

BRAZIL

**NATIONAL PROGRAM TO SUPPORT THE ADMINISTRATIVE AND
FISCAL MANAGEMENT OF BRAZILIAN MUNICÍPIOS - PHASE II
(PNAFM - PHASE II)**

(BR-L1252)

LOAN PROPOSAL

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| REQUIRED | |
| 1. Annual Work Plan (AWP) – 18 months | IDBDocs2182932 |
| 2. PNAFM Phase II Monitoring and Evaluation System | IDBDocs2178771 |
| 3. Procurement Plan – 18 months (Descriptive) | IDBDocs2182895 |
| ADDITIONAL | |
| 1. Map of PNAFM Phase I Problems, Solutions, and Outcomes for use in Phase II | IDBDocs2178090 |
| 2. Project action and investment plan (PAI) for Component I of PNAFM Phase II | IDBDocs2178103 |
| 3. Regulation MF 264/2006 establishing the PCU/MF | IDBDocs2178122 |
| 4. Regulation MF 381/2006 – PCU/MF rules of procedure | IDBDocs2178140 |
| 5. Annex I to PNAFM Operating Regulations: Project Preparation, Execution and Monitoring System | IDBDocs2178159 |
| 6. Annex II to PNAFM Operating Regulations: Format for Supervision report – PNAFM Phase II | IDBDocs2178385 |
| 7. Annex III to PNAFM Operating Regulations: Format for progress report – PNAFM Phase II | IDBDocs2178409 |
| 8. Terms of reference for the study of Municipal Associations – Brazil Municípios Program | IDBDocs2178456 |
| 9. PNAFM Phase II letter of consultation approved by COFIEX | IDBDocs2178543 |
| 10. COFIEX recommendation for PNAFM Phase II | IDBDocs2178558 |
| 11. Frame of reference for the PROFISCO CCLIP (BR-X1005) | IDBDocs2178566 |
| 12. Executive Summary of the PNAFM Phase I Loan Proposal (1194/OC-BR; BR-0286) | IDBDocs2178545 |
| 13. PNAFM Phase I evaluation report (1194/OC-BR) | IDBDocs2178562 |
| 14. PNAFM Phase I disbursement analysis (PCU/MF 04/2009) | IDBDocs2178567 |
| 15. Program Operating Regulations for PNAFM Phase II (PNAFM-PORs – Phase II) | IDBDocs2178751 |
| 16. Technical note on PNAFM I Execution Performance and PNAFM II Preparation Status | IDBDocs2185148 |
| 17. Table of indicators | IDBDocs2203734 |
| 18. Environmental and social classification | IDBDocs 2211873 |

APPENDICES

Proposed resolution

ABBREVIATIONS

| | |
|----------------|---|
| AWP | Annual work plan |
| CadSin | Cadastro Sincronizado Nacional de Contribuintes [Synchronized National Taxpayer Registry] |
| CAIXA | Caixa Econômica Federal |
| COFIEIX | Comissão de Financiamentos Externos [External Financing Commission] |
| DC | Direct contracting |
| DIGES | Diretoria de Gestão Estratégica [Strategic Management Division] |
| DLP | Distance learning programs |
| ECD | Escrituração Contábil Digital [digital bookkeeping system] |
| EDM | Gestão Eletrônica de Documentos [electronic document management] |
| EFD | Escrituração Fiscal Digital [digital fiscal system] |
| ESAF | Escola de Administração Fazendária do Ministério da Fazenda [School of Public Finance Administration - Ministry of Finance] |
| ICB | International competitive bidding |
| IPTU | Imposto Predial Territorial e Urbano [urban property tax] |
| ISS | Imposto sobre Serviços [tax on services of all kinds] |
| ITBI | Imposto sobre a Transmissão de Bens Imóveis [property transfer tax] |
| LRF | Lei de Responsabilidade Fiscal [Fiscal Responsibility Law] |
| MEU | Municipal Execution Unit |
| MF | Ministry of Finance |
| NCB | National competitive bidding |
| NF-e | Nota Fiscal Eletrônica [electronic tax invoice] |
| PCU/MF | Program Coordination Unit of the Ministry of Finance |
| PNAFE | Programa Nacional de Apoio à Modernização da Administração Fiscal para os Estados Brasileiros [National Program to Support the Modernization of Fiscal Administration for the Brazilian States] |
| PNAFM | Programa Nacional de Apoio à Gestão Administrativa e Fiscal dos Municípios Brasileiros [National Program to Support the Administrative and Fiscal Management of Brazilian Municipalities] |
| PNAFM-PORs | PNAFM Program Operating Regulations |
| PROFISCO CCLIP | Conditional Credit Line for Investment Projects to Support the Management and Integration of Finance Administrations in Brazil |
| SE/MF | Secretaria-Executiva do Ministério da Fazenda [Executive Secretariat of the Ministry of Finance] |
| SFC/CGU | Secretaria Federal de Controle Interno da Controladoria-Geral da União [Federal Internal Auditing Department of the Office of the Comptroller General] |
| SPED | Sistema Público de Escrituração Digital [Public Digital Bookkeeping System] |
| STN/FM | Secretaria do Tesouro Nacional [National Treasury Department of the Ministry of Finance] |

PROGRAM SUMMARY

BRAZIL

NATIONAL PROGRAM TO SUPPORT THE ADMINISTRATIVE AND FISCAL MANAGEMENT OF BRAZILIAN MUNICÍPIOS - PHASE II (PNAFM - PHASE II) (BR-L1252)

