1 plan approved and implemented
2.6. Reengineering of alternative dispute resolution (ADR) methods	Re-engineering	0				1		1 reengineering process approved and implemented
2.7. Ongoing training plan for personnel specializing in administration and recovery of claims	Number of beneficiaries receiving specialized training	0	30	80	80	80	30	300 beneficiaries
2.8. Action plan to improve interagency integration between entities responsible for adjudicated claims	Plan	0	1					1 plan approved
2.9. System for assessing risks to the State and integration with AGU systems	System	0		1				1 information system installed
2.10. System to identify and facilitate the elimination of unwarranted payments in action brought against the State	System	0		1				1 information system approved and installed
2.11. Integrated case management system at the AGU	System	0			1			1 information system approved and installed
2.12. Reengineering of workflows for estimates and appraisals	Re-engineering	0		1				1 reengineering process approved and implemented

Output	Unit of measure	Base level	Year 1	Year 2	Year 3	Year 4	Year 5	Target level
<b>Component 3: Improved management of administrative operations at the AGU</b>								
3.1. Strategic management plan for the SGA	Plan	0	1					1 plan approved
3.2. Reengineering of workflows for administrative processes (excluding logistics and human resources)	Re-engineering	0		1				1 reengineering process approved and implemented
3.3. Study to implement cost centers	Study	0		1				1 study approved and implemented
3.4. Study to review the subnational logistics management model	Study	0					1	1 study approved
3.5. Integrated administrative management system (SIGA), integrated with budget and financial modules of the SIAFI	System	0			1			1 information system approved and installed
3.6. Competency-based management model at the AGU	Model	0					1	1 model designed, approved, and implemented

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**COUNTRY:** Brazil  
**PROJECT NUMBER:** BR-L1277  
**NAME:** Program to Support the Modernization of the Office of the Attorney General (PRO-AGU)  
**EXECUTING AGENCY:** Office of the Attorney General (AGU)  
**PREPARED BY:** Fernando Glasman and Carlos Lago Bouza, updated by Marília Santos in May 2011

### **I. EXECUTIVE SUMMARY**

- 1.1 The evaluation of fiduciary management was based on an institutional analysis of the executing agency, a workshop on risks with personnel from all participating entities, and several meetings with the project team and key personnel from the Office of the Attorney General (AGU). In addition, the Bank's experience working on similar projects at the federal level, such as the project with the Supreme Court of Audit (TCU), was considered.
- 1.2 Taking into account the evaluation of the executing agency, fiduciary agreements on financial administration and procurement were prepared for program execution.
- 1.3 In preparing the fiduciary agreements, the fiduciary context of the country and the executing agency were also considered, and the most important aspects are summarized in the following paragraphs.

### **II. FIDUCIARY CONTEXT OF THE COUNTRY**

- 2.1 Brazil has robust national fiduciary systems that facilitate proper execution of administrative, financial, control, and procurement processes in accordance with the principles of transparency, economy, and efficiency. These systems must continue to be strengthened, with a view to meeting new fiduciary needs. With this in mind, the Bank's fiduciary strategy with Brazil seeks to progressively and sustainably increase use of the country's fiduciary systems.
- 2.2 It should be noted that the Bank has been working with the federal government to ensure that its Integrated Financial Administration System (SIAFI) is used as an integrated financial management, accounting, and reporting tool for operations executed with the Bank. Furthermore, the Office of the Federal Secretary for Internal Control (SFC) performs the control function for all loan operations with the federal government. Lastly, the Bank has gradually been increasing its use of the country's procurement systems, especially COMPRASNET (electronic reverse auction system run by the federal government).

### **III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

- 3.1 The executing agency will be established within the AGU and staffed internally. At the time of this evaluation, the executing agency has been fully staffed with a

- project technical coordinator and four dedicated staff. It also has the support of the other units at the institution. The executing agency's fiduciary systems have the control elements needed for effective administration of the project. Because this is a government project, it is subject to the national laws regulating the government, including the Fiscal Accountability Act. The AGU has an accounting and financial records system that will make it possible to identify project transactions by financing source and investment category. Internal control at the AGU is handled by the Office of the Secretary for Internal Control of the Presidency of the Republic, which is attached technically to the SFC and conducts periodic reviews. The financial management staff and the technical coordinator do not have experience with managing or implementing Bank-financed projects.
- 3.2 The staff who will handle procurements are part of the AGU procurement committee. This five-person team has extensive experience but not with Bank-financed projects. Therefore, during the project launch workshop, training will be provided on policies and procedures for Bank-financed operations.

