

STRENGTHENING OF INSTITUTIONAL CAPACITY FOR REGULATORY MANAGEMENT

(BR-L1047)

EXECUTIVE SUMMARY

Borrower:	Federative Republic of Brazil	
Executing agency:	Casa Civil da Presidência da República [Office of the Presidential Chief of Staff], Federative Republic of Brazil	
Amount and source:	IDB (OC):	US\$3,850,000 (57.4%)
	Local:	US\$ <u>2,850,000</u> (42.6%)
	Total:	US\$6,700,000
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	LIBOR
	Inspection and supervision:	0%
	Credit fee:	0.25%
	Currency:	U.S. dollars from the Single Currency Facility
Objective:	The program will support the government in improving the quality of federal market regulation.	
Components:	<p>The program will finance execution of four components:</p> <p>Component 1. Strengthening of policy formulation and analysis capacity (US\$765,000). This component seeks to strengthen ministry capacity to formulate, monitor, and evaluate public policies affecting the sectors in which regulatory agencies operate, and to monitor and evaluate their implementation and outcomes. Financing will be provided for a diagnostic assessment of public policy-making and analysis in regulated markets, the design of a methodology and indicators for monitoring and evaluation of public policies in markets subject to regulation, and training for ministry professional staff and legislative and judicial branch employees in the areas of sector policy-making, monitoring, and evaluation in regulated markets.</p>	

Component 2. Better coordination and strategic alignment between sector policies and regulatory process (US\$1,264,000).

This component will promote coordination and alignment between sector public policies and regulatory processes. It will do so by supporting the establishment of agency bodies to coordinate activities within the federal government so as to strengthen interagency cooperation, information exchange and feedback on decisions that affect regulatory quality, as well as by building consensus and formalizing agreements on the expected outcomes of sector policies, agency performance, and agency financial autonomy.

Component 3. Strengthening of the autonomy, transparency, and performance of regulatory agencies (US\$1,983,000).

This component seeks to make federal regulatory agencies more autonomous, help them improve their performance, and promote the adoption of tools to enhance regulatory quality. Financing will be provided for: (i) design, development, and implementation of a training program in regulatory impact analysis (RIA); (ii) development and support for implementation of a recruitment and selection system for agency directors and upper management; (iii) design and support for implementation of methodologies to prevent irregularities in regulatory processes; and (iv) design and implementation of an agency staff training program in administrative processes and management-for-results.

Component 4. Development of societal oversight mechanisms (US\$1,744,000).

This component seeks to promote mechanisms for societal oversight of regulatory activities, giving civil society organizations greater access to the regulatory process and better enabling them to monitor it. Financing will be provided for: (i) design and implementation of a training program on basic regulatory issues, aimed at consumer protection agencies and organizations, both governmental and nongovernmental; (ii) design and implementation of an institutional education campaign on regulation; (iii) diagnostic assessment of institutional capacity to meet user demand at the government Consumer Protection Services (PROCON); (iv) technical assistance in the area of information management at the Department of Consumer Protection and Defense (DPDC); and (v) preparation of studies, training and technical assistance to regulatory agencies on transparency issues and the facilitation of societal oversight.

Special contractual clauses:

Conditions precedent to the first disbursement: (i) the executing agency staff responsible for program technical and administrative coordination have been appointed; and (ii) the program Management Committee and Advisory Committee have been established by issuance of the relevant legal document.

Project's role in the Bank's country and sector strategy:	The proposed operation is consistent with the Bank's country strategy with Brazil for 2004-2007, its modernization of the State strategy, and its competitiveness strategy in seeking to deepen modernization efforts and enhance governance, so as to strengthen institutional mechanisms for regulatory management with the resulting medium and long-term effects on infrastructure and productivity.
Coordination with other official development agencies:	No specific activities funded by other official development agencies have been identified that take a crosscutting approach or concentrate on the institutional aspects of regulatory problems and so would complement this program.
Environmental and social review:	The Committee on Environment and Social Impact (CESI) approved this program at its 7 April 2006 meeting.
Benefits:	Meeting the program objective should yield major benefits for regulatory agencies, ministries, government central coordination bodies, and other regulatory market participants, as well as for the citizens who use regulated goods and services. The program is expected to have a positive impact on regulatory quality and transparency, the decision-making independence and technical capacity of regulatory agencies, and mechanisms for societal monitoring and oversight. This should contribute to a better business climate in the country, as reflected in the attraction of investment capital and heightened competition.
Risks:	<p>The main potential risks to the program include: (a) changes resulting from the general elections to be held this year; (b) some resistance to change that may be prompted by program activities; (c) the number of agencies involved, which may make it difficult for them to coordinate; and (d) the final form of a bill now before Congress that, if enacted, would establish an operating framework for regulatory agencies (Law 3337/04).</p> <p>Risk mitigants have been built into the design of the operation. These include: the political will to champion the program; the involvement in the design phase of regulatory agencies whose senior management will retain their posts after a change in government, and civil society organizations of businesses and representing citizens; and the formation of an Advisory Committee with representatives from all regulatory agencies and their respective ministries, so as to foster beneficiary ownership of the program objectives.</p>

Social equity and poverty-targeting classification:

This operation does not qualify as a poverty-targeted investment or social equity enhancing project, as described in the Bank's Eighth Replenishment (document AB-1704).

Procurement plan and timetable; thresholds for international competitive bidding:

The contracting of works and consulting services and all program procurements will be conducted in accordance with the Bank policies and procedures given in documents GN-2349-7 and GN-2350-7 of July 2006.

International competitive bidding will be mandatory for procurements of goods or related services valued at more than US\$500,000 equivalent. Within the thresholds for national competitive bidding, the procurement and contracting procedures established in national legislation may be used, provided that they are compatible with those of the Bank.

Use of Brazil's e-procurement system (Pregão Eletrônico) and price schedule, consistent with national legislation, will adhere to the rules and procedures set by the Bank's Project Procurement Division (DEV/PRM) as agreed with the federal government.

The procurement plan for goods and consultants during the first 18 months of program execution is attached as Annex II. International publicity will be mandatory for all consulting contracts valued at US\$200,000 equivalent or more. For consulting contracts valued at less than US\$250,000, the short list may comprise entirely national consultants. During the first year of program execution, procurements valued at more than US\$30,000 will be subject to prior review. Otherwise, they will be subject to post review.

Key performance indicators and benchmarks for supervision:

The regulatory quality indicator employed as a program indicator, along with its subindexes (institutional coordination and monitoring subindex, autonomy and transparency subindex, and consultation and reporting mechanisms subindexes), will enable the Bank and Management Committee to monitor the program and intervene early to correct any problems that may arise.

Joint information of the Bank and executing agency:

The Bank and executing agency will share the following documents: the program Itemized Budget, Procurement Plan, and Logical Framework.