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BRAZIL

**FEDERAL DISTRICT ENVIRONMENTAL SANITATION AND LAND MANAGEMENT
PROGRAM – SUSTAINABLE BRASILIA PROGRAM II**

(BR-L1383)

LOAN PROPOSAL

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ABBREVIATIONS

ADASA	Agência Reguladora de Águas, Energia e Saneamento do Distrito Federal [Federal District Water, Energy, and Sanitation Regulatory Agency]
ARIE	Área de Relevante Interesse Ecológico [Area of Significant Ecological Interest]
ARIS	Área de Regularización de Interés Social [Regularization Zone of Social Interest]
CAESB	Companhia de Saneamento Ambiental do Distrito Federal [Federal District Environmental Sanitation Company]
CCP	Conselho Consultivo para o Programa [Program Consultative Board]
CEL	Comissão Especial de Licitações [Special Bidding Committee]
CODHAB	Companhia de Desenvolvimento Habitacional do Distrito Federal [Federal District Housing Development Company]
CPDS	Condomínio Pôr do Sol
DF	Distrito Federal [Federal District]
EIA	Environmental Impact Assessment
ESMR	Environmental and Social Management Report
GDF	Government of the Federal District
HDI	Human Development Index
IBGE	Brazilian Geography and Statistics Institute
IBRAM	Instituto do Meio Ambiente e dos Recursos Hídricos do Distrito Federal – Brasil Ambiental [Federal District Institute of the Environment and Water Resources – Brasil Ambiental]
ICAS	Institutional Capacity Assessment System
LRAC	Long-run average cost
MAO	Manual Ambiental de Obras de CAESB [CAESB Works Environmental Manual]
NOVACAP	Cadastre and Tenders Advisory Service
O&M	Operation and Maintenance
PBS I	Sustainable Brasília I Program
PDISRIDF	Plano Diretor de Inclusão Social dos Recicladores Informais do DF [Master Plan for the Social Inclusion of Informal Recyclers in the DF]
PDOT	Plano Diretor de Ordenamento Territorial do Distrito Federal [Federal District Land Management Master Plan]
PDR	Plano Diretor de Reassentamento [Resettlement Master Plan]
PMU	Program Management Unit
SEDHS	Department of Labor, Social Development, Women, Racial Equality, and Human Rights
SEMA	Department of the Environment
SINESP	Infrastructure and Public Utilities Department
SLU	Serviço de Limpeza Urbana [Urban Cleaning Service]

PROJECT SUMMARY

BRAZIL FEDERAL DISTRICT ENVIRONMENTAL SANITATION AND LAND MANAGEMENT PROGRAM – SUSTAINABLE BRASILIA PROGRAM II (BR-L1383)

Financial Terms and Conditions				
Borrower: Federal District (DF)			Flexible Financing Facility^(a)	
Executing agency: The DF through the Infrastructure and Public Utilities Department (SINESP)			Amortization period:	25 years
			Original weighted average life:	15.25 years ^(b)
Guarantor: Federative Republic of Brazil			Disbursement period:	5 years
Source	Amount (US\$)	%	Grace period:	5.5 years
			Inspection and supervision fee:	(c)
IDB (Ordinary Capital):	100,000,000	67	Interest rate:	LIBOR-based
Cofinancing:	0	0	Credit fee:	(c)
Local:	50,000,000	33	Approval currency:	U.S. dollars from the Ordinary Capital
Total:	150,000,000	100		
Project at a Glance				
Project objective/description: The program's general objective is to help improve solid waste management and environmental quality of areas of the Federal District (DF), by implementing urban infrastructure services and restoring degraded zones, pursuant to the DF Land Management Master Plan.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) approval by the Bank and entry into force of the program's Operating Manual through an ordinance published in the official gazette (paragraph 3.8); (ii) presentation of evidence that the Program Management Unit (PMU) has been set up and its members have been appointed according to the profiles agreed upon with the Bank (paragraph 3.2); (iii) presentation of evidence that the shortlist for selecting the management firm that will support the PMU has been completed and the terms of reference have been approved (paragraph 3.2); (iv) publication of the legal instrument creating the Special Bidding Committee (paragraph 3.4); (v) presentation of the drafts of the technical cooperation agreements to be signed between the executing agency and DF entities under sector administration, which will take part in the program's execution arrangements, pursuant to the terms previously agreed upon with the Bank (paragraph 3.3); and (vi) presentation of the draft law for the legal framework governing involuntary resettlement in the DF (paragraph 3.2).				
Special contractual conditions for execution: (i) within six months after the loan contract's effective date, the borrower will provide evidence of: (a) implementation of the program's management system, containing the financial module for producing the financial reports according to the Bank's requirements (paragraph 3.9); (b) the contracting of the management firm that will support the PMU (paragraph 3.2); (c) the creation of the Program Consultative Board (CCP) and approval of its internal regulations (paragraph 3.3); (d) the signing and entry into force of the technical cooperation agreements between the executing agency and the DF entities under sector administration which will take part in the program's execution arrangements, pursuant to terms previously agreed upon with the Bank (paragraph 3.3); (ii) prior to the tendering of the works under component 3, the borrower will present the publication in the Official Gazette of the legal framework governing involuntary resettlement in the DF (paragraph 3.2); (iii) prior to the contracting of each work, the borrower will present evidence, to the Bank's satisfaction, of possessing: (a) socioenvironmental assessments that comply with the current legal framework and the Bank's policies and safeguards; (b) the required environmental licenses and permits; (c) a detailed resettlement plan for the affected population, pursuant to the Bank's Operational Policy OP-710, in the case of works requiring this; and (d) the contracting of the firm responsible for supervising the respective work (paragraph 3.4).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(d)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
Crosscutting themes:^(e)	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<input type="checkbox"/>

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- (a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
 - (b) The original weighted average life (WAL) and grace period may be shorter, depending on the effective signature date of the loan contract.
 - (c) 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.
 - (d) SI (Social Inclusion and Equality), PI (Productivity and Innovation), EI (Economic Integration).
 - (e) GD (Gender Equality and Diversity), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING¹

A. Background, problem addressed, and rationale

- 1.1 Brazil's Federal District (DF), which includes the national capital, Brasília, is located in a region known as the Brazilian central plateau, the biophysical characteristics of which include poorly structured soils prone to erosion, and rivers with weak currents as a result of being situated at the boundary separating the watersheds of three of the country's major rivers: São Francisco, Paraná and Tocantins/Araguaia. The population of the DF is 2,570,160,² distributed among 31 administrative regions (RAs). Rapid population growth in the DF resulted in haphazard occupation of the land area, mainly in the outskirts³ of Brasília, where 25% of the population do not have legal title to the property on which they live. This rapid expansion creates economic and social inequalities, owing to the poor conditions of housing in the area. The environment, including the water resources of the DF, is degraded by overcrowding and the lack of basic sanitation and urban solid waste collection services in these disadvantaged areas.⁴
- 1.2 Vila Estrutural and Condomínio Pôr do Sol (CPDS) are specific examples of the process of haphazard occupation of the outlying areas of the DF. Vila Estrutural was a target of the Federal District Environmental Sanitation and Land Management Program (PBS I), financed by the World Bank (paragraph 1.17), and CPDS is part of this operation.
- 1.3 The Federal District Land Management Master Plan (PDOT- Complementary Law 803, 25 April 2009), identifies CPDS as a Regularization Zone of Social Interest (ARIS), i.e. a priority zone for regularizing property tenure in informal settlements occupied mainly by low-income population groups. The PDOT, approved in 2009, is based on principles that include: shared management of land with citizen participation; sustainable land use aligned with the mitigation of negative urbanization externalities; and the promotion of a better quality of life for the population, while seeking to minimize socioeconomic and environmental inequalities, among others.⁵ In this context, bearing in mind that the urban development complex of the Brasília Pilot Plan is considered a UNESCO World Heritage Site, regularization of the situation in outlying areas, including improvements to the delivery of basic utilities and transport services, represent major targets for achieving the levels development desired for all of the DF. In the current situation, those targets are compromised not only by this irregular occupation of the outlying areas, but also by the deficient solid waste treatment and final disposal

¹ The bibliography may be consulted in [optional electronic link 10](#).

² Brazilian Geography and Statistics Institute (IBGE), 2010 Census. Using the growth rate applied by the IBGE for the DF, the current population is estimated at 2,883,559 inhabitants.

³ According to the IBGE in its 2010 census, the outlying areas were called "subnormal areas," to refer to irregular settlements known as favelas, invasions, and shantytowns (*vilas*). In 2010, the population of these areas was 133,556 inhabitants distributed across the 31 RAs. In the 20 ARIS identified, the population totaled 101,438, of whom 7,653 were living in CPDS, so this program serves 8% of that population.

⁴ In this document, solid waste and urban solid waste are considered equivalent.