| Financial Terms and Conditions | | | | | | | |
|--|-------------------------|---------|---------|---------------------------------|----------------|---------------|--|
| Borrower: Federative Republic of Brazil Executing agency: Executive Secretariat of the Ministry of Finance (SE/MF) | | | | Amortization period: | | 20 years | |
| | | | | Grace period: | | 6 years | |
| | | | | Disbursement period: | | 6 years | |
| | | | | Inspection and supervision fee: | | * | |
| Source | Phases in US\$ millions | | | | Interest rate: | | LIBOR |
| | II | III | IV | V | Credit fee: | | * |
| IDB (Ordinary Capital) | 150.0 | 250.0 | 200.0 | 200.0 | Currency: | | U.S. dollars from the Single Currency Facility of the Ordinary Capital |
| Local | 16.6 | 25.0 | 20.0 | 20.0 | | | |
| Total | 166.6 | 275.0 | 220.0 | 220.0 | | | |
| Program at a glance | | | | | | | |
| Objective and description: | | | | | | | |
| The general objective of Phase II of the PNAFM is to help integrate tax authorities and modernize the administrative, tax, financial, and revenue management of Brazilian municípios, enhancing tax system effectiveness, in compliance with Brazilian laws and regulations. Phase II of the program is comprised of two components and their respective subcomponents: | | | | | | | |
| Component I – National technical assistance and coordination: (i) technical assistance for municípios and project supervision; (ii) cooperation and integration of tax offices; (iii) knowledge management and institutional learning; and (iv) monitoring and evaluation of PNAFM Phase II. | | | | | | | |
| Component II – Municipal institutional strengthening: (i) integrated fiscal management; (ii) tax administration and tax dispute resolution procedures; (iii) budget, financial, accounting, and revenue administration and fiscal management control; and (iv) management, monitoring, and evaluation of municipal projects. | | | | | | | |
| Special contractual clauses: | | | | | | | |
| The first disbursement of the loan proceeds is subject to the borrower: (i) submitting evidence that the Phase II PNAFM Operating Regulations have entered into force and are being adhered to (see paragraph 3.5); (ii) obtaining the Bank’s approval of the contract with the Caixa Econômica Federal (CAIXA) to act as co-executing agency and financial agent for the program (see paragraph 3.3); and (iii) obtaining the Bank’s approval of the text of the subloan contract to be signed with the municípios (see paragraph 3.4). | | | | | | | |
| Exceptions to Bank policies: | | | | | | | |
| (i) It is requested that the borrower be able to apply national legislation in areas related to procurement and contracting, as has been the case in other operations at the subnational level (such as the PROFISCO CCLIP operations—see paragraph 2.3); and (ii) An exclusion is required with respect to the obligation established in GP-30-1, of 7 May 1975, in view of the conditions agreed for this operation that forestall the occurrence of incremental amortization balances. | | | | | | | |
| Amendment to the Board’s original resolution. | | | | | | | |
| It is requested that the number of program phases be increased from three to five based of the programming of new Bank operations with the country, as described in paragraph 1.10** | | | | | | | |
| Project qualifies as: | | SEQ [] | PTI [] | Sector [] | Geographic [] | Headcount [] | |

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

** Recommendation 1,090 of the External Financing Commission (COFIE), 3 March 2009.

I. PROGRAM DESCRIPTION AND RESULTS MONITORING

A. Background, challenges, and rationale

- 1.1 The general objective of the Program to Support the Administrative and Fiscal Management of Brazilian Municipalities (known as “PNAFM”), with financing in the amount of US\$1.1 billion, is to contribute to macroeconomic stability through a self-sustaining fiscal balance, supported by an efficient and transparent public policy for managing municipal income and spending. When first approved, the PNAFM comprised three phases. The first phase, approved by the Board of Executive Directors on 11 August 1999,¹ in the amount of US\$300 million, is currently in execution. The purpose of this second phase, in the amount of US\$150 million, is to continue providing support to strengthen the administrative and fiscal management of Brazilian municípios, including some that were not part of Phase I. In order to comply with the programming agreements in the Bank’s portfolio for Brazil, it was determined with the federal authorities of Brazil, that the number of phases of the PNAFM should be increased without altering the original amount. This proposal is described in the section entitled “PNAFM strategy” (see paragraphs 1.8 to 1.10).
- 1.2 **Modernization of fiscal management.** Brazil is a Federative Republic with three levels of government—federal (Union), state (26 states and the Federal District), and municipal (5,564 municípios)—each with autonomy to exercise their tax authority and determine and execute their public spending policies. In the distribution of constitutional tax competencies, the municípios are entitled to levy the following taxes: Imposto Predial Territorial e Urbano [urban property tax] (IPTU), Imposto sobre Serviços [tax on services of all kinds] (ISS), and Imposto sobre a Transmissão de Bens Imóveis [property transfer tax] (ITBI) .
- 1.3 From 1994 to 1998, the federal government and the Bank gained ample experience in the modernization of administrative and fiscal management through the preparation and execution of five projects: (i) Program for the Modernization of the Federal Tax Department; (ii) Program for the Modernization of the Executive Branch of the Federal Government; (iii) National Program to Support the Modernization of Fiscal Administration for the Brazilian States (PNAFE); (iv) Porto Alegre Municipal Development Program; and (v) Fiscal Stability Consolidation Program for the Development of the State of Bahia (PROCONFIS). To ensure continued support for the modernization of fiscal management at the state level, the Bank and the Government of Brazil agreed in 2008 on the terms of a Conditional Credit Line for Investment Projects to Support the Management and Integration of Finance Administrations in Brazil (PROFISCO-CCLIP). The PNAFM and PROFISCO seek to harmonize and improve the fiscal management of municipal and state entities respectively and help facilitate national tax reform and the integration of tax authorities at the three levels of government.

¹ See electronic link “Executive summary of the PNAFM Phase I loan proposal (BR-0286).”

- 1.4 Given the interest of the municípios in obtaining similar support, from 1997 to 1999 the Ministry of Finance, through its Executive Secretariat and with Bank support, developed the PNAFM.
- 1.5 **Execution of PNAFM Phase I.** Although the Bank and the Federal Senate approved Phase I of the PNAFM in 1999, the loan contract was formalized on 18 May 2001 but did not become eligible until 2002. This delay with the contract and eligibility, combined with the change in the federal administration in 2003, resulted in a significant delay in the execution of Phase I. Satisfactory parameters were achieved starting in 2007, thanks to a significant increase in Phase I resource allocations stemming from the change in the Program Operating Regulations of the PNAFM (PNAFM-PORs) and the subloans granted to larger municípios through contracts signed with the Caixa Econômica Federal. Since then, a total of 197 municípios have actively participated in direct program actions. The distribution of these municípios by population size shows that Phase I of the PNAFM served the localities with the largest population concentration, since 63% of the participating municípios had over 50,000 inhabitants. The Phase I evaluation report identified the following achievements:

Table 1.1: Evaluation criteria for Phase I of the Program

| Phase I targets | Phase I outcomes |
|---|---|
| 1. Participation by municípios – At least 800 municípios that did not participate in Phase I, having signed commitments to join the program. | 297 commitments signed, equal to 37% of the target. Target partially met – because the strategy for selecting the type of município changed, shifting from small to large, available resources were depleted more quickly. |
| 2. Commitment of funds – At least 75% of Phase I funds have been committed through subloans. | More than 100% committed. Phase I resources = R\$360 million (subloans). Committed resources = R\$391.9 million. Target met. |
| 3. Disbursement of resources – At least 50% of the Phase I funds have been disbursed by the Bank. | Bank disbursed 51%, i.e., R\$186.6 million out of a total loan of R\$360 million. ² Target met. |
| 4. Fiscal management – efficiency - At least 70% of the municípios that joined the program have introduced integrated management systems for public finances and municipal property and tax rolls. | Over 88% of the municípios met the target. Target met. |
| 5. Administrative management – transparency – At least 70% of the municípios that joined the PNAFM have made their budget performance available to the public, including administrative costs and public investments. | Over 76% of the municípios met the target. Target met. |

