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BRAZIL

**PROGRAM TO SUPPORT THE STRUCTURING AND DEVELOPMENT
OF MICRO PPP MODELS AT THE MUNICIPAL LEVEL**

(BR-M1054)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Ismael Gilio (MIF/CBR), Project Team Leader; David Bloomgarden (MIF); Roberto Monteverde, Procurement Specialist (CBR); Gaston Artesiano (INE/ENE); Kurt Alois Morriesen (MIF); Oscar Farfan (MIF); and Cynthia Colaiacovo (LEG/SGO). Patricia Baltar de Castro helped to produce this document.

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ABBREVIATIONS

ABDIB	Brazilian Association of Infrastructure and Basic Industry
IBAM	Brazilian Institute of Municipal Administration
IBGE	Brazilian Institute of Geography and Statistics
MIF	Multilateral Investment Fund
MPOG	Rural Expansion of a Comprehensive Microfinance System
PEU	Program executing unit
POR	Program Operating Regulations
PPP	Public-private partnership

PROGRAM TO SUPPORT THE STRUCTURING AND DEVELOPMENT OF MICRO PPP MODELS AT THE MUNICIPAL LEVEL (BR-M1054)

I. EXECUTIVE SUMMARY

Executing agency:	Brazilian Institute of Municipal Administration (IBAM)		
Beneficiaries:	Small municípios, small providers of local public services, and the low-income population.		
Financing:	MIF (Nonreimbursable): ¹	US\$1,135,678	(50%)
	Local contribution: ²	US\$1,100,000	(50%)
	Total:	US\$2,200,000	(100%)
Objectives:	<p>The <i>general objective</i> is to help increase competitiveness and improve social conditions in Brazil's small municípios by promoting micro public-private partnerships (PPPs) for the delivery of essential public services. The <i>purpose</i> is to support the structuring, implementation, evaluation, and dissemination of alternative governance mechanisms and institutional models for micro PPPs at the municipal level through small local providers for the delivery of essential public services to the poor. <i>Additionally</i>, the program would strengthen the technical, operational, and institutional capacity of municipal public administrations and small and medium-sized local providers, in order to create sustainable long-term synergies for implementation of micro-social PPPs based on the needs of the beneficiary community and the constraints of local conditions.</p>		
Timetable:	Execution period: 42 months Disbursement period: 48 months		
Special contractual conditions:	To lay the groundwork for the program, the following conditions precedent to the first disbursement must be fulfilled: (i) selection of the General Coordinator according to the terms of reference previously agreed with the Bank, (ii) approval of the Program Operating Regulations (POR), and (iii) preselection of two municípios to implement micro PPP pilot projects. Additionally, standard models of environmental and social impact studies and the risk mitigation plan		

¹ The Multilateral Investment Fund (MIF) contribution includes US\$35,500 for the impact evaluation account (US\$5,678) and MIF project cluster activities (US\$30,000). (See paragraphs 4.1 and 4.2.)

² The local contribution to the program includes resources from IBAM, the beneficiary municípios, and the private sector in the following proportions: 60%, 30%, and 10%, respectively.

must be presented as a condition precedent to the second disbursement.

Environmental and social review: The Committee on Environment and Social Impact (CESI) reviewed the program on 27 July 2007 (meeting ESR 28-07). The Committee's observations are reflected in the present document and its annexes (see paragraphs 7.1, 7.2, and 7.3 and Annex IX).

Exceptions to Bank policies: The program activities entail no exceptions to Bank policies.