⁵ Land Management Master Plan, Environment Department, Government of the Federal District, Technical Document, 2009.

service. The latter the least efficient utility,⁶ since drinking water services cover 98.04% of the population, and sewer services cover 88.9%, with 100% of effluents collected undergoing treatment.⁷

- 1.4 The PDOT identifies 20 ARIS, and specifies urban development parameters for occupation in each settlement. CPDS is included in the PDOT and has legislative support for its regularization. The urban development approval and environmental permit will be issued by the Housing and Land Management Department and by the Federal District Environment and Water Resources Institute – Brasil Ambiental (IBRAM), respectively. On 24 July 2014, Supplemental Law 885 approved the amendment of the polygon of the “Parque JK” Area of Significant Ecological Interest (ARIE) where CPDS is located,⁸ to enable its regularization.
- 1.5 With a population in excess of 7,653,⁹ CPDS is partly located inside the “Parque JK” ARIE, an environmentally fragile region containing springs and accentuated fault lines which are highly susceptible to erosion. In addition, the PDOT describes CPDS area as geographically located in the Melchior river basin, one of the main sources of water for Brasilia. The guidelines contained in technical report 06/2012,¹⁰ issued by the IBRAM, as a result of the environmental impact assessment (EIA) performed for CPDS urban development project, includes a set of actions to adapt CPDS to the various categories of land planning applicable to it: consolidated urban zone, urban expansion and classification zone, urban zone of controlled use II, rural zone of controlled use IV, and area of ecological interest. These recommendations are included in this program’s proposal for action. The upgrading of CPDS will require the regularization of tenure of 3,072¹¹ property titles; and, according to the 2015 cadastre of the Federal District Environmental Sanitation Company (CAESB), the construction of networks to provide 1,220 water connections and 1,380 sewer connections.
- 1.6 **Institutional framework for the provision of basic water and sewer services in the Federal District.** Water and sewer services in the DF are a CAESB responsibility. The coverage of water services is 98.04%, and that of sewer services 88.9%, with 100% of effluents collected undergoing treatment,¹² and a favorable financial performance.¹³ In 2014, CAESB obtained a US\$170.84 billion loan from the Bank (loan 3168/OC-BR), which includes expansion of the drinking water and sanitary sewer network to outlying housing complexes and zones such as CPDS. Urban drainage is the responsibility of the Urban Development Company of the New

⁶ Although the solid waste collection service covers 82.2% of the DF population, coverage is inadequate in the surrounding neighborhoods. Of the 2,700 t/day of household solid waste generated, 1,800 t/day are sent untreated to the Jockey Club landfill; and 6,000 t/day of construction waste is also sent there. Source: SLU, *Relatório do Diagnóstico de Resíduos Sólidos do DF em 2014* [Diagnostic Report on Solid Waste in the Federal District in 2014], March 2015. <http://www.slu.df.gov.br/images/PDF/relatoriofinal.pdf>.

⁷ Year 2012: CAESB and the National Sanitation Information System (SNIS) www.snis.gov.br.

⁸ The ARIE of CPDS was created through Law 1,002 of 2 January 1996 (Art.1).

⁹ IBGE, 2010 Census.

¹⁰ IBRAM, 2012.

¹¹ COBRAPE, July 2014.

¹² Year 2012: CAESB and SNIS.

¹³ CAESB’s average operating margin has been 13% in the last three years. Collection rates are in excess of 93%.

Capital of Brazil (NOVACAP), which, in conjunction with CAESB and the Urban Cleaning Service (SLU), are accountable to the Infrastructure and Public Utilities Department (SINESP). Decree 36,236 of 1 January 2015¹⁴ defines the legal responsibilities of SINESP in the following areas: design, execution, and supervision of public works; infrastructure; the restoration of public facilities; and public water and sanitation services.

- 1.7 On 16 June 2004, the Government of the Federal District (GDF), issued Law 3,365, creating the Federal District Water and Sanitation Regulatory Agency (ADASA) to regulate, control, and inspect the quality and quantity of surface water and groundwater, as well as water supply, sanitary sewer, and solid waste services. In February 2006, ADASA, acting on behalf of the DF, signed a services concession agreement with CAESB lasting until 21 May 2032.
- 1.8 **Solid waste.** The operation of the solid waste collection, treatment, and final disposal services is the responsibility of the SLU, which is an autonomous GDF institution, created in 1961, and attached to SINESP through Decree 36,326 of 1 January 2015. The SLU is responsible for planning, contracting, supervising, controlling, and inspecting the execution of urban cleaning services in the Federal District. It covers its costs through a public cleaning levy and transfers from the GDF budget.¹⁵ The institutional diagnostic assessment of the SLU identified structural deficiencies in the administrative, technical, organizational, strategic planning, and human resource management areas, due to shortcomings in areas including: targets, control of results, evaluation of management, training in inspection, and control of contracts. The program will support improvements to SLU management by contracting a specialized firm to support it for three years, until it has completed its restructuring and strengthening process.
- 1.9 The Environment Department (SEMA),¹⁶ through its Office of the Deputy Secretary for Solid Waste and Environmental Sanitation, is responsible for policy formulation, planning, orientation, and control of the execution of actions related to solid waste, water resources, environmental education, and protected areas. The IBRAM, attached to the SEMA, issues the environmental permits for works in the DF, including those that apply specifically to the solid waste sector. The internal process for approving the permits involves environmental impact assessment documents being passed between the SEMA and IBRAM, a process that can take up to 180 days,¹⁷ mainly because the documents are not computerized. The computerization envisaged for this process will substantially shorten these times.
- 1.10 Other institutions also take part in solid waste management: (i) the Department of Labor, Social Development, Women, Racial Equality, and Human Rights (SEDHS) is responsible for the development, planning, and monitoring of social and productive inclusion actions for informal recyclers and other segments of society requiring special attention pursuant to the Social Assistance Act of 2003 and the National Social Assistance Policy of 2004; and (ii) the Public Consortium for Solid

¹⁴ This decree defines the administrative structure of the DF's executive branch and changes the name of the DF Works Department to SINESP.

¹⁵ SLU, 2015.

¹⁶ Decree 36,236 of 1 January 2015 defines the legal powers of the SEMA.

¹⁷ SEMA, IBRAM, interviews held in May 2015.

Waste and Storm Water Management for the integrated Federal District and Goiás region (CORSAP-DF/GO) is responsible, within its regional jurisdiction (the DF and 16 member municípios in the state of Goiás) for the planning of public solid waste management and storm water drainage and management services.

- 1.11 Although solid waste management in the DF involves several institutions and has a body of legislation that encompasses several service activities, the delivery of services suffers from structural problems and does not meet the targets set by the National Solid Waste Policy (Law 12,305/2010). Of all solid waste, 94.5% is deposited inappropriately in the Jockey Club landfill, which does not meet sanitary landfill standards but instead constitutes a controlled garbage dump, under both local and international standards. According to the aforementioned law, the landfill in question should have been closed since 2 August 2014.¹⁸ In addition, it is estimated that there are currently some 3,562¹⁹ recyclers in the DF region, working on activities involving the recovery and classification of recyclable material. Of these, 2,362 belong to 34 cooperatives or organizations, of which 16 are headed by women. Roughly 2,000 recyclers, of whom 52% are women, work at the Jockey Club landfill, with roughly 1,545 of them organized in cooperatives.²⁰ The landfill's recyclers perform classification tasks at the active dumping area under highly hazardous conditions, where the trucks deposit collected solid waste.²¹ These recyclers will be compensated and included in an integration plan to allow them to maintain at least the same income levels as they have at present, either by switching to new productive activities or by creating conditions for them to continue working in solid waste recovery activities. The program will also include recyclers who do not wish to continue in this job.
- 1.12 The DF Solid Waste Master Plan, completed in 2008, identified the main shortcomings in the sector and promoted preparation of the Political Technical Intervention Plan for Solid Waste Management in the DF (Decree 33,445 of 2011), which prioritizes the following: (i) a review of the legal framework governing solid waste management; (ii) the construction of a sanitary landfill (Aterro Oeste) and the creation of areas of transshipment, separation, and recycling of solid waste from civil construction; (iii) the phasing-out of informal work by informal recyclers; (iv) the reuse and recycling of urban solid waste materials; and (v) regulation, inspection, and monitoring. To implement these actions, which are supported by this program, it will be necessary to strengthen solid waste management in the DF. This depends on good management of the SLU; and on effective functioning of the ADASA, as regulator, the SEMA, which develops the sector's policies, and the IBRAM, which issues the necessary environmental permits.
- 1.13 **Status of solid waste management in the DF.** The DF produces 2,700 tons per day (t/day) of solid waste of domestic and commercial origin, and 6,000 t/day of solid waste from civil construction activities. Of the domestic and commercial solid waste, 200 t/day are collected through a selective collection program (with a recovery rate of roughly 20%). This is then sent to separation facilities for subsequent commercial

¹⁸ This date was postponed until 2018 by Brazil's president by means of a provisional executive order.

¹⁹ SLU, 2015.

²⁰ SLU, 2015.

²¹ According to the SLU, there were four fatal and two serious accidents in the Jockey Club landfill in 2014. SLU, 2015.