² Equivalent to 30% in U.S. dollars.

| Phase I targets | Phase I outcomes |
|--|---|
| 6. Fiscal responsibility – At least 70% of the municípios that joined the program have obtained increases in the numerical values of their management indicators: deficit and public debt, tax collection, and control and auditing. | Over 70% of the municípios met the target, although only 25% achieved the increased tax collection target. The targets were achieved and surpassed for the other three Fiscal Responsibility indicators. Target met. |

1.6 **Lessons learned from PNAFM Phase I.** The principal lessons learned for this second phase include: (i) small and medium-sized municípios do not have the capacity to become PNAFM executing agencies, and must therefore rely on cooperation and institutional strengthening actions promoted by the federal government; (ii) subloans should target medium-sized and large municípios capable of absorbing and institutionalizing the outcomes derived from implementing the relevant actions and outputs; (iii) the federal government's coordination, harmonization, and cooperation role must be strengthened by a national component, to be executed by the Ministry of Finance, which would involve delivering outputs (training, systems, and equipment) instead of transferring financial resources; and (iv) measures to mitigate the risks related to changes in government, at the federal and municipal levels, must be built into the program.

1.7 **Challenges for the future.**³ Despite the progress achieved by PNAFM Phase I, major challenges lie ahead to integrate and strengthen Brazilian municípios. The greatest challenge facing PNAFM Phase II will be to increase the impact and efficiency of interventions, and expand integration with other fiscal and municipal programs.

B. PNAFM strategy

1.8 The PNAFM was designed and approved for execution in three phases. Each phase has the same structure of components, subcomponents, and outputs, although different municípios are targeted. The commitment term for Phase I funds expired in June 2008, and the execution period for municipal projects ends in December 2012. However, there is still demand for financing, both for approved projects that did not receive resources in Phase I and from new municípios seeking to optimize their fiscal and administrative tools. In this regard, a new phase of the financing in the amount of US\$150 million is justified to implement Phase II of the Program, provided the rules and regulations of the Brazilian government and the Bank are observed.

1.9 The objective of the second phase of the PNAFM is to ensure compliance with Constitutional Amendment 42/2003, which provided for the integration of tax administrations, based on national integration instruments such as: the Synchronized National Taxpayer Registry (CadSin) and the Public Digital

³ See electronic link "Map of Problems, Solutions, and Outcomes," describing each of the challenges encountered.

Bookkeeping System (SPED), along with their three subprojects—Nota Fiscal Eletrônica [electronic tax invoices] (NF-e), Escrituração Fiscal Digital [digital fiscal record-keeping] (EFD), and Escrituração Contábil Digital [digital bookkeeping system] (ECD). Moreover, actions aimed at implementing revenue accounting methods consistent with international accounting standards will need to be given priority, as will the development and implementation of a single chart of accounts for the public sector.

- 1.10 **Modification of the original resolution of the Board of Executive Directors.** Since the programming of new Bank operations with Brazil in 2009 does not include the US\$450 million originally envisaged for the second phase, it was agreed that the number of PNAFM phases would be increased from three to five, without altering the structure of its components. The total amount of the Bank loan will remain unchanged, i.e., US\$1.1 billion, pursuant to the prior commitment assumed by the Board of Executive Directors. Thus, Phase II will cost US\$150 million, and the remaining US\$650 million will be divided into three additional phases, in amounts consistent with the Bank's country programming.
- 1.11 **The Bank's strategy with the country.** PNAFM Phase II is in keeping with the priorities specified in the Bank's strategy and programming with the country. Modernization of the State and institutional strengthening at the three levels of government, with an emphasis on programs to improve public administration at the state and municipal levels, is in keeping with the priorities agreed upon by the government and the Bank.

C. Objective, components, and cost

- 1.12 The general objective of PNAFM Phase II is to help integrate tax authorities and modernize the administrative, tax, financial, and revenue management of municípios in Brazil, enhancing tax system effectiveness, in compliance with Brazilian laws and regulations.⁴ PNAFM Phase II will comprise the following two components and their respective subcomponents:
- 1.13 **Component I – National technical assistance and coordination (US\$16.6 million).** This component seeks to support actions relating to integration, cooperation, and evaluation in the national context.
- 1.14 **Subcomponent 1.1 – Technical assistance for municípios and project supervision.** This subcomponent will finance: (i) preparation and review of municipal institutional strengthening projects; (ii) support for contracting loan operations; (iii) support for project management, monitoring, and evaluation by municipal teams; and (iv) technical supervision visits to PNAFM municípios.
- 1.15 **Subcomponent 1.2 – Cooperation and integration of tax offices.** This subcomponent will finance: (i) evaluation, dissemination, and creation of a fiscal

⁴ A sample of 14 PNAFM Phase II-related projects are currently being prepared, amounting to about US\$154 million (see description in the electronic link "Technical Note on PNAFM I Execution Performance and PNAFM II Preparation Status").