#### **IV. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES**

- 4.1 As a result of the risk evaluation exercise performed during the design phase, high risks were detected in the constitution and dedication of the technical teams, lack of familiarity with the institution's strategic guidelines, resistance to change, and process reengineering, as well as in the technical specifications of the information system. No risks of a fiduciary nature were detected.

#### **V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENTS**

- 5.1 The fiduciary agreements and requirements for procurements establish the provisions governing execution of all procurements envisaged as part of the project.

##### **A. Execution of procurements**

- 5.2 The project will be executed through an executing agency within the AGU, which will handle administrative, monitoring and evaluation, legal, communications, and information support activities. In addition, the executing agency will carry out operation-related activities and serve as liaison with the various units involved in the program.

##### **1. Procurement of works, goods, and nonconsulting services:**

- 5.3 Works, good, and related services will be procured in accordance with the applicable Bank policies and procedures, as set forth in document GN2349-9. International competitive bidding will be used for the procurement of works with an estimated cost of US\$25 million or more and goods and services with an estimated cost of US\$5 million or more. National competitive bidding will be used for the procurement of works or goods and services with an estimated cost of less than US\$25 million and US\$5 million, respectively, but equal to or more than US\$500,000 and US\$100,000, respectively. Shopping may be used for the

procurement of works or goods and services with an estimated cost of less than US\$500,000 and US\$100,000, respectively.

- 5.4 Furthermore, the Bank may recognize the following types of procurement established in Law 10.520 (Electronic Bidding) for contracts charged against the loan proceeds: (i) electronic reverse auction, using systems approved by the Bank for the procurement of off-the-shelf goods and services with an estimated cost of US\$5 million or less; (ii) fixed price contracts, for the procurement of off-the-shelf goods and services with an estimated cost of US\$5 million or less, where the pricing has been previously accepted by the Bank; and (iii) onsite reverse auction, for the procurement of off-the-shelf goods and services with an estimated cost of less than US\$100,000.

## **2. Selection and contracting of consultants:**

- 5.5 Consulting firms will be selected and contracted in accordance with the applicable Bank policies and procedures as set forth in document GN-2350-9. All consulting contracts for US\$200,000 or more will be subject to international publicity. In the case of consulting contracts for less than US\$1 million, the short list may comprise entirely national consultants.

## **3. Selection of individual consultants:**

- 5.6 Individual consultants will be selected and contracted in accordance with the provisions of chapter V of the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-9).

## **4. Recurrent costs:**

- 5.7 Recurrent costs are operation and maintenance expenditures required for the project over its life and encompass the following: utilities and communications, translations, office supplies, photocopies, mail, and other expenses needed to properly run the project. These expenses will be charged against the loan within the annual budget approved by the Bank and will be processed according to the administrative procedures of the executing agency, which will be reviewed and accepted by the Bank provided they do not violate the fundamental principles of competitiveness, efficiency, and economy.
- 5.8 In addition, recurrent costs include the costs of consultants hired to support the executing agency during the life of the loan. However, operation costs do not include remuneration of civil servants.

## **5. Retroactive financing and recognition of expenditures:**

- 5.9 The executing agency reported that eligible expenditures incurred during the 18 months prior to the date of Board approval of the loan may be presented for recognition by the Bank against the loan and the local counterpart contribution, but in no case will expenditures incurred before 16 August 2010 (approval date of the project profile) be included. Expenditures of up to US\$1 million, equivalent to approximately 6% of the amount of the loan, may be charged against the loan. Expenditures of up to US\$7 million, or approximately 27% of the amount of the local counterpart contribution, may be charged against the contribution.

Expenditures will be made in accordance with Bank procurement policies or substantially similar procedures. Consulting services, equipment, and training courses are envisaged among the planned procurements.

**6. National preference:**

5.10 National margins of preference will not apply.

**B. Procurement thresholds**

5.11 The threshold that determines use of international competitive bidding will be made available to the borrower or the executing agency, as the case may be, on the following page: [www.iadb.org/procurement](http://www.iadb.org/procurement). For amounts below the threshold, the selection method will be determined based on the complexity and characteristics of the procurement or contract, which will be reflected in the procurement plan approved by the Bank.

**C. Initial procurement plan**

The link to the version agreed upon is attached as an annex to the analysis mission:  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36298106>

**D. Procurement supervision**

5.12 All procurements made using the international competitive bidding and shopping methods will be reviewed ex ante. Taking into consideration the special characteristics of the program and the operational capacity of the PCU, a post review will be conducted annually. Based on annual audit reviews, the Bank may change the type of review indicated in the procurement plan.