- exploitation (100% of the selective collection waste is sent to facilities managed by recycling organizations, where it is classified and then sold). In addition, 250 t/day is sent to the Asa Sul composting plant²² and 450 t/day to the Ceilândia composting plant. These facilities produce 150 t/day of raw compost and 350 t/day of residues (reject) which are sent to the Jockey Club landfill for final disposal. Selective collection generates an additional 160 t/day of unusable waste matter, which, together with the 1,800 t/day of solid waste that goes untreated, and 6,000 t/day of solid waste from civil construction, are sent to the Jockey Club landfill. Management of the 230 t/day of hospital waste material is outsourced to a private operator, which treats this waste material thermally and sends it to the industrial landfill located in Betim in the State of Minas Gerais. The compost produced is of low quality and is currently donated to family farmers in the DF in amounts up to 30 t/year per farmer.²³ The rehabilitated plants will produce higher-quality compost, and demand expected to increase and the limit on donations to farmers is expected to be 90 t/year.
- 1.14 The Asa Sul composting plant has four Dano technology digesters operating in parallel. Currently, only two lines are operating and the infrastructure is severely deteriorated. The Ceilândia composting plant uses Triga technology, with vertical digesters, which were abandoned in 2000 owing to operation and maintenance (O&M) difficulties.
- 1.15 Bearing in mind the mandate of the National Solid Waste Policy which prohibits the sending of solid waste directly to final disposal without prior treatment (recycling or some other kind of treatment), the SLU adopted the operational strategy of promoting selective collection, rehabilitating composting plants to increase compost production, building solid waste separation plants mainly to receive the informal recyclers from the Jockey Club landfill, and reduce to 20% by weight the quantity of solid waste generated sent to a sanitary landfill, thereby making it possible to extend its useful life.
- 1.16 Under this new vision, and with the programmed technological improvements, compost production would rise from 150 t/day at present to 600 t/day with a significant improvement in quality as a soil conditioner, and with greater potential for commercial use. This operational strategy includes putting nine solid waste separation plants into operation, of which four have guaranteed financing from the National Economic and Social Development Bank (BNDES), two are under construction with counterpart resources from the GDF, and three will be built with funding from this operation.²⁴ Once the SLU strategy has been implemented,^{25,26} the solid waste mass balance would be: compost 25%, separated 55%, and amount sent to the Aterro Oeste sanitary landfill 20%.
- 1.17 **Lessons learned.** With funding from the World Bank (Loan 7326/BR), between 2006 and 2011 the GDF implemented PBS I, which aimed to reduce inequalities

²² Composting consists of transforming the organic component of solid waste into compost.

²³ SLU, 2015.

²⁴ In late 2017, the need to construct new solid waste separation centers will be reviewed, with the prospect of building three additional units to make a total of 12.

²⁵ SLU, 2015.

²⁶ SEMA-SLU, *A Nova Política de Gestão de Resíduos do DF* [The new DF waste management policy], presentation made in May 2015.

between the RAs, guarantee water quality through environmental planning and management, with poverty reduction and the recovery of water resources. The program cost US\$117.1 million, of which US\$57.6 million were loan proceeds. The results obtained included the construction of 74 km of sewer pipelines, the implementation of 15 km of urban drainage networks, and the construction of 654 residences, two schools, a community center, and two social assistance centers. In addition, support was provided for the informal recyclers working in the Jockey Club landfill.²⁷

- 1.18 PBS I made significant progress but did not achieve all of its objectives, such as the closure of the Jockey Club landfill, because there was no engineering plan for the Aterro Oeste sanitary landfill, which will start operating in 2016. This program's strategy is to continue the actions of PBS I, including the closure of the Jockey Club landfill and actions to improve solid waste management in the Federal District. It also includes implementation of the land regularization project and urbanization of CPDS, taking account of lessons learned from PBS I, namely: (i) emphasizing institutional analysis during preparation; (ii) delegating execution to one institution rather than several subexecuting agencies; and (iii) extending the consultation to the affected parties and offering alternatives while creating mechanisms for dispute settlement and the protection of areas freed-up as a result of the resettlement of the occupying families. A single institution was selected²⁸ to execute the program, and a Resettlement Master Plan (PDR) was prepared to guide the respective actions, taking account of lessons learned. In addition, the GDF agreed to prepare a draft law to define the legal framework for involuntary resettlement in the DF, bearing in mind the mandates of the Bank's Resettlement Policy. A draft of the legal framework for DF resettlement, guaranteeing the actions of the PDR, has been delivered to the Bank.²⁹ This new law is fundamental for distinguishing involuntary resettlement from the GDF Housing Policy.³⁰ In addition, a Master Plan for the Social Inclusion of Informal Recyclers in the DF (PDISRIDF) was prepared, which includes training programs and actions needed to transfer the recyclers from the Jockey Club landfill to the solid waste separation plants, where they will be able to operate in adequate working conditions, bearing in mind the large proportion of women in this activity. Lastly, the new DF sanitary landfill, Aterro Oeste, is in the final phase of implementation for receiving the solid waste materials that are currently sent untreated to the Jockey Club landfill.
- 1.19 **Bank support to the GDF.** The Bank has supported the GDF with financing for operations 526/OC-BR (1987); 814/SF-BR (1987); 1957/OC-BR (2008); and 3168/OC-BR (2014) with CAESB.
- 1.20 **Strategic alignment.** The operation is consistent with the strategic area "Reduce inequity and improve public services" in the IDB Country Strategy with Brazil (document GN-2850), one objective of which is to expand and improve water supply and basic sanitation. The program is also consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is directly aligned with the

²⁷ World Bank, 2012.

²⁸ SINESP, where the program execution unit will be located, encompasses the SLU, CAESB, and NOVACAP, which are the main institutions involved.

²⁹ [See Plan of Action time line.](#)

³⁰ The lack of this instrument was the main obstacle to implementing resettlement during PBS.

development challenge of social exclusion and inequality since the program includes a component addressing vulnerable groups supporting social integration (resettled population groups and informal recyclers integrated into the city's social fabric). In addition, the CPDS works will be implemented in areas with a higher-than-average poverty rate for the DF.³¹ The program is also aligned with the crosscutting area of climate change and environmental sustainability, as it helps improve environmental upgrading (recovery of areas degraded by irregular occupation of CPDS and of the Jockey Club area) and with the crosscutting areas of gender equity and diversity. The program will also contribute to the Corporate Results Framework 2016-2019 (document GN-2727-4) (CRF) through outputs such as "households with new or upgraded access to drinking water"; and "households with new or upgraded access to sanitation." The operation is included in the 2016 Operational Program Report (document GN-2849). It is also aligned with the IDB infrastructure strategy "Sustainable Infrastructure for Competitiveness and Inclusive Growth" (document GN-2710-5), particularly with the priority area of action defined as "Support the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing the quality of life"; and with the Gender and Diversity Sector Framework Document (document GN-2800-3), which promotes gender equality; and it is consistent with the dimensions of success and lines of action of the Water and Sanitation Sector Framework Document (document GN-2781-3), namely universal access while improving service quality and social and environmental sustainability.

- 1.21 **Program strategy.** The program's strategy involves supporting the GDF in the objective of turning Brasilia into a sustainable city by 2019,³² for which it is based on implementing the directives of the PDOT and its principles (paragraph 1.3). The strategy adopted involved supporting the implementation of works and management activities that promote sustainability in the neediest outlying areas (CPDS) and in the solid waste sector, which is the least efficient of the basic services provided by the GDF. The urban development of the irregularly occupied outlying areas, followed by the regularization of tenure, provision of basic services of drinking water, sanitary sewer, and solid waste collection, represent a set of effective actions in controlling irregular occupation of the territory and improving living conditions for the populations in question.³³ The strategy is complemented by the strengthening of the institutions involved in the management of the program (SINESP) and the operation of urban cleaning services (SLU), environmental inspection of the program's actions (SEMA and IBRAM), and relations with informal recyclers by the Department of Labor, Social Development, Women, Racial Equality, and Human Rights (SEDHS).

³¹ The poverty rate in the program's intervention areas is 21.8%, higher than the DF average of 2.8%, using the criteria adopted by the Ministry of Social Development and Combatting Hunger as a poverty parameter.

³² GDF, *Visão 2019, Programa do Governo de Rodrigo Rollemberg* [Program of the Rodrigo Rollemberg government], Brasília, DF, 2015.

³³ Empirical evidence ([link](#)) of the effectiveness of urban redevelopment through the implementation of water and sanitation infrastructure, collection and final disposal of urban solid waste, and upgrading of the road system are provided by results of Bank projects in the Brazilian cities of Manaus, Belém, and Belo Horizonte; Oliveira, S.C. and M. von Sperling, 2011 ([link](#)); *Avaliação do Projeto Belém-Pará*, 2004 [Evaluation of the Belém-Pará project] ([link](#)); Ampla. 2006. ([linkA](#)) and ([linkB](#)); Environmental Sanitation Program for the Manaus Igarapés, PROSAMIN II, PCR, ([link](#)); and COBRAPE, 2010, ([link](#)).

- 1.22 **Consistency with the Bank's policies.** The program and the national sector objectives are consistent with the principles of the Public Services Policy (document GN-2716-6), and they satisfy its financial sustainability and economic evaluation conditions. The GDF shows satisfactory financial management (paragraph 2.12); the CAESB's operating income covers its O&M costs, and enables it to meet its financial commitments; and the costs of the SLU are covered by the municipal cleaning levy and funding from the GDF budget. The works to be financed with the program are socioeconomically viable (paragraph 2.10); and there is an adequate institutional framework, with separation of functions and responsibilities, which promotes the efficiency of public services (paragraph 1.6) ([optional electronic link 8](#)).
- 1.23 **Gender.** As 52% of the Jockey Club landfill recyclers are women, this program will incorporate elements that empower them professionally, particularly those who are heads of household, by providing job opportunities in solid waste separation plants under conditions that facilitate their function in the household.