- best practices database; (ii) implementation of national and international cooperation agreements; and (iii) studies and national and international conferences.
- 1.16 **Subcomponent 1.3 – Knowledge management and institutional learning.** This subcomponent will finance implementation of: (i) the PNAFM network and integration with other knowledge networks; (ii) transparency and public communications mechanisms; (iii) mechanisms to encourage the creation of regional municipal modernization clusters; and (iv) distance learning programs (DLP).
- 1.17 **Subcomponent 1.4 – Monitoring and evaluation of PNAFM Phase II.** This subcomponent will finance: (i) monitoring of PNAFM outcomes and projects in accordance with previously specified indicators; and (ii) promotion of municipal meetings and seminars to evaluate the PNAFM actions.
- 1.18 ***Regional municipal modernization clusters.*** The cooperation and technical assistance actions under Component I, targeting municípios with insufficient institutional capacity, will be implemented through regional municipal clusters created to share service delivery, exercise public functions incumbent upon municípios, and finance local government actions.⁵ To formulate the strategy for creating the regional municipal modernization clusters, the PNAFM is planning to coordinate with an operation to strengthen municípios in Brazil (ATN/EF-10323-BR), through an analysis of municipal partnering experiences in the country, and the design of proposals for new intermunicipal management and financing agreements.
- 1.19 **Component II – Municipal institutional strengthening (US\$142.5 million).** This component will finance municipal projects in the following areas:
- 1.20 **Subcomponent 2.1 – Integrated fiscal management.** This subcomponent will finance: (i) modernization of the planning system and implementation of a managing-for-results model; (ii) modernization of territorial management using economic, social, and urban planning methodologies and instruments, and preparation and/or revision of the master plan; (iii) implementation of knowledge sharing and learning networks; (iv) enhancement of mechanisms for transparency and communication with society and fiscal education programs; (v) improvement of human resources management to modernize the administration, development, and implementation of staff policies, and implementation of continuing technical and management training; and (vi) improvement of information and communication technology services, update of the technology park, internal and long-distance networks, operating systems and software, electronic document management, digital certificates, security, system audits, and on-line services.

⁵ These regional municipal clusters presuppose the existence of a link between participating municípios, such as the fact that they belong to the same metropolitan region, have similar economies, or are part of the same geographic, social, or economic context.

- 1.21 **Subcomponent 2.2 – Tax administration and tax dispute resolution procedures.** This subcomponent will finance: (i) strengthening of the tax administration in order to conduct fiscal-economic studies, update urban and rural property assessment rolls, modernize management and automate collection, administrative collection, control, tax intelligence, and administrative law processes; (ii) improvement in the management of the taxpayer registry and implementation of the SPED; (iii) land use administration, to adopt geoprocessing and databases cross-referenced to management of taxpayer registries; and (iv) the strengthening of tax dispute resolution to modernize its management and automate adjudicated tax debt processes, court-ordered collection, legal and out-of-court representation, and delinquent taxpayer control.
- 1.22 **Subcomponent 2.3 – Budget, financial, accounting, and asset administration and fiscal management control.** This subcomponent will finance: (i) the strengthening of budget and financial administration to modernize management, and automate budget processes (with social participation), financial and budget programming and execution, cash flow, social control of government spending, cost systems, and public debt management; (ii) strengthening of management accounting for implementation of accrual basis accounting, in keeping with the movement of convergence toward international accounting standards, and formulation and implementation of a national chart of accounts for the public sector; (iii) strengthening of materials and assets management to update logistics management and automate the processes involving control of movable and immovable property, contracts, and agreements; and (iv) improvement of financial control and internal disciplinary control mechanisms, to modernize management and automate processes related to operational risk control, audits, outcome evaluations, and ethical and disciplinary issues.
- 1.23 **Subcomponent 2.4 – Management, monitoring, and evaluation of municipal projects.** This subcomponent will finance implementation of results-oriented management methods and instruments for municipal projects.
- 1.24 To execute the components and subcomponents, the borrower will retain the following services and procure the following goods: (i) training (contract courses, seminars, or other forms of training and arrange national and international technical visits); (ii) consulting services (retain national or international individuals or legal entities to support or develop project activities, including the design of computer systems); (iii) information and communication technology equipment and systems (procure and install hardware, computer networks, basic software, and applications); (iv) equipment, materials, and operational support services (procure communication and institutional resource materials, and retain technical, administrative, and operational support services); and (v) physical premises (renovate and physically adapt operational units).
- 1.25 Total financing for PNAFM Phase II amounts to US\$166.6 million, of which the Bank will finance US\$150 million (90%) and US\$16.6 million (10%) will be

financed with local counterpart funds, as shown in the overall budget presented in Table 1.2.⁶

Table 1.2: Overall budget for PNAFM Phase II (% by source – US\$ million)

| Investment categories | IDB | Local | Total | % |
|--|---------------|--------------|---------------|-------------|
| 1. Administration of the PNAFM | 1.60 | - | 1.60 | 1.0 |
| 1.1 Monitoring and evaluation | 1.60 | - | 1.60 | |
| 2. Components | 143.25 | 15.85 | 159.10 | 95.5 |
| 2.1 National technical assistance and coordination | 15.00 | 1.60 | 16.60 | |
| 2.2 Municipal institutional strengthening | 128.25 | 14.25 | 142.50 | |
| 3. Unallocated | 5.15 | 0.75 | 5.90 | 3.5 |
| Total | 150.00 | 16.60 | 166.60 | 100 |
| % | 90 | 10 | 100 | |

- 1.26 In order to gain access to PNAFM Phase II resources, the municípios must commit to provide a local counterpart contribution of 10% of the total amount of their respective loan operation.⁷
- 1.27 **Disbursement programming.** The program has a six-year disbursement period counting from the day the loan contract enters into force, and pursuant to the disbursement schedule shown below.

Table 1.3: PNAFM - Phase II. Disbursement schedule (% by source – US\$ million)

| Source | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Total | % |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------------|
| IDB | 16.4 | 22.9 | 29.3 | 35.7 | 29.3 | 16.4 | 150.0 | 90 |
| Local | 1.9 | 2.5 | 3.2 | 3.9 | 3.2 | 1.9 | 16.6 | 10 |
| TOTAL | 18.3 | 25.4 | 32.5 | 39.6 | 32.5 | 18.3 | 166.6 | 100 |
| % | 11 | 15 | 20 | 24 | 20 | 11 | 100 | |

D. Key indicators in the PNAFM Phase II results framework

- 1.28 The most relevant outcomes anticipated upon completion of the PNAFM Phase II execution period include: **Component I** – (i) support in the contracting of credit operations provided to 12 municípios; (ii) 30 technical supervision visits conducted; (iii) two events held to disseminate best practices; (iv) one technical-cooperation agreement signed; (v) one annual meeting to evaluate project and PNAFM outcomes; and (vi) one pilot regional municipal modernization cluster established. **Component II** – at least 50% of the municípios have implemented: (i) a portal to

⁶ There is no budget provision for expenses related to the inspection and supervision fee and the credit fee because these will be paid for with the State's own resources.

⁷ Internal loan operation to be carried out through the CAIXA, including financing and counterpart resources.

provide services to citizens; (ii) a computerized tax system; (iii) a computerized financial system; and (iv) a project management methodology (see Annex II).