II. BACKGROUND

A. Economic and social characteristics of Brazil's small municípios

- 2.1 Brazil is a federation consisting of 26 states and one federal district, further divided into a total of 5,564 municípios. The large majority of those municípios (5,038 or approximately 90.5% of the total) are small, with a population of less than 50,000 inhabitants. Of that number, nearly one half (2,690 municípios or 48.3%) have less than 10,000 inhabitants.³
- 2.2 With adoption of the 1988 Constitution, the municípios began to be incorporated as federative entities (together with the Union, states, and federal district), and a process of "*municipalization of responsibilities*" took place, particularly in the areas of health and social development.
- 2.3 Later, in the 1990s, Brazil passed regulations on *concessions* of public services and public works and *licenses* for public services through enactment of Law 8987 of 1995, *management agreements* through enactment of Law 9637 of 1998, and *partnership terms* through enactment of Law 9790 of 1999.
- 2.4 Despite these available legal and policy instruments, Brazilian municípios, particularly small ones—even with a greater transfer of resources, increased autonomy, and greater responsibilities—face difficulties in *structuring financing for urban development and increasing the efficiency of service delivery and the use of public funds*.
- 2.5 The IBGE, which is associated with the Rural Expansion of a Comprehensive Microfinance System (MPOG), estimates that approximately 43.5% of Brazilian households do not have adequate basic public sanitation services (water, sewer, and refuse collection services).⁴ The situation is even more dire in small municípios. On

³ Based on estimates through 1 April 2007 of the Brazilian Institute of Geography and Statistics (IBGE). The Institute is associated with the Ministry of Planning, Budget, and Administration (MPOG): <http://www.ibge.gov.br/home/estatistica/populacao/contagem2007/default.shtm>.

⁴ Summary of living conditions in Brazil: <http://www.ibge.gov.br/ibgeteen/pesquisas/condicoesdevida.html>.

- average, three-fourths of households in municípios with fewer than 10,000 inhabitants lack adequate basic sanitation services.
- 2.6 The Brazilian Association of Infrastructure and Basic Industry (ABDIB) reports in a study that waste and wastewater disposal is undoubtedly the least universal service in Brazil. In 2006, 95.6 million people (equivalent to 51.3% of the total population) were not connected to a sanitary sewer system. At the same time, 34 million people (equivalent to 18.3% of the population) did not have access to potable water.⁵
- 2.7 More recently, with passage of the 2004 PPP Act (Law 11,079/2004), a new opportunity arose for potential delivery of public services through nonstate institutional arrangements. However, Brazil's PPP Act focused on the Union and the states.
- 2.8 Nonetheless, the PPP Act gave the Brazilian municípios (including small ones) a potential alternative institutional arrangement and governance mechanism to promote urban and social development through public policies to fight poverty. That alternative is based on PPP structures.⁶
- 2.9 In this context, this program would structure different but appropriate PPP modalities suited to local conditions to serve small municípios, while permitting alternative providers to participate through small and medium-sized local businesses.
- 2.10 Within the scope of this program, implementation of the PPP modality will be limited to small municípios, in all cases through small local works and with the participation of the beneficiary community, and will be understood in the broad sense. This means accepting any partnership, alliance, concession, licensing, or management agreement instruments as PPPs, provided they involve the public and private sectors at the municipal level, fall within legal and regulatory frameworks, and demonstrate the technical, economic, financial, and operational viability to address economic and social infrastructure needs.

B. Main limitations to the development of a micro PPP market at the municipal level

- 2.11 In some of the different PPP modalities, such as traditional concessions, rates are high enough to recover investments made. The vast majority of PPP modalities, however, require a direct or indirect contribution—either total or partial—of public funds.

⁵ ABDID Analysis 2008 http://www.abdib.org.br/arquivos_analise_infraestrutura/analise%20infra-estrutura%209.pdf

⁶ Understanding and legal practice in Brazil both agree that PPP Law 11,079/2004 applies to the Union, and that it is within the purview of the states, federal district, and municípios to enact regulations within their jurisdictions, establishing amounts and terms that are suited to the local conditions.

- 2.12 In most municípios, PPPs are subject to fiscal constraints. Also, as complex arrangements, they must be adapted to the conditions on the ground so as not to incur elevated structuring, tendering, and subsequent monitoring costs.
- 2.13 For the micro PPPs to be truly viable, particularly when they are introduced in small municípios, to address the needs of the unserved population, and carried out through partnerships with alternative providers (essentially small and medium-sized local businesses), the investment costs need to be analyzed, as must the transaction costs of the venture, the efficiency gains, and the better cost-benefit ratio for users and beneficiaries of the public service offered.
- 2.14 In short, the need to (i) reduce implementation, transaction, and monitoring costs, (ii) identify and establish sustainable alternative models of institutional arrangements, (iii) provide management training to small and medium-sized local businesses, and (iv) set up effective public administration mechanisms are the main obstacles to the viability of micro-social PPPs in small municípios.
- 2.15 These limitations ultimately exclude a large number of potential municípios from the benefits and synergies that micro PPPs at the municipal level can generate in support of local urban development. Undoubtedly, the most disadvantaged municípios with the least institutional capacity are the very ones that are most in need of better living conditions for the community.