B. Objectives, components, and cost

- 1.24 The program's general objective is to help enhance solid waste management and environmental quality of areas of the DF, by implementing urban infrastructure services and restoring degraded areas, pursuant to the Federal District's PDOT.³⁴ The specific objectives are: (i) the strengthening of the DF institutions involved in the program's execution; (ii) assistance to improve the environmental quality of the area of the DF where the Jockey Club landfill is located;³⁵ and (iii) improvement of the urban infrastructure and housing conditions of families living in CPDS in the DF.³⁶ The program is structured in three components costing US\$127.2 million, and US\$22.8 million for its management, administration, and supervision.
- 1.25 **Component 1 – Institutional strengthening (US\$8 million).** Funding will be provided for the strengthening of SEMA, IBRAM, SINESP, SLU, SEDHS, and NOVACAP in the following areas: (i) SEMA: strengthening of the environmental information and licensing system, with the availability of information; (ii) IBRAM: improvement in the processes of granting permits related to environmental sanitation; (iii) SLU: development of management support actions for solid waste and process automation; (iv) SEDHS: computerization and upgrading of processes; and (v) NOVACAP: improvement of the technology infrastructure and process automation.
- 1.26 **Component 2 – Solid waste management and social inclusion (US\$63.7 million).** This component will finance the following: (i) social and productive inclusion of recyclers in coordination with GDF programs; (ii) the Jockey Club landfill closure project and environmental recovery; (iii) pollution control actions following the closure of the landfill, including drainage works, treatment of gases and

³⁴ DF Land Management Master Plan, 2009. The zones occupied by irregular settlements in the "Parque JK" areas and the zone occupied by the Jockey Club landfill will be recovered.

³⁵ The Jockey Club landfill receives most of the Federal District's solid waste untreated. This will involve the closure and cleanup of the area, and the works needed for the solid waste to receive suitable treatment and/or final disposal.

³⁶ The objective will be implemented by providing basic utilities (connections to the water and sewer service); storm sewers; street paving; green spaces; solid waste collection, treatment, and disposal; regularization of property tenure; new housing; and community equipment.

leaching, implementation of containment walls and fencing of the area; (iv) urban development works in the area of the new sanitary landfill; (v) design and rehabilitation of two composting plants (ASA Sul and Ceilândia); (vi) construction and rehabilitation of solid waste separation plants³⁷ in accordance with the waste plan; (vii) Engineering and construction plans for household waste transshipment centers; (viii) various training programs for recyclers included in the PDISRIDF; (ix) contracting of a company to support the SLU in solid waste management; and (x) execution of the environmental education program for selective collection.

- 1.27 **Component 3 – Urban redevelopment of CPDS (US\$55.5 million).** Funding will be provided for: (i) construction of the water and sanitary sewer network; (ii) implementation of micro- and macro-drainage infrastructure; (iii) paving of roads; (iv) signage and accessibility; (v) resettlement and/or redistribution of families; (vi) construction of housing units; (vii) implementation of community equipment; (viii) execution of an environmental education program; and (ix) studies for potential environmental recovery actions.³⁸
- 1.28 **Benefits and beneficiaries.** The program will benefit the entire DF population (roughly 2.7 million people in 2015) through environmental protection and solid waste management actions. It will also indirectly benefit 7,653 people, through the urban upgrading of CPDS; and it will directly benefit 625 families who will be resettled. In addition, it will directly benefit 2,000 recyclers who will stop working in the Jockey Club landfill and transfer their activities to waste separation plants offering adequate working conditions. It will also benefit the following institutions: SEMA, IBRAM, SINESP, SEDHS, SLU; and NOVACAP with wide-ranging institutional strengthening.

³⁷ Estimates call for five new plants and the rehabilitation of two solid waste separation plants and the creation of approximately 1,627 jobs, including female head of household recyclers.

³⁸ The component's actions affect 790 buildings of which roughly 625 will be relocated. Of these, 494 are residences, seven are mixed residential and commercial use, two are places of worship, 26 are small farms, and others are unspecified. It is estimated that 561 residences will need to be built to meet demand, and 1,001 of the 3,072 properties of CPDS will be regularized. In addition, funding will be provided for a training program to create jobs and income; for environmental and health education actions for the affected families relating to the use of the new residences and management of the new neighborhood; and for environmental recovery projects in areas that were degraded by the irregular occupation, including landfill, leveling, and the planting of 5,000 trees.

Table I.1 – Costs per component

Category/Component	US\$ thousands			Percentages		
	Total	IDB	Local	Total	IDB	Local
I. Engineering and administration	9,455	9,000	455	6.3%	6.0%	0.3%
1.1 Management and supervision	9,455	9,000	455	6.3%	6.0%	0.3%
II. Direct costs	140,045	90,500	49,545	93.4%	60.3%	33.0%
2.1. Institutional strengthening	8,000	8,000	-	5.3%	5.3%	0.0%
2.2 Solid waste management and social inclusion	70,118	45,306	24,812	46.7%	30.2%	16.5%
2.3 Urban redevelopment of CPDS	61,927	37,194	24,733	41.3%	24.8%	16.5%
III. Concurrent costs	500	500	-	0.3%	0.3%	0.0%
3.1 Evaluation and monitoring	500	500	-	0.3%	0.3%	0.0%
TOTAL	150,000	100,000	50,000	100%	66%	33%

C. Key results indicators

- 1.29 The expected outcomes include the following: (i) 1,220 households connected to the drinking water service; (ii) 1,380 households connected to the sanitary sewer network; (iii) 2,471 households benefited by the storm sewer network and street paving; (iv) the recovery, treatment, and adequate final disposal of 2,700 t/day of solid waste matter; (v) the production of 600 t/day of good quality compost (an additional 450 t/day); (vi) the training of 2,000 recyclers; (vii) the creation of 1,627 jobs in solid waste separation plants; and (viii) improvement of the efficiency of environmental oversight by the IBRAM, reducing the time taken to issue a permit by 120 days and increasing the number of project inspections by 1,614. The specific outcomes are described in Annex II (Results Matrix).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The Bank will provide financing for this operation through an investment loan under the Flexible Financing Facility (document FN-655-1) and the specific project modality. The financial conditions of the program are described in the project summary. The expected disbursement period is five years, as indicated in Table II.1.

Table II.1 – Disbursement timetable (US\$)

Financing	Year 1	Year 2	Year 3	Year 4	Year 5
IDB (Ordinary Capital)	9,798,774	37,861,507	33,766,451	7,969,667	10,603,602
GDF (Local)	7,050,049	15,258,309	14,855,541	6,341,098	6,495,003
Total	16,848,823	53,119,816	48,621,992	14,310,765	17,098,605

B. Environmental and social risks

- 2.2 The project was classified as a Category “B” operation under the Bank’s Environment and Safeguards Compliance Policy (Operational Policy OP-703). Resettlement and social inclusion plans have been completed and their implementation will be monitored, pursuant to the Involuntary Resettlement Policy (Operational Policy OP-710) and the Gender Equality in Development Policy (Operational Policy OP-761). An environmental and social analysis of the operation was performed, consisting of due diligence of the CPDS management and regularization process, as was an impact assessment of the program’s actions: (i) closure of the Jockey Club landfill; (ii) rehabilitation of the composting plants and the construction of solid waste separation facilities. The results of this analysis are contained in an Environmental and Social Management Report (ESMR) ([required electronic link 4](#)), which describes the impacts and mitigating measures identified.
- 2.3 The closure of the Jockey Club landfill will have an extremely positive environmental impact, by reducing truck circulation in a noble area of the city; improving the handling of surface and underground leaching that is currently moving in the direction of the Vicente Pires and do Valo creeks in the national park; and improving the management of the biogas generated on the site. In addition, a study will be conducted of the best technical alternative for its closure and subsequent use, thereby guaranteeing the environmental quality of the surrounding area.³⁹ The closure of the landfill will generate major social impacts by relocating around 2,000 in formal recyclers. To mitigate this impact, a master plan for the social integration of DF recyclers has been prepared, including: (i) training activities for the transfer of their work to waste separation plants; (ii) retraining activities to enable recyclers who choose not to continue in the recycling activity to find new jobs; and (iii) the SLU has a strategy for communication with the recyclers that includes regular meetings. This plan is set out in an annex to the ESMR ([optional electronic link 7](#)).
- 2.4 An Environmental Impact Assessment (EIA) was prepared for the process of management and regularization of the area known as Bordas de Ceilândia, which encompasses CPDS. The EIA was submitted to a public hearing and approved in 2010; the process complied with the Bank’s Operational Policy OP-703 (B.6). In addition, on 5 August 2015, a consultation meeting was held with the affected parties on the results of the environmental and social analysis, in accordance with Operational Policy OP-703. The envisaged sanitary sewer works, urban development, and provision of water supply networks will generate specific short-term impacts that are easily mitigable using good construction practices.⁴⁰ To minimize impacts such as street closure, the emission of dust, generation of oils and greases, and noise, a CAESB Works Environmental Manual (MAO) ([link](#)) will be used, and a Works Environmental Control Program will be prepared. A PDR has been prepared with guidelines for the resettlement of the 625 buildings of which 494 are residences, seven are businesses, and 26 are small farms.⁴¹ The PDR is

³⁹ The terms of reference for the closure of the Jockey Club landfill were developed with funding from this operation.