- 1.29 **Eligibility for Phase III.** Taking into consideration the lessons learned described in the evaluation report on the first phase of the PNAFM, Component I of the program was considerably strengthened, expanding the role of the Ministry of Finance as the agency in charge of regulating municipal fiscal management. Because financing for Phase II was reduced from US\$450 million to US\$150 million and will therefore cover a smaller number of municípios, fast-track approval of Phase II is proposed, to allow municípios excluded from this round to gain access to the program sooner under Phase III. Consequently, the Phase III eligibility criteria will exclusively focus on performance of Component I of the program, as shown in Table 1.4.

Table 1.4: Eligibility Criteria for Phases III, IV, and V

| Eligibility indicators | Phases | | | Means of verification |
|--|--------|-----|-----|------------------------------------|
| | III | IV | V | |
| General | | | | |
| 1. Commitment of resources – percentage of resources committed through subloans out of the total amount (local currency) | 75% | 75% | 75% | Subloan contracts |
| Component I - National technical assistance and coordination | | | | |
| 3. Support for project preparation and review – number of subloan projects contracted | 6 | 10 | 15 | Semiannual program progress report |
| 4. Best practices in the fiscal area – number of best practices dissemination events held | 2 | 2 | 2 | |
| 5- Multipurpose facilities and distance learning programs (DLPs) – number of multipurpose facilities and DLPs implemented | 2 | 3 | 4 | |
| Component II – Municipal institutional strengthening | | | | |
| 6- Potential tax collection by the municípios – percentage of diagnostic assessments to identify the município’s potential collection in relation to the total number of municípios participating in the phase | 50% | 50% | 50% | Semiannual program progress report |
| 7- Baseline for the four structural elements of the program (citizen services, tax administration, management of the taxpayer registry, budget and financial administration) – percentage of diagnostic assessments prepared in relation to the total number of municípios participating in the phase | 50% | 50% | 50% | |

II. FINANCIAL STRUCTURE AND PRINCIPAL RISKS

A. Financing and procurement

- 2.1 **Procurement.** The procurement of goods and services other than consulting services, and the selection and contracting of consultants (firms or individual consultants), wholly or partially financed out of the loan proceeds under Phase II of the PNAFM, will be undertaken pursuant to domestic legislation or as described in the *Policies for the Procurement of Goods and Works Financed by the IDB* (GN-2349-7), and *Policies for the Selection and Contracting of Consultants Financed by the IDB* (GN-2350-7), and in accordance with the provisions of the loan contract,

provided the borrower indicates the option selected for each procurement listed in the Procurement Plan submitted annually to the Bank.

- 2.2 **Bank review.** The bidding processes conducted in accordance with the national legislation of the borrowing country will be reviewed by the Bank ex post. The Bank will conduct ex ante reviews of contracts to procure goods, retain services, or execute works in amounts above the limits set for international competitive bidding (ICB – see paragraph 2.3), and for all direct contracting made under the borrowing country's legislation, except for the exemption established in the aforementioned national legislation with regard to bidding for works, services, and goods involving small amounts.⁸
- 2.3 **National legislation.** As an exception to the Bank's policies, the borrower may apply Brazilian federal legislation to procurement of works costing up to US\$25 million per contract, goods and services (other than consulting services) costing up to US\$5 million per contract, and consulting services costing up to US\$1 million per contract. The principles of competition, economy, transparency, equality, publication, and due process established in the Bank's procurement policies and in the national legislation of the borrowing country must be observed in all cases. Moreover, participation by bidders from eligible Bank member countries will be permitted and competitions with price bands will not be established. In addition, the borrower will note its decision to apply federal legislation in the corresponding Procurement Plan. The Procurement Plan will be published annually in *Development Business* and on the Bank and PNAFM web pages. This procedure has been applied in other operations at the subnational level, such as the operations under the PROFISCO CCLIP.
- 2.4 National legislation would be used because experience with PNAFM Phase I showed that the mandatory use of the Bank's procurement policies and procedures, different from those used by the subborrowers, created conflicts in legal interpretation and difficulties for the internal and external controls of municípios to process the bidding documents. This resulted in increased paperwork and generated legal uncertainty for the subborrower, thereby decreasing execution capacity and impairing the disbursement flow.
- 2.5 In addition to the above, and based on the analysis in Table 2.1, it is confirmed that the total number of bidding processes below the ICB limit (old amounts) account for 77.3% of all processes.

⁸ Law 8,666 of 21 June 1993 – Article 24. Bidding may be waived for: (i) works and engineering services valued at less than the 10% invitation bid limit (less than R\$150,000); and (ii) other services and purchases amounting to less than the 10% invitation bid limit (less than R\$80,000).

**Table 2.1: PNAFM - Phase I: Mean amounts and number of processes
by type of procurement – 2007/2009**

| Method with Phase I limits | Group | 2007 | | 2008 | | 2009 | | Over all mean US\$ | Total qty. |
|---|-----------------------------------|--------------|------------|--------------|------------|--------------|------------|--------------------------|---------------|
| | | Mean US\$ | Qty. | Mean US\$ | Qty. | Mean US\$ | Qty. | | |
| Direct contracting (DC) | Goods | | | 108 | 1 | | | 108 | 1 |
| | Consulting services | | | 120 | 2 | 124 | 2 | 122 | 4 |
| | Services other than consulting | 90 | 6 | 132 | 7 | | | 113 | 13 |
| Total DC | | 90 | 6 | 127 | 10 | 124 | 2 | 114 | 18 |
| International competitive bidding (ICB) | Goods | 862 | 10 | 755 | 15 | 725 | 19 | 766 | 44 |
| | Consulting services | 231 | 1 | 493 | 6 | 314 | 3 | 413 | 10 |
| | Services other than consulting | 889 | 11 | 974 | 17 | 730 | 25 | 841 | 53 |
| TOTAL ICB | | 847 | 22 | 812 | 38 | 702 | 47 | 771 | 107 |
| National competitive bidding (NCB) | Goods | 295 | 51 | 143 | 53 | 163 | 72 | 195 | 176 |
| | Works | 504 | 14 | 437 | 24 | 425 | 24 | 448 | 62 |
| | Consulting services | 90 | 9 | 97 | 14 | 67 | 13 | 84 | 36 |
| | Services other than consulting | 123 | 22 | 107 | 18 | 110 | 33 | 113 | 73 |
| TOTAL NCB | | 267 | 96 | 196 | 109 | 186 | 142 | 212 | 347 |
| Grand total | | 304 | 124 | 341 | 157 | 312 | 191 | 319 | 427 |