C. Rationale and relevance of the program

- 2.16 At present, Brazil's local public authorities are fully aware of the need to build local partnerships with the private sector in order to deliver essential public services to the population.
- 2.17 Considerable experience has been acquired over 15 years with the "municipalization" process (where the municípios have taken on some of the responsibility for providing health, education, and basic services). This experience, together with implementation of local public administration mechanisms (notably the Education Administration Boards) and the outsourcing of services, has gone a long way to transforming the actions by local authorities and securing the participation of the population.
- 2.18 In this context, the program would assist local public and private sectors in carrying out a tangible and sustainable partnership initiative for the benefit of the community and with the latter's participation. Thus, the MIF intervention will make it possible for some complementary initiatives to be supported once technical and institutional solutions have been identified.
- 2.19 The program focuses on strengthening the public-private cooperation process as well as developing both regulatory elements and a governance strategy throughout the program, from structuring to monitoring, while remaining aligned to the country's legal and institutional framework.
- 2.20 The MIF will play a catalytic role in building interest and creating synergies between public administrations and local business leaders, in an effort to strengthen

this initiative through an efficient, transparent, high-quality, and sustainable process consistent with the local needs and constraints.

III. OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The *general objective* of the program (or its purpose) is to help increase competitiveness and improve social conditions in Brazil's small municípios by promoting the use of micro PPPs to deliver public services. The purpose is to support the structuring, implementation, evaluation, and dissemination of alternative governance mechanisms and institutional models for micro PPPs at the municipal level through small local providers for the delivery of essential public services to the poor.
- 3.2 Additionally, the program would strengthen the technical, operational, and institutional capacity of the municipal public administration and small and medium-sized local providers, in order to create sustainable long-term synergies for implementation of micro-social PPPs based on the needs of the beneficiary community and local constraints.

B. Components and activities

- 3.3 **Component I: Development of a methodology and institutional partnerships.** The objective of this component is to prepare alternative models for institutional arrangements and governance mechanisms for micro PPPs at the municipal level based on the identification and analysis of best practices, success and risk cases, and international experiences. The basis for the conceptualization and formulation of this component includes three areas of intervention: (i) market analysis, (ii) institutional arrangement, and (iii) institutional partnerships for monitoring and promoting municipal PPPs.
 - 3.3.1 *Area of intervention: Market analysis.* This includes the identification and analysis of successful experiences in Brazil and abroad, as well as the identification and analysis of alternative models that exist in Brazil with respect to processes, guaranty arrangements, and compensation and governance mechanisms, in all cases with the participation of civil society. In addition, in order to support the development of alternative models, a diagnostic must be made of the main sectors that could potentially introduce micro PPPs at the municipal level. The main objective of such a diagnostic is to measure the underlying risks for the sectors. In principle, the main potential sectors are as follows: (i) urban development (sanitation, water, waste disposal and treatment), (ii) housing (low-cost housing, extremely impoverished neighborhoods, and housing projects), (iii) social (education, health, sports and recreational facilities), and (iv) production infrastructure (industrial districts and centers of production, warehousing, and trade).