⁴⁰ The CAESB MAO, developed under the Bank’s supervision, can be used in implementing the program’s works.

⁴¹ A small rural or periurban area that can be used to produce fruit and vegetables.

included as an annex to the ESMR. The vacated areas (blocks 10 and 403 of CPDS) will be environmentally restored.

- 2.5 Lastly, the MAO and the Works Environmental Control Program will include measures to mitigate the negative impacts of construction activities (generation, mainly of: dust, noise, solid waste, and oils and greases) of the works to rehabilitate the ASA Sul and Ceilândia composting plants. Once the improvements have been implemented, the composting plants will produce an additional 450 t/day of better-quality compost,⁴² thereby reducing the quantity of waste material sent to the sanitary landfill.

C. Fiduciary risks

- 2.6 Annex III, Fiduciary Agreements and Requirements, sets forth the guidelines on financial and procurement management to be applied during program execution, the type of fiduciary supervision, and the fiduciary risks identified during the operation's preparation. The institutional capacity of the borrower and executing agency (SINESP) was evaluated using the Institutional Capacity Assessment System (ICAS) and project risk management tools, the results of which indicate a medium risk level for the management of the actions to be carried out under the program. On fiduciary matters, the need for a full-time Program Management Unit (PMU) and fiduciary technical support was identified, to avoid execution delays. In addition, a management firm arrangement will be maintained to support the PMU in program management and administration; a Program Consultative Board (CCP) and a Special Bidding Committee (CEL) will be set up; and ongoing training will be conducted by the Bank for PMU staff and all personnel involved in program execution. A management system will also be implemented to provide technical and financial monitoring acceptable to the Bank.

D. Other risks

- 2.7 The program's main risks relate to: (i) poor institutional coordination between actors; (ii) delays in resettlement processes; (iii) opposition from the waste recyclers; (iv) low quality of the material recovered from collection; (v) delays in legalizing land and environmental permits; (vi) weaknesses in fiduciary management; (vii) delays in approving the loan due to local procedures; (viii) high turnover among technical teams; (ix) GDF budget constraints; and (x) works delays as a result of project adjustments. The mitigation measures proposed include: (i) the signing of technical cooperation agreements between SINESP and the sector administration entities of the DF and creation of the CCP; (ii) preparation of a PDR and creation of the legal framework governing resettlement in the Federal District; (iii) development of a communication strategy and training for recyclers; (iv) education programs on selective collection and promotion of the corresponding legislation; (v) institutional strengthening for environmental institutions to reduce permit processing times; (vi) creation of the CEL, contracting of experts, and implementation of the management system; (vii) monitoring, coordination, and support for the procedures of the organizations involved; (viii) support from a management firm and management systems implemented; (ix) detailed planning of activities and

⁴² Compost with less water, higher concentration of organic matter, and more stabilized.

budgetary monitoring; and (x) assignment of technical staff for project harmonization.

- 2.8 **Institutional viability.** The GDF has adequate institutional capacity related to its previous experience in the preparation and execution of programs with multilateral agencies, including the IDB (paragraph 1.19), the World Bank, and the Andean Development Corporation. The results of the ICAS institutional assessment performed on the GDF, linked to SINESP, show that SINESP technical staff have limited direct experience in executing projects with the Bank, and in terms of their knowledge of the Bank's fiduciary policies, which could affect program execution. The mitigation measures were described in paragraph 2.6 ([optional electronic link 3](#)).
- 2.9 **Technical viability.** The program's technical viability is based on the review of the technical proposals and works cost estimations, amounting to roughly 50% of the program's direct cost. The reviewed projects satisfy the standards of the Brazilian Technical Standards Association (ABNT) ([optional electronic link 4](#)).
- 2.10 **Economic viability.** An ex ante economic evaluation was performed, including a cost-benefit analysis of the CPDS urban redevelopment project and a cost-effectiveness analysis of the composting plants upgrading project. These obtained the net present values and internal rates of return (IRR) for the CPDS project and the long-run average cost (LRAC) per ton of material recovered (recycled and organic compost) for the technically viable alternatives for the project to upgrade the composting plants. The investments were analyzed in terms of the net expected flow of benefits for the case of CPDS; and on the flow of costs in the solution adopted for the composting plants. The benefits of CPDS urban redevelopment were obtained by applying surveys in November 2013, which were validated in March 2015. The calculation of the benefits was based on the increase in property values expected as a result of the implementation of the works, which was estimated by determining a hedonic price function. The projects are socioeconomically viable. The for CPDS urban redevelopment project displays an IRR of 20.9%, and a benefit-cost ratio greater than 1; whereas the solution adopted for the composting plants reports an LRAC of R\$348 per ton of material recovered; less than the LRAC per ton of the other alternatives ([optional electronic link 1](#)). These estimations were complemented by the corresponding sensitivity analysis.
- 2.11 **Ability to pay.** The monthly bill for the water and sanitation service was verified as representing less than 5% of monthly family income for the beneficiary population in CPDS by considering the regulated rates in force and applied by CAESB. The impact of the monthly bill on average family income was analyzed for each income quintile. Using the actual value of the average basic payment for water and sewer and information on the income distribution in the CSPD areas, the average monthly residential consumption meant that the cost of the service exceeds 5% of income for families with monthly incomes of up to the minimum wage. CAESB is working with the ADASA to introduce elements of a discounted rate for low-income customers in the rate structure, in the framework of Decree 26,590 of 23 February 2006. These actions are part of the institutional strengthening process included in the revision of the DF Water and Sanitation Master Plan, and are being financed from loan 3168/OC-BR.

- 2.12 **Financial viability.** The financial viability assessment included an analysis of the Federal District's historical and projected financial and budgetary management. To post a guarantee for the financial obligations arising from the loan, the Federative Republic of Brazil requires compliance with the Fiscal Responsibility Law of the Fiscal Adjustment Program, and the signing of a counter-guarantee agreement by the DF in relation to the obligations guaranteed by the Federative Republic of Brazil under the guarantee agreement to be signed with the Bank. The analysis undertaken shows that the DF has borrowing limits, and will have sufficient resources to meet the project's counterpart obligations and cover the O&M of its works. Financial management of the GDF was satisfactory during the historical analysis period (2010-2014), with a surplus being achieved in all fiscal years. Moreover, budgetary projections for the coming years envisage this trend continuing. The conclusions of the analysis continue to be valid ([optional electronic link 2](#)).
- 2.13 To ensure the sustainability and adequate O&M of the infrastructure works to be built with the loan proceeds, it was agreed with the borrower to include a contractual obligation for that purpose in the loan contract (paragraph 2.14). In addition, throughout the disbursement period and in the first quarter of each fiscal year, the DF will send the Bank its annual budget, showing the appropriations made for the activities financed with the program's components.
- 2.14 **Operation and maintenance.** The borrower undertakes to: (i) ensure that the project's works and equipment receive adequate maintenance in accordance with generally accepted technical standards; and (ii) submit to the Bank: (a) an annual preventive O&M plan for the project's works and equipment, containing a description of the main activities to be undertaken during that period, a calculation of the funding required for O&M, and evidence that sufficient funds have been budgeted for the next fiscal year; and (b) an annual maintenance report on the state of the project's works and equipment in the first quarter of each calendar year, up to the third year after the end of the disbursement period. The following DF institutions will be responsible for maintaining the program's works and equipment, in accordance with their legal competencies: CAESB, SLU, CODHAB, and SEDHS in respect of the maintenance of water and sanitation works, solid waste collection and treatment structures, the residences constructed, and the urban redevelopment works in CPDS.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower, executing agency, and guarantors.** The borrower is the Federal District. The Federative Republic of Brazil will guarantee the borrower's financial obligations arising from the loan contract to be signed between the borrower and the Bank. The DF will implement the program through SINESP.
- 3.2 SINESP, acting through the PMU, will be responsible for the coordination, execution, evaluation and monitoring, and fulfillment of the deadlines and targets agreed upon for the program, as well as for compliance with the Bank's policies. The PMU will consist of a general coordinator, an administrative-financial director, a director of social activities and communications, and an engineering director, all of them working full-time on the program. The PMU will also receive support from a project

management firm, which will have at least one general coordinator for the firm, one environmental specialist, and one administrative-financial assistant, as described in [optional electronic link 3](#). **The following will be special contractual conditions precedent to the first disbursement of the loan proceeds: the presentation of evidence that the PMU has been set up and its members appointed according to the profiles agreed upon with the Bank, that the borrower has completed the shortlist phase for selecting the management firm that will support the PMU, and that the terms of reference have been approved.** In addition, the contracting of the management firm, within six months following the effective date of the loan contract, will be a special contractual condition for execution. The borrower will also provide evidence that the legal framework governing resettlement in the DF has been created, the publication of which in the Official Gazette prior to the tendering of the component 3 works will also be a special condition for execution. **In addition, presentation of the draft law on that legal framework for resettlement in the DF will be a special contractual condition precedent to the first disbursement of the loan proceeds.**