- 2.6 Therefore, when the limits in force for Brazil are applied, the number of ICB processes also decreases. That is, 99.2% would involve amounts below the ICB limits. So it is unlikely that goods and related services will be contracted for small and medium-sized municípios using the ICB modality and, in the case of larger municípios, there may be up to three ICB processes (US\$5 million). With respect to the selection of consulting services, projections based on historical series and applying the limits proposed in this operation (US\$1 million) show that international publicity will only be required for specialized information technology services, with no more than 10 such selection processes anticipated.
- 2.7 **Direct contracting.** The Bank may authorize the direct contracting of the School of Public Finance Administration (ESAF) of the Ministry of Finance of the Federative Republic of Brazil to provide training for federal or municipal civil servants. The Bank may also authorize the direct contracting of a school of government or financial administration to provide such training services, provided the Bank has determined that such schools have the installed capacity to carry out the training services, and their cost is in keeping with market prices.
- 2.8 In these cases, before transferring the loan proceeds to these entities, the borrower will send the Bank an appropriate legal instrument, in which the selected institution undertakes to: (i) comply with current national procurement and contracting rules; and (ii) allow the Bank and program auditors to have access to the relevant

documentation in support of such procurement and contracting. It is also worth noting that the direct contracting of such institutions will promote continuity because the specific nature and type of services they provide will contribute to project sustainability, to dissemination of knowledge and experience, and, especially, to maintenance of the supply of such services and products after the program has ended.

- 2.9 **Advance contracting and retroactive financing.** The Bank may recognize up to US\$30 million as a charge against the loan proceeds, and up to US\$5 million as a charge against the local counterpart, for program preparation expenses covered out of own resources by the borrower and incurred prior to the date of approval of this operation by the Board of Executive Directors, but after 5 March 2009. This recognition will only apply to the municípios participating in Phase II, which have already been identified and are different from those that participated in Phase I. Procurement eligible for this treatment is noted in the Procurement Plan and the AWP. Owing to the delay in starting Phase II, the selected municípios used their own funds to cover expenses, on the understanding that these would be reimbursed and charged to the loan. To make these advance payments, municípios had to defer other priority investments that will not be made unless prior expenditures are recognized.
- 2.10 **Specialized agency.** The borrower may use its own resources to contract a specialized agency to provide technical support services exclusively for the procurement of goods and the selection of consulting firms or individual consultants to work on activities relating to program execution, subject to the following conditions: (i) the Bank will need to approve the contract to be signed with the specialized agency in advance; (ii) the specialized agency will commit to complying with the Bank's procurement and contracting policies and procedures; and (iii) the hiring of consultants to perform routine activities relating to program execution will not be authorized.
- 2.11 **Contracting of subloans.** The federal government will apply the same contractual conditions approved in 1999 for municípios with regard to the possibility of contracting subloans, although it has not been possible to apply this mechanism since 2000, the year in which the program entered into force, due to restrictions approved under the Fiscal Responsibility Law (LRF). Under the subloan contracts with the municípios, the federal government will, insofar as possible, transfer the same conditions established in the loan contract with the Bank. The CAIXA will be the program's financial agent.
- 2.12 **Disbursements for subloan contracts.** In recognition of accountability for the disbursement of funds under Component II, the actual transfer of funds by the borrower to the subborrowers of each of the installments corresponding to the signed subloans will be recognized as an object of expenditure.
- 2.13 The borrower will make additional transfers to the subborrowers as they demonstrate the use of program resources, in accordance with the Program

Operating Regulations (PNAFM-PORs) and their respective subloan contracts. In addition, consideration is given to the Bank's decision to work with the national accounting and financial systems, which, since the first phase, reflected in their records as objects of expenditure the concession of subloans to the municípios in the administration of the program.

- 2.14 The preceding paragraph notwithstanding, the PNAFM-PORs will require, as a mechanism of control of the appropriate application of project funds, that the subborrowers periodically submit, to the parties' satisfaction, progress reports that include achievement of physical targets, outcome indicators, and operational procedures applied.
- 2.15 **Use of resources from the amortization of subloans.** As an exception to the Bank's policies, an exclusion is required with respect to the obligation established in GP-30-1, of 7 May 1975, regarding the use of the resources from the amortization of the subloans, inasmuch as: (i) the terms of the loan to the borrower will be transferred entirely to the subloans, including grace and amortization periods where compatible; (ii) the exchange rate to be used will not generate exchange variations; and (iii) the Brazilian government does not use a special accounting system that would make it possible to determine the existence of surpluses in its accounting and financial system.
- 2.16 **Subloan reference amounts.** Loan proceeds committed for municipal projects will be sized in proportion to population bands, in accordance with the following reference amounts, which are indicative and may be modified by the Ministry of Finance.

Table 2.2: Reference amounts (in millions)

| Band | Population (inhabitants) | Reference amounts R\$ | Reference amounts US\$ |
|------|--------------------------|--------------------------|---------------------------|
| 1 | Less than 10,000 | 1.100 | 0.570 |
| 2 | 10,001 to 20,000 | 1.640 | 0.850 |
| 3 | 20,001 to 50,000 | 2.460 | 1.275 |
| 4 | 50,001 to 90,000 | 3.500 | 1.815 |
| 5 | 90,001 to 250,000 | 10.000 | 5.180 |
| 6 | 250,001 to 700,000 | 16.500 | 8.550 |
| 7 | 700,001 to 1,950,000 | 34.000 | 17.620 |
| 8 | 1,950,001 to 5,000,000 | 52.000 | 26.945 |
| 9 | Over 5,000,001 | 70.000 | 36.270 |

(*) Exchange rate: R\$1=US\$1.93

- 2.17 Municípios participating in the program may only access new loans under the PNAFM once they have committed at least 75% of the proceeds from the previous loan.

- 2.18 **Eligibility of municípios.** Based on lessons learned (see paragraph 1.6), this phase will target larger municípios. The municípios will submit evidence that they have: (i) set up a Municipal Executing Unit (MEU); (ii) made an allowance in the Annual Budget Law to receive loan funds and make the counterpart contribution; (iii) obtained legislative authorization to contract the loan operation; and (iv) obtained authorization from the National Treasury Department of the Ministry of Finance (STN/MF) regarding compliance with the limits for contracting loan operations.
- 2.19 **Project eligibility.** Any project meeting the requirements established in the PNAFM Program Operating Regulations will be eligible for financing under PNAFM Phase II.

B. Environmental and social safeguard risks

- 2.20 With regard to environmental and social risks, the program has been classified as a category "C" operation under the guidelines stipulated in the Bank's *"Sustainable Finance Toolkit"* as the operation involves institutional modernization in the tax area. Consequently, an environmental and social mitigation strategy is considered unnecessary.