**a. Special provisions**

- ✓ The AGU will update the procurement plan at least once every year or as required by the Bank to reflect real project execution needs and progress made.
- ✓ The COMPRASNET system will be used for the procurement of goods and nonconsulting services.

**b. Records and files**

Program records and files will contain at the least the following conditions:

- ✓ Program files will contain the original documentation filed in chronological order, to be stamped and numbered accordingly.
- ✓ Program files should be stored in a secure room used exclusively for such purpose, with restricted access.
- ✓ A file register will be maintained.

**VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

**A. Programming and budget**

6.1 The annual programming and external and counterpart financing budget are prepared by the Office of the Secretary for Planning. The budget is managed under

the Integrated Financial Administration System of the Federal Government (SIAFI). The budget allocation for the program will be approved by the Office of the Secretary for Planning and will be reflected in the SIAFI for the activities planned as part of the project. The Bank will reimburse eligible project expenditures based on the budget lines set and executed by the program.

**B. Accounting and information systems**

- 6.2 The project will use the SIAFI, which offers transparency and specific controls in budget execution. This module will be used to keep a record of project accounts and issue financial reports, including disbursement requests, financial statements, exchange rate control, project financial statements, and others in accordance with the Bank's requirements. A cash basis accounting system will be used, in line with international accounting standards.
- 6.3 Financial statements will be required for the purposes of project supervision, and will include: (i) statement of cash received and disbursements made; and (ii) statement of cumulative investments. These reports will be presented annually.

**C. Disbursements and cash flow**

- 6.4 The project will use the country's treasury system. Expenditures are subject to the budget and financial execution process, and the SIAFI will be used to record information related to their formal execution in the framework of regulations applicable to each stage of expenditure: commitment, liquidation, authorization, and payment. The country's treasury system uses a master account system to manage its financial obligations. The program will receive advances of funds through the Ministry of Finance based on the financial programming planned by the executing agency and presented to the Bank.
- 6.5 The executing agency will deliver disbursement requests to the Bank, along with a schedule of expenditures by annual work plan activity for the next 180 days. Documentation verifying at least 80% of the disbursement amount will be included in the subsequent request.
- 6.6 The AGU will deliver to the Bank the project's initial financial plan, which should contain the disbursement schedule for the duration of the project, which may be updated annually.
- 6.7 Supporting documentation on expenditures will be subject to ex post review by Bank staff and/or consultants, and by the external auditors. Reports will be issued following each ex post review visit.
- 6.8 The exchange rate to be used, as notified by the executing agency, will be the rate in effect on the date on which the resources are received.

**D. Internal control and internal auditing**

- 6.9 The control environment, control activities, communication and information, and the monitoring of the activities of the institution and the executing agency are governed by the country's laws and regulations, which are based on those set by the Office of the Federal Secretary for Internal Control (SFC).



- 6.10 The executing agency will be required to include the principal internal control processes in the operations manual in order to ensure that controls are working effectively.

**E. External control and reports**

- 6.11 The cost of project audits will be covered by the SFC, with no cost to the project.

**F. Financial supervision plan**

Supervision activity	Supervision Plan			
	Nature and scope	Frequency	Party responsible	
			Bank	Third party
OPERATIONAL	Review of physical progress of works in components II and IV against disbursements	Semiannual	Technical team	
	Review of status of design and implementation of component III	Semiannual	Technical team	
	Review of progress report	Semiannual	Fiduciary and technical team	Executing agency
	Review of portfolio	Semiannual	Technical team	
	Works inspection visits	Annual	Technical team	Executing agency
FINANCIAL	Ex post review of disbursements and procurements	Annual	Fiduciary team	Fiduciary team
	Financial audit	Annual		SFC
	Review of disbursement requests and attached reports	Periodic	Fiduciary team	
	Inspection visit/ analysis of internal controls and control environment	Annual	Fiduciary team	
COMPLIANCE	Annual allocation of budgetary funds needed for project implementation	Annual	Fiduciary team	Executing agency
	Delivery of financial statements and operational audits	Annual	Fiduciary and technical team	
	Conditions precedent to first disbursement	Once	Fiduciary and technical team	

**G. Execution mechanism**

- 6.12 Considering the execution mechanism described in the proposal for operation development, a centralized financial and administrative execution system will be needed at the executing agency, which will be responsible for preparing an annual budget for both the local counterpart contribution and the Bank contribution. The executing agency will also make payments and process disbursements and

supporting documentation with the Bank, as well as coordinate all activities with the other participating entities.

**H. Other financial management agreements and requirements**

- 6.13 Given the nature and complexity of the project, the executing agency will need to have a system for tracking and monitoring project activities.