- 3.3 The PMU will also be supported by a Project Consultative Board (CCP) chaired by the GDF Secretary for Infrastructure and Public Services, with participation by the secretaries and/or presidents of the participating institutions, as described in the institutional link ([optional electronic link 3](#)). The functions of the CCP will be to promote coordination between the institutions involved in the program through monitoring, evaluation, and dissemination of the program's outcomes. The creation of the CCP and the approval of its internal regulations within six months following the loan contract's effective date will be a special condition for execution. Moreover, within six months after the contract takes effect, SINESP will sign technical cooperation agreements with the institutions that will participate in program execution: CAESB, CODHAB, NOVACAP, SLU, SEMA, IBRAM, and NOVACAP. **The presentation of the drafts of the technical cooperation agreements to be signed between the executing agency and these DF sector administration entities that will take part in the program execution arrangements, according to the terms previously agreed upon with the Bank, will be a special contractual condition precedent to the first disbursement of the loan proceeds.** In addition, the signing and entry into force of those technical cooperation agreements between SINESP and the aforementioned sector administration entities, within six months after the loan contract enters into force, is a special condition for execution.
- 3.4 For project procurement processes, a CEL will be set up to handle all procurement and contracting processes during the program's disbursement period. This committee will consist of at least three civil servants or permanent GDF employees with previous experience in public procurement. At least one member of the CEL will have experience in procurement for projects financed by international organizations. A firm will also be contracted to support works supervision. **The publication of the legal instrument creating the CEL will be a special contractual condition precedent to the first disbursement of the loan proceeds.** Prior to the contracting for each program work, the borrower will present, to the Bank's satisfaction, evidence of possessing: (i) socioenvironmental evaluations in compliance with the current legal framework and the Bank's policies and safeguards; (ii) the necessary environmental licenses and permits; (iii) in the case of works so requiring, a detailed

resettlement plan for the affected population, pursuant to the Bank's Operational Policy OP-710; and (iv) the contracting of the firm responsible for supervision of the work in question.

- 3.5 **Procurement.** The procurement of goods and works, and the contracting of consulting services will be undertaken in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consulting Services financed by the Inter-American development Bank (document GN-2350-9), respectively, both of March 2011. Procurement processes will be subject to ex ante review by the Bank, as will all international competitive bidding processes, direct contracting, and consulting services selections in amounts over US\$1 million, as indicated in the procurement plan. In view of the characteristics of the project and the operational capacity of the PMU, other procurement processes will be subject to annual ex post review. The Bank may alter the review modality indicated in the procurement plan based on the annual audit reviews.
- 3.6 **Advances of funds.** Disbursements will be made to a special bank account in the name of the project, for the exclusive use of the loan proceeds, using the advances of funds modality, based on actual liquidity needs for a maximum of six months. Disbursements will abide by the investment schedule and the flow of funds required for those purposes, as defined in the Financial Management Policy for IDB-financed Projects (document OP-273-6) and as described in Annex III.
- 3.7 **External audit.** The financial statements and the eligibility of project expenses will be audited each year by the Federal District Audit Department (Tribunal de Contas) or by an independent audit firm acceptable to the Bank. The project's audited financial statements will be sent to the Bank annually no later than 120 days after the end of entity's fiscal year, pursuant to the procedures and terms of reference previously agreed upon with the Bank. The project audit will include the review of procurement processes, in addition to the Bank's own actions and reviews.
- 3.8 **Program Operating Manual.** For project execution, the borrower will use an Operating Manual specifying the criteria to be adopted for the preparation, evaluation methodology, and procedures for executing the projects and the functions of each of the entities involved in their execution. Any change to the Operating Manual will require the Bank's prior approval. **Approval by the Bank and the entry into force of the program's Operating Manual, through the publication of an ordinance in the official gazette, is a special contractual condition precedent to the first disbursement of the loan proceeds.**
- 3.9 **Recognition of expenditures.** The Bank may recognize up to US\$10 million (20% of the estimated local contribution) in eligible expenditures chargeable against the local contribution, incurred by the borrower prior to the loan approval date. Such expenditures relate to advance contracting, primarily for consulting services, procurement of goods and services, and execution of works. To be eligible for recognition, the procurement processes will be substantially analogous to the Bank's standards and consistent with the provisions of the Bank's Operational Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (Operational Policy OP-507/document GN-2259-1). Expenditures meeting the following requirements will be recognized: (i) all expenditures and payments made for activities under the program will be made during the 18 months prior to the loan's

date of approval by the Bank's Board of Executive Directors, but after the project profile approval date (27 February 2014); (ii) procurement and contracting processes will be undertaken based on local legislation and under the terms set forth in Operational Policy OP-507; (iii) the objects, processes, and values to be recognized will be identified and reported in program documents (annual work plan and procurement plan); and (iv) the payments will be made from the DF treasury account.

B. Summary of arrangements for monitoring results

- 3.10 **Evaluation and monitoring.** SINESP, through the PMU, will present semiannual progress reports to the Bank, identifying achievements in each of the components and the overall performance of the program, based on the indicators agreed upon in the Results Matrix. In addition, it will present a progress assessment prepared by an independent consulting service, 24 months after the date of the first disbursement of the loan proceeds. A final program evaluation will be conducted by an independent consulting service within 90 days after the date on which 90% of the loan proceeds have been disbursed, to include the following: (i) the results of financial execution by component; (ii) the fulfillment of the established targets, according to the agreed upon outcome and impact indicators; (iii) an ex post economic evaluation; and (iv) the fulfillment of contractual conditions, etc. The implementation of the program's management system within six months following the date on which the loan contract enters into force, including the financial module for preparing financial reports according to the Bank's requirements, is a special condition for execution.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability		
Regional Context Indicators				
Country Development Results Indicators		-Property value within project area of influence (% change) -Households benefitting from housing solutions (#) -Households with new or upgraded access to drinking water (#) -Households with new or upgraded access to sanitation (#) -Roads built or upgraded (km)		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix	GN-2850	Reduced gaps in water supply and basic sanitation coverage.		
Country Program Results Matrix	GN-2849	The intervention is included in the 2016 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		7.3		10
3. Evidence-based Assessment & Solution		5.6	33.33%	10
3.1 Program Diagnosis		1.4		
3.2 Proposed Interventions or Solutions		2.8		
3.3 Results Matrix Quality		1.4		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		6.5	33.33%	10
5.1 Monitoring Mechanisms		1.5		
5.2 Evaluation Plan		5.0		
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		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Treasury. Procurement: Information System, Shopping Method, National Public Bidding.	
Non-Fiduciary				
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality		Yes	Given that 16 of the 34 cooperatives of informal recyclers are managed by women and that 52% of BJ recyclers are women, the project will provide employment opportunities in the RS separation plants. Also, the training courses will support women and take into account the gender perspective.	
Labor				
Environment		Yes	The improvements in the Condomínio Por do Sol slum will also help to protect the watershed of the Melchor River, which is one of the principal water springs of Brasília.	
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				

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The project has two specific objectives: (1) to improve the housing conditions of the families that live in the slum of Condomínio Puesta de Sol (CPDS) in the Distrito Federal of Brazil (DF), through the provision of basic services (connection to the water and sewerage system), drainage, street paving, green areas, land tenancy, social equipment and new homes; and (2) to contribute to improvement of the sanitary/environmental quality in the peripheral area of the DF, where the solid waste dump of Jóquei Club is located. The large majority of the solid waste generated by the DF is discharged without any treatment. Through the project, the dump will be closed, the area will be cleaned and interventions will take place so solid waste is correctly treated and disposed.

The document presents the problems to be addressed by the project. Although it presents the factors that contribute to the creation of slum areas in the DF, the factors which caused the large majority of the DF's solid waste not to be treated or well-disposed are not presented, neither is the magnitude of the solid waste treatment problem. The POD spells out how many property titles will be regularized and water and sewage connections will be provided; however, there is no empirical information on the percentage of households in CPDS that do not have water and sewage connections and land tenancy.

The institutional strengthening component has vertical logic, however, the other two components do not. These components include some outcome indicators in the matrix which are not linked to any output indicator. For the CPDS component there is no outcome indicator related to the resettled families receiving a new dwelling. Not all indicators are SMART, since some are neither specific nor consistent with their unit of measure. To capture the effect of the project, outcome indicators should have been measured as percentages. Also, it appears to be the case that the matrix does not include all the output indicators (i.e. no indicators are included for the intervention to close the dump or the works undertaken for the new landfill). All output and outcome indicators have baselines, targets and sources of information.

The CPDS component was analyzed using a cost-benefit analysis. The economic benefits were adequately calculated and correspond to the increase in property values due to the improvements produced by the project. The solid waste component was analyzed using a cost-effectiveness analysis. The costs used for both methodologies reflect real resource costs for the economy. The assumptions are presented and a sensitivity analysis was undertaken.

The project has a monitoring and evaluation plan that is detailed and complete and follows the DEM guidelines. The operation will be evaluated using a reflexive methodology, an ex-post cost-benefit analysis for the CPDS component and a cost-effectiveness analysis for the compost plants.