C. Other risks and important issues

- 2.21 **Phase II risks.** The risk analysis of the executing agency was undertaken by a team of specialists from the Bank's Country Office in Brazil, which rated its risk as "low to moderate" without any additional recommendations. The principal risk for PNAFM Phase II is that the last two years of execution will be carried out under a new Federal Administration, which could cause some delays. This risk is mitigated by the following factors: (i) the PNAFM is part of the federal government's Multiyear Plan and implementation under the new administration should therefore pose no problem; and (ii) the technical team responsible for managing the PNAFM is comprised of permanent civil servants at the Ministry of Finance and the CAIXA.

III. PROGRAM IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of the institutional agreement for implementation

- 3.1 The borrower in this operation will be the Federative Republic of Brazil, with the Ministry of Finance in charge of coordinating PNAFM Phase II, through its Executive Secretariat—specifically the Strategic Management Division (DIGES), through the PCU/MF.
- 3.2 **Contractual conditions.** Prior to the first disbursement, the following conditions will be considered:
- 3.3 ***The Ministry of Finance and the CAIXA will sign a service delivery contract.*** The CAIXA will act as program co-executing agency, under the coordination of the PCU/MF, and will act as financial agent. This contract will establish the obligations of each party, specifying that any cost incurred for these activities will be covered

by the borrower's own resources. **As a special condition precedent to the first disbursement of the loan proceeds, the version of the contract to be signed with the CAIXA to act as program co-executing agency and financial agent must be approved by the Bank.**

- 3.4 ***Subborrower and project executing agency.*** Pursuant to the subloan contracts, the municípios are subborrowers and project executing agencies, acting through their municipal departments, especially the Finance Departments. Thus, at the local level, Phase II of the PNAFM will be carried out by the MEU formally created under each município participating in the program. **The Bank's approval of the text of the subloan contract to be signed with the municípios will be a special condition precedent to the first disbursement of the loan proceeds.**
- 3.5 ***Program Operating Regulations (PNAFM-PORs).*** The program will be governed by the PNAFM-PORs previously approved by the Bank as an integral part of the PNAFM program. The PNAFM-PORs will include eligibility criteria for the borrower, the program, and the products eligible for financing. They describe in detail the responsibilities of the PCU/MF, the CAIXA, and the municipal MEUs. **Evidence of the adhesion to and entry into force of the PNAFM-PORs will be a special condition precedent to the first disbursement of the loan proceeds.**

B. Summary of results monitoring agreements

- 3.6 Program monitoring will be based on activities programming and on the physical and financial details of the outputs listed in the AWP, and on the procurement and contracting processes contained in the Procurement Plan.
- 3.7 The evaluation of the outcomes achieved by the PNAFM and the various projects will be based on the program's Results Matrix (see Annex II). The Bank will conduct regular technical supervision missions during program execution. The PCU/MF will hold annual evaluation meetings attended by the municípios and other institutions involved in the program, to review the outcomes achieved and the problems encountered during execution.
- 3.8 **Progress report, AWP, and Procurement Plan:** (i) the MEU will prepare a progress report within 60 days of the end of each calendar six-month period; (ii) the PCU/MF will prepare a consolidated **AWP** based on the AWP submitted by the MEUs (the first AWP will cover an 18-month period counting from the date of signature of the contract; the next AWP will include the period immediately following the first review, through 31 December of that year. Subsequently, an AWP will be presented each calendar year.); and (iii) the PCU/MF will prepare a consolidated Procurement Plan based on those submitted by the MEUs. The Procurement Plan will be submitted together with the AWP for the Bank's analysis and approval, and will be updated annually or as needed during execution of the PNAFM.

- 3.9 **Audited financial statements.** The program's financial statements will be audited annually by the Federal Internal Auditing Department of the Office of the Comptroller General (SFC/CGU).
- 3.10 **Project Preparation, Execution, and Monitoring System.** This system, the methodology of which is described in the PNAFM-PORs, will be used to monitor the physical and financial execution of projects, through the output level.

Annex I

This annex is confidential.

RESULTS MATRIX¹

| Output | Base 2010 | Years | | | | | | Target | Obs. | |
|---|--|-------|----|----|----|----|----|---|------|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | | | |
| COMPONENT I –NATIONAL TECHNICAL ASSISTANCE AND COORDINATION | | | | | | | | | | |
| Subcomponent 1.1 – Technical assistance for municípios and project supervision | | | | | | | | | | |
| 1 - Support the preparation and review of municipal institutional strengthening projects | Six projects supported | 10 | 20 | 30 | 40 | 50 | 60 | 60. On average, 10 projects supported each year | | |
| 2 - Support contracting loan operations | Contracts with six municípios | 7 | 8 | 9 | 10 | 11 | 12 | 12 municípios supported in contracting credit operations in Phase II | | |
| 3 - Support project management, monitoring, and evaluation by municipal teams | Eight visits conducted | 5 | 10 | 15 | 20 | 25 | 30 | 30 technical supervision visits conducted during Phase II | | |
| Subcomponent 1.2 - Cooperation and integration of tax offices | | | | | | | | | | |
| 4 - Evaluate, disseminate, and create a fiscal best practices database | One specific dissemination event held | 2 | 4 | 6 | 8 | 10 | 12 | (12) On average, two events held per year to disseminate best practices | | |
| 5 - Sign and implement national and international cooperation agreements | Absence of any signed cooperation agreements | | | | | | 1 | At least one technical cooperation agreement signed | | |
| 6 - Conduct studies and organize national and international conferences | One national technical conference held | | | | | | 1 | One national technical conference held | | |
| Subcomponent 1.3 - Knowledge management and institutional learning | | | | | | | | | | |
| 7 - Implement transparency and public communications mechanisms | Lack of a communications plan | | | | | | 1 | One internal and external communications plan developed | | |
| 8 - Implement mechanisms to encourage the creation of regional municipal modernization clusters | Lack of a modernization focus | | | | | | 1 | One pilot regional municipal modernization cluster established | | |
| 9 - Implement multipurpose facilities and distance learning programs (DLP) | Absence of any DLP | | | | | 1 | 2 | Two DLP replications carried out | | |
| Subcomponent 1.4 - Monitoring and evaluation of PNAFM Phase II | | | | | | | | | | |
| 10 - Promote municipal meetings and seminars to evaluate PNAFM actions. | One evaluation meeting in Cuiabá | | | | | | 1 | One annual meeting to evaluate project outcomes and the program | | |