RESULTS MATRIX										
Project Objective	The program's general objective is to help enhance the environmental quality of the outlying areas of the Federal District (DF), by implementing urban infrastructure services and restoring degraded areas, pursuant to the DF's Land Management Master Plan (PDOT). The specific objectives are: (i) the strengthening of the DF institutions involved in environmental and solid waste management; (ii) environmental upgrading of the Jockey Club landfill area; and (iii) urban redevelopment of the "Condomínio Pôr do Sol" (CPDS).									
Outcomes										
Outcome 1: Jockey Club landfill area environmentally upgraded										
Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Comment/Mean of verification
Proportion of informal recyclers at the Jockey Club landfill participating in cooperatives	Percentage	77	2014		100				100	Program Management Unit (PMU)/Urban Cleaning Service (SLU) report
Women heads of household working in solid waste separation plants	Percentage	0	2014		50	50			100	IDEM
Women heads of household trained in the operation of solid waste recovery plants	Percentage	0	2015		100				100	IDEM
Municipal solid waste receiving treatment and/or adequate final disposal in the DF	t/day	208	2014					3,000	3,000	PMU/SLU report
Tons of compost produced in the DF	t/day	150	2014					600	600	IDEM
Tons of solid waste separated for sale in the DF	t/day	58	2014					400	400	IDEM
Number of fatal accidents in solid waste separation activities avoided	Number of fatal accidents	4	2014		0				0	IDEM
Number of jobs created in solid waste separation plants	Jobs	373	2014	345	882	400			1,627	IDEM
Outcome 2: Basic and urban development infrastructure services in the CPDS upgraded										
Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Comments/Mean of verification
Households with new, on premises access to drinking water	Households	1,852	2015				1,220	0	3,072	IDEM

Households with new, on premises access to sanitation	Households	96	2015			1,380		0	1,476	PMU report
Households with new, on premises access to drinking water, sanitation, and wastewater treatment	Households	1,948	2015			1,380	1,220	0	4,548	IDEM
Households benefiting from the new storm sewer network	Households	0	2015					2,471	2,471	IDEM
Households benefiting from new street paving	Households	0	2015					2,471	2,471	IDEM
Increase in the value of properties located up to 200 meters from the works	Percentage	0	2015					37	37	Ex post evaluation
Households in the CPDS with regularized tenure during program execution	Percentage	0	2015					33	33	Annual PMU report (regularization after the program continues with DF government funding until 3,072 titles or 100% is achieved).
Average time for licensing by the <i>Brasília Ambiental</i> Institute (IBRAM)	Business days	365	2015					150	150	Annual PMU report Final evaluation report
Time taken to analyze the EIA/Environmental Impact Report (RIMA) in the IBRAM-Environment Department (SEMA)- Environmental Council (CONAM) framework	Business days	180	2015					60	60	IDEM
Inspections performed by IBRAM	Inspections/year	1,793	2015					3,407	3,407	IDEM

Outcome 3: DF institutions involved in the program strengthened											
Outputs											
Component 1: Institutional strengthening											
Output	Unit of measure	Associated results	Cost (US\$1,000)	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Comments/Mean of Verification
Environmental information system functioning	System	3	800.00	0					1	1	Annual PMU report IBRAM website
System for awarding environmental permits functioning	System	3	1,200.00	0					1	1	Annual PMU report Permit monitoring system implemented on the IBRAM website
Process automation system implemented	System	3	1,050.00	0					1	1	Annual PMU report
Component 2: Environmental upgrading of the Jockey Club landfill area											
Output	Unit of measure	Associated results	Cost (US\$1,000)	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Comments/Mean of Verification
Composting plants rehabilitated and expanded	Composting plant	1	28,260.26	0			2			2	Annual PMU report
Environmental education program for selective waste collection implemented	Program	1	2,500.00	0		1				1	IDEM
Municipal solid waste separation centers built and/or rehabilitated	Waste separation center	1	7,133.74	0	3	2	4			9	IDEM
Jockey Club landfill closure study completed	Study	1	7,072.00	0	1					1	IDEM
Training program on the solid waste separation center	Program	1	2,500.00	0	1					1	IDEM
Training program and technical assistance for recyclers who decide to migrate to other sectors of the economy	Program	1	270.00	0	1					1	IDEM
Training program for women heads of household	Program	1	300.00	0		1				1	IDEM

Output	Unit of measure	Associated results	Cost (US\$1,000)	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Comments/Mean of Verification
Solid waste management program implemented in the DF government	Program	1	5,000.00	0			1			1	IDEM
Design of the transshipment center prepared	Design	1	300.00	0	4					4	IDEM
Component 3: Urban redevelopment of the CPDS											
New macrodrainage channels/pipelines constructed	km	2	1,767.00	0			1	1		2	IDEM
New retention lakes/reservoirs	Lakes	2	2,230.00	0			1	2		3	IDEM
New storm sewer networks constructed	km	2	6,000.00	0			8.4	8.4		16.6	IDEM
Sanitary sewer networks constructed	km	2	1,040.00	0			11.7	20.0		31.7	IDEM
Household sewer connections constructed in the CPDS	Connections	2	300.00	0			1,380			1,380	IDEM
Wastewater pumping stations constructed	Station	2	550.00	0				1		1	IDEM
Drinking water networks constructed	km	2	370.00	0			8.4	8.4		16.8	IDEM
Household drinking water connections constructed in the CPDS	Connections	2	160.00	0				1,220		1,220	IDEM
New roads paved	km	2	17,200.00	0			13.15	13.15		26.3	IDEM
Access ramps constructed	Ramps	2	20.00	0				320		320	IDEM
Component 3: Urban redevelopment of CPDS											
Signage implemented	Work	2	650.00	0				1		1	IDEM
Resettlement program implemented	Program	2	2,384.00	0				1		1	IDEM

Output	Unit of measure	Associated results	Cost (US\$1,000)	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Comments/Mean of Verification
Trees planted	Trees	2	4,500.00	0					5,000	5,000	IDEM
Environmental recovery study Q108 undertaken	Study	2	444.00	0			1			1	IDEM
Health and environmental education program implemented	Program	2	680.00	0				1		1	IDEM
New social equipment constructed	Equipment	2	3,067.00	0				1	2	3	IDEM
New homes built	Homes	2	13,666.00	0		100	100	200	161	561	IDEM

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil

Program name: Federal District Environmental Sanitation and Land Management Program – Sustainable Brasilia Program II

Program number: BR-L1383

Prepared by: Santiago Schneider and Marcos Teixeira

I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment of the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the results of the assessment of the main fiduciary risks and the project risk management (PRM) workshop; (iii) the institutional capacity assessment; and (iv) working meetings held with the teams from the IDB, the Infrastructure and Public Utilities Department (SINESP), the Administration and Management Division of the Planning and Budget Department (SEPLAG), the Cadastre and Tenders Advisory Service (NOVACAP), and the Finance Department (SEFAZ).

II. FIDUCIARY CONTEXT OF THE COUNTRY AND EXECUTING AGENCY

- 2.1 Brazil has robust national fiduciary systems that allow for proper management of administrative, financial, control, and procurement processes, largely in line with the principles of transparency, economy, and efficiency. Accordingly, the Bank's fiduciary strategy with Brazil targets progressive and sustainable use of the country's fiduciary systems.
- 2.2 The Government of the Federal District (GDF) has a structured process in place for the planning and organization of program actions. These activities are coordinated by SEPLAG, which prepares the multiyear plan (PPA) and is responsible for producing the Draft Budget Guidelines Law, which sets the priorities for the GDF administration.
- 2.3 The GDF's financial management systems are operated by SEPLAG, which plans and formulates the budget, and by SEFAZ, which is responsible for financial management and public accounts. The entities use the SIGGO integrated government management system, which has a monitoring module (SAG) that makes it possible to track the financial and budgetary operations of the GDF administration.
- 2.4 For procurement processes, a Special Bidding Committee (CEL) will be set up, to handle all procurement and contracting processes during the program disbursement period. This committee will consist of at least three civil servants or permanent GDF employees with previous experience in public procurement. At least one member of the CEL will have experience in procurement for projects

- financed by international organizations. A firm will also be contracted to support works oversight activities.
- 2.5 As regards the use of procurement systems, only in-person auctions will be used. Although the e-compras online system is available, this is only used as an information portal for the start of the process. Advertising is generally done through the local, municipal, state, and federal press.
- 2.6 External control is maintained by the Federal District Audit Department (Tribunal de Contas – TC/DF), which monitors financial transactions and processes by tracking the financial management systems and by making visits according to annual audit plans. The TC/DF has been a strategic partner of the Bank for several years. External control of federal resources is maintained by the Audit Department of the Union, the Office of the Comptroller General of the Union, and the state and federal Public Prosecution Departments.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The institutional capacity of the borrower and executing agency, SINESP, was analyzed using the Institutional Capacity Assessment System, together with the PRM tool, the results of which indicate a medium risk level for managing the actions to be undertaken by the program. On fiduciary matters, the need was identified to create a program management unit (PMU), whose members will work full-time on the program; as was the need for technical support to avoid execution delays. Moreover, a management firm arrangement will be maintained to support the PMU in program management and administration; a Program Consultative Board (CCP) will be set up, along with a CEL; and ongoing training events will be held by the Bank for members of the PMU and all personnel involved in program execution. A management system will also be implemented for technical and financial monitoring, acceptable to the Bank.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 The special fiduciary conditions for the first disbursement are as follows:
1. Approval by the Bank and entry into force of the program's Operating Manual, through the publication of an ordinance in the official gazette;
 2. Presentation of evidence that the PMU has been set up and its members appointed according to the profiles agreed upon with the Bank;
 3. Presentation of evidence that the shortlist phase for selecting the management firm to support the PMU has been completed, and that the terms of reference have been approved;
 4. Publication of the legal instrument creating the CEL;
 5. Presentation of drafts of the technical cooperation agreements to be signed between the executing agency and the GDF entities under indirect administration, which will take part in the program execution arrangements, according to the terms agreed upon previously with the Bank.

- 4.2 Special contractual conditions for execution: within six months following the loan contract's effective date, the borrower will present evidence that:
1. The program management system has been implemented, enabling financial reports to be produced according to the Bank's requirements;
 2. The management firm that will support the PMU has been contracted;
 3. The CCP has been created and its internal regulations approved;
 4. The technical cooperation agreements between the executing agency and the DF entities under indirect administration have been signed and have entered into force.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** Procurement will be undertaken through the PMU, with support from the CEL. Works, goods, and nonconsulting services will be procured pursuant to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9). Consultants will be selected and contracted according to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), both policies dated April 2011. Procurement processes will be reviewed by the Bank as specified in the Procurement Plan.
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ arising under the project, and subject to international competitive bidding (ICB), will be executed using the standard bidding documents issued by the Bank. Bidding processes that require national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank (or satisfactory to the Bank if none have yet been agreed upon). For the procurement of off-the-shelf goods or services, the Bank will accept the use of the Banco do Brasil online auction systems COMPRASNET and Licitações-e for amounts up to the ICB threshold.
- 5.3 **Selection and contracting of consultants.** Consulting service contracts arising under the project will be executed using the standard request for proposals issued by the Bank. The sector specialist is responsible for the terms of reference for contracting consulting services.
- 5.4 **Recognition of expenditures and retroactive financing.** The Bank may recognize up to US\$10 million (20% of the estimated local contribution) in eligible expenditures chargeable against the local contribution, incurred by the borrower prior to the loan approval date. Such expenditures relate to advance contracting, primarily for consulting services, procurement of goods and services, and execution of works. To be eligible for recognition, the procurement processes will be substantially analogous to the Bank's standards and consistent with the provisions of the Bank's Operational Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (Operational Policy OP-507/document GN-2259-1). Expenditures meeting the following requirements will be recognized: (i) all expenditures and payments made for activities under the

¹ According to IDB procurement policies, nonconsulting services are treated as goods.

- program will be made during the 18 months prior to the loan's date of approval by the Bank's Board of Executive Directors, but after the project profile approval date (27 February 2014); (ii) procurement and contracting processes will be undertaken based on local legislation and under the terms set forth in Operational Policy OP-507; (iii) the objects, processes, and values to be recognized will be identified and reported in program documents (annual work plan and procurement plan); and (iv) the payments will be made from the DF treasury account.
- 5.5 **Direct contracting.** No direct contracting was identified.
- 5.6 **Procurement thresholds.** The borrower or executing agency, as the case may be, will be notified of the threshold for using ICB, online at www.iadb.org/procurement. For amounts below this threshold, the selection method will be determined according to the complexity and characteristics of the procurement or contract in question, which will be indicated in the approved procurement plan.
- 5.7 **Recurring expenses.** None foreseen. Nonetheless, should such expenses be identified during execution, they will be reviewed and accepted provided they do not contravene the fundamental principles of economy, efficiency, competition, and transparency. Operating costs do not include the salaries of currently serving civil servants, however.
- 5.8 **Domestic preference.** No domestic preference margins will be applicable.
- 5.9 **Initial procurement plan.** The current proposal is attached. The version eventually agreed upon may be updated during project execution, according to circumstances (link).
- 5.10 **Procurement supervision:** The following will be subject to ex ante review: (i) all processes involving ICB; (ii) direct contracting; (iii) consulting service selections in amounts estimated at over US\$1 million; and (iv) the first NCB for works, goods, and services. The Bank may alter the review modality indicated in the procurement plan based on the annual audit reviews.
- 5.11 **Records and files.** The files will be kept in the offices and under appropriate security conditions.
- 5.12 **Use of the National Procurement System:** The online auction, price list, and in-person auction methodologies may be used to procure off-the-shelf goods and services, according to the models approved by the Bank. Any system approved subsequently may also be applicable to the operation. The operation's procurement plan and updates thereof will identify the contracting processes to be executed using the approved national systems.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 6.1 SINESP, acting through the PMU, will be responsible for planning the execution of activities according to the Program Execution Plan in the budgets and in the annual work plan; and it will work in coordination with SEPLAG, which is responsible for GDF planning activities. The budget assigned to program activities will be approved through the District Budget Law. The Department uses planning tools

such as the PPA, the Annual Budget Law (LOA). The budget for program activities is part of the LOA.

- 6.2 Budgetary and financial monitoring will be maintained through the SIGGO system in the monitoring module (SAG) for tracking the financial and budgetary operations of the GDF administration, and in the SIOP integrated planning and budget system.
- 6.3 The PMU team will ensure that the program's budgetary resources are duly budgeted each year, and secured for execution according to the operational programming.

B. Accounting and information system

- 6.4 The financial administration system in the GDF is operated by SEPLAG, which plans and prepares the budget, and by the Finance Department (SEFAZ) which is responsible for financial management and public accounting. The entities use the SIGGO, a system for recording the district administration's budgetary and financial operations. In addition, the SIAC integrated financial management and accounting system and the SIOP will be used.
- 6.5 All budgetary, accounting and financial information relating to the loan operation will be recorded in the SIGGO, SIAC, and SIOP systems. As these systems currently cannot issue project reports meeting the Bank's requirements, within six months from the loan contract's effective date, the DF will provide evidence of having implemented a system that enables the program's financial reports to be issued automatically.

C. Disbursements and cash flow

- 6.6 The program will be executed using the GDF financial system. Expenses will be subject to the budgetary and financial execution process, and will be duly recorded in the financial management systems.
- 6.7 The Bank resources used to pay the program's expenses will need to be managed through an exclusive account that makes it possible to independently identify the loan proceeds. This applies to both income and payments.
- 6.8 Disbursements will be made in U.S. dollars under the advance of funds modality. The Bank will release disbursements on the basis of a 180-day projection presented by the executing agency. Future advances of funds will require at least 80% of the amounts previously advanced to be accounted for.

D. Internal control and internal audit

- 6.9 Internal control of the GDF is maintained by the Office of the Comptroller General of the Federal District, created in 2015. The Comptroller General's Office supervises and coordinates the GDF internal control system. Each GDF department has an internal control unit.

E. External control and reports

- 6.10 The program's financial statements and expense eligibility will be audited each year by the TC/DF or by an independent audit firm acceptable to the Bank, which is currently auditing several IDB-funded projects and is an important strategic partner for the Bank.

- 6.11 The TC/DF will submit reports on the eligibility of the program's expenses, and will make physical inspection visits in addition to the Bank's actions. The program's audited financial statements will be sent to the Bank annually no later than 120 days following the end of the executing agency's fiscal year, pursuant to procedures and terms of reference previously agreed upon with the Bank.

F. Supervision plan

- 6.12 The supervision plan may be altered during project execution, according to the evolution of risk levels or additional control needs required by the Bank.

Supervision activity	Supervision Plan		Responsible Party	
	Nature-scope	Frequency	Bank	Executing agency
Procurement	Review of processes for the procurement and contracting of works and consulting services	As indicated in the procurement plan	Sector and procurement specialist	PMU
	Review of processes above the ICB and direct contracting thresholds	Throughout the execution period	Sector and procurement specialist	PMU
	Supervision visit	Annual	Sector specialist and Fiduciary team	
Financial	Ex post review of disbursements and procurement.	Annual	Fiduciary team	PMU – TC/DF
	Annual audit	Annual	Fiduciary team	PMU – TC/DF
	Review of disbursement requests	Periodic	Fiduciary team	
	Supervision visit	Annual	Sector specialist/ Fiduciary team	

G. Execution arrangements

- 6.13 SINESP, acting through the PMU, will be responsible for program coordination, execution, evaluation, and monitoring, and for fulfillment of the deadlines and targets agreed upon for the program, as well as compliance with the Bank's policies. The PMU will also be supported by a project management firm.
- 6.14 For procurement processes a CEL will be set up to handle all procurement and contracting processes during the program's disbursement period. A firm will also be contracted to support supervision of works.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Brazil. Loan ___/OC-BR to the Federal District. Federal District Environmental Sanitation and Management Program – Sustainable Brasilia Program II

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 Federal District, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Federal District Environmental Sanitation and Land Management Program - Sustainable Brasilia Program II. Such financing will be for an amount of up to US\$100,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2016)

LEG/SGO/CSC/IDBDOCS: 39773832
Pipeline No. BR-L1383