¹ Cumulative targets.

| Output | Base 2010 | Years | | | | | | Target | Obs. | |
|--|---|-------|----|----|----|----|----|--|------|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | | | |
| COMPONENT II - MUNICIPAL INSTITUTIONAL STRENGTHENING | | | | | | | | | | |
| Subcomponent 2.1 - Integrated fiscal management | | | | | | | | | | |
| 1 - Improve mechanisms for transparency and communication with society | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have implemented a transparency portal | | |
| 2 - Improve human resources management | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios offer continuing technical and managerial training | | |
| 3 - Improve information and communication technology services | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios expanded/ implemented a public services portal | | |
| Subcomponent 2.2 - Tax administration and tax dispute resolution procedures | | | | | | | | | | |
| 4 - Improve tax administration efficiency and effectiveness | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have a computerized tax system | | |
| 5 - Integrate land use administration | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have current and georeferenced municipal taxpayer records | | |
| 6 - Improve tax dispute resolution efficiency and effectiveness | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have implemented a computerized control system for adjudicated tax debt | | |
| Subcomponent 2.3 - Budget, financial, accounting, and asset administration and fiscal management control | | | | | | | | | | |
| 7 - Improve budget and finance administration efficiency and effectiveness | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have implemented a computerized financial system | | |
| 8 - Improve efficiency and effectiveness in the administration of materials and assets | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios use an electronic procurement system | | |
| Subcomponent 2.4 - Management, monitoring and evaluation of municipal projects | | | | | | | | | | |
| 9 - Implement results-oriented project management methods and instruments | 0% of the universe of municipios focus on this approach | 5 | 10 | 20 | 30 | 40 | 50 | At least 50% of the municipios have implemented a project management methodology | | |

PNAFM – PHASE II

PROCUREMENT PLAN - 18 MONTHS (SUMMARY)

| No. | Contract description | AWP output link | Estimated cost (US\$) | Procurement method (1) | Review (2) | Source (%) | | Tentative dates | |
|--|--|--------------------|--------------------------|---------------------------|---------------|------------|-------|--------------------------|---------------------|
| | | | | | | IDB | Local | Publication of notice | Contract term |
| CONSULTING SERVICES | | | | | | | | | |
| 1 | Strategic and Supervision Missions | 1.1 | 30,000 | Law 8666 IV | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 2 | Develop a monitoring and evaluation tool | 1.1 | 30,000 | Law 8666 IV | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| 3 | Develop a best practices management system | 1.2 | 24,000 | Law 8666 IV | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 4 | Strategic planning for distance learning | 1.3 | 45,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| 5 | Knowledge management study | 1.4 | 21,000 | Law 8666 IV | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 6 | Develop NF-e system modules | 2.3 | 75,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| 7 | Map the registration status | 2.2 | 120,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 8 | Map municipal functions | 2.1 | 60,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| 9 | Develop corporate systems | 2.4 | 300,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 10 | Conduct technical studies | 2.4 | 45,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| SUBTOTAL CONSULTING SERVICES | | | 750,000 | | | | | | |
| TECHNICAL SERVICES (excluding consulting services) | | | | | | | | | |
| 2 | Best practices management events | 1.2 | 45,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 3 | Distance learning | 1.3 | 105,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |
| 4 | NF-e training | 2.3 | 180,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 2nd quarter 2011 |
| 5 | Training in citizen care | 2.3 | 300,000 | Law 8666 TP | Ex post | | | 1st quarter 2010 | 3rd quarter 2011 |

| No. | Contract description | AWP output link | Estimated cost (US\$) | Procurement method (1) | Review (2) | Source (%) | | Tentative dates | |
|------------------------------------|---|-----------------|-----------------------|------------------------|----------------|------------|------------|-----------------------|------------------|
| | | | | | | IDB | Local | Publication of notice | Contract term |
| 6 | Training in geoprocessing systems | 2.2 | 240,000 | Law 8666 TP | <i>Ex post</i> | | | 1st quarter 2010 | 2nd quarter 2011 |
| 7 | Training in public management | 2.1 | 150,000 | Law 8666 TP | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| 8 | Procurement of geoprocessing system | 2.2 | 1,230,000 | Law 8666 C | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| SUBTOTAL TECHNICAL SERVICES | | | 2,250,000 | | | | | | |
| GOODS | | | | | | | | | |
| 1 | Procurement of computer hardware | 1.1 | 30,000 | E-reverse auction | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| 2 | Procurement of computer hardware | 2.2 | 420,000 | E-reverse auction | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| 3 | Procurement of support and logistics equipment | 2.4 | 180,000 | E-reverse auction | <i>Ex post</i> | | | 1st quarter 2010 | 2nd quarter 2011 |
| 4 | Procurement of movables | 2.3 | 180,000 | E-reverse auction | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| 5 | Procurement of financial/tax management systems | 2.3 | 240,000 | E-reverse auction | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| SUBTOTAL GOODS | | | 1,050,000 | | | | | | |
| 1 | Remodel citizen service facilities | 2.3 | 360,000 | Law 8666 C | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| 2 | Remodel finance department facilities | 2.3 | 90,000 | Law 8666 TP | <i>Ex post</i> | | | 1st quarter 2010 | 3rd quarter 2011 |
| SUBTOTAL WORKS | | | 450,000 | | | | | | |
| GRAND TOTAL | | | 4,500,000 | | | | | | |
| % BY SOURCE | | | | | | 90% | 10% | | |

- Bidding/selection methods: **a) IDB:** ICB: International competitive bidding; **NCB:** National competitive bidding; **S:** Shopping; **DC:** Direct contracting; **QCBS:** Quality- and cost-based selection; **CQS:** Selection based on the consultants' qualifications; **LCS:** Least-cost selection; **FBS:** Fixed budget selection; **SSS:** Single-source selection; **IC:** Individual consultant. **b) Law 8666:** **IV:** Invitation, **TP:** Price comparison; **C:** Competition; **Auction:** E-reverse auction; **REG PR:** Price list.
- Ex post or ex ante.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Brazil. Loan ____/OC-BR to the Federative Republic of Brazil
National Program to Support the Administrative and Fiscal
Management of Brazilian Municipalities – 2nd Phase
(PNAFM – Phase 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 Federative Republic of Brazil, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the National Program to Support the Administrative and Fiscal Management of Brazilian Municipalities - 2nd Phase (PNAFM – Phase II). Such financing will be for an amount of up to US\$150,000,000 from the Single Currency Facility of 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.