- 3.3.2 *Area of intervention: Institutional arrangement.* Based on the experiences, alternative models, and diagnostics of the potential sectors, this activity includes the development of a pilot model for micro PPPs at the municipal level. The entire process is covered, including bidding documents; development, evaluation, selection, monitoring, and indicators; and contract preparation.
- 3.3.3 *Area of intervention: Institutional partnerships for monitoring and promoting municipal PPPs.* This activity includes formalizing partnerships with public and private institutions involved with PPPs, whose purpose is to help the executing agency carry out the program.
- 3.4 **Component II: Structuring and regulation of micro PPPs at the municipal level and execution of pilot projects.** The objective of this component is to structure and regulate the application of the municipal micro PPP methodology. The conceptualization and formulation of this component is based on interventions in three areas: (i) structuring, (ii) proposal selection, and (iii) regulation.
 - 3.4.1 *Structuring.* This includes the definition and execution of a **strategy** to disseminate the program to municipios, the private sector, and representative entities. After disseminating the program and before selecting the proposals based on a methodology developed in component I, the executing agency must craft the guidelines, monitoring, and logistical support for the municipios. To complement this intervention area, the bidding documents will be prepared with the corresponding forms for development, presentation, evaluation, and selection of proposals from the municipios.
 - 3.4.2 *Proposal selection.* This includes an evaluation of at least 30 proposals and the selection of 12 from different municipios through a competitive process. Those proposals will be negotiated and have signed commitments and agreements. Two municipios will be preselected. In those cases, the partnerships must be formalized in order to carry out the micro PPP pilot projects at the municipal level.
 - 3.4.3 Preselection of these two pilot municipios will be based on the four potential municipios that have been previously evaluated in accordance with Annex VIII, which is an integral part of the POR. The selection process will include an interview with the municipal administrators, identification of potential areas for micro PPPs, a formal expression of interest from the municipio, and the availability of counterpart resources.
 - 3.4.4 *Regulation.* To take place after the agreements have been formalized but before they take effect, this activity involves defining a complete process of establishing (development and approval) local laws for municipal PPPs, as well as support for the selected municipios in defining instruments that are suited to their characteristics and to the sector identified for the PPP with respect to processes, guarantees, compensation, and governance.

3.5 Component III: Development of the micro PPP market at the municipal level.

The objective of this component is to create funds to support the development of a municipal micro PPP market through the selection of proposals from interested municípios and social organizations that work directly with the municipal public administration. The conceptualization and formulation of this component is based on intervention in four areas: (i) environmental and social impact studies and risk mitigation plans; (ii) implementation of micro PPPs at the municipal level; (iii) support for medium-sized and large municípios in regulating local legislation governing municipal PPPs; and (iv) technical coordination.

- 3.5.1 *Environmental and social impact studies and risk mitigation plans.* This includes creation of a standard model for environmental and social impact studies and risk mitigation plans, which will be conducted (studies) and carried out (plans) for each of the 12 micro PPP proposals selected. The impact studies and mitigation plans will need to consider the directives and guidelines set forth in Annex IX, which is an integral part of the POR.
- 3.5.2 Technical consultants specializing in the areas of the proposals selected will be hired out of the financing to conduct studies and propose plans, on the basis of standardized models that must be applied during implementation of the micro PPP proposals and monitored during execution.
- 3.5.3 The studies and mitigation plans will be an integral part of the agreements between the executing agency and municipal administrations. Moreover, both will be an integral part of the respective contracts between the municipal administrations and the successful bidders (service providers). They should also form part of the selection processes so that the impacts, necessary activities, and related costs are known.
- 3.5.4 *Implementation of micro PPPs at the municipal level.* This includes the following activities: (i) creation of a fund to set in motion the 12 municipal micro PPPs selected, and (ii) development of a fund operations manual for operations and financial management, governance, and monitoring. Support for the selected municípios must include a commitment to contribute the counterpart economic and financial resources.
- 3.5.5 The resources from the fund will go mainly to financing local coordination, institutional strengthening of the local public administration, support for community participation, and technical training for local works.
- 3.5.6 *Support for municípios in regulating local micro PPP legislation and processes at the municipal level.* In addition to the 12 municípios that will be implementing the PPP projects, another 15 will receive assistance in regulating local municipal PPP legislation. This includes two basic activities: (i) creation of a support fund for municípios interested in

regulating local micro PPP legislation and processes through a competitive process, and (ii) development of a fund operations manual for operational and financial management, governance, and monitoring. Administration of the aforementioned fund and development of the respective operations manual must adhere to the directives and guidelines set forth in Annex X, which is an integral part of the POR. This fund will support interested municípios not considered in the micro PPP proposal selection process. Likewise, support for the selected municípios must include a commitment to contribute the counterpart economic and financial resources.

3.5.7 *Technical coordination.* Given the scale of this component and its essentially technical nature, execution will be supported by a Technical Coordination Unit.

3.6 **Component IV: Monitoring system and dissemination of experiences: Local and regional.** The objective of this component is to develop and implement a monitoring system and disseminate experiences, best practices, and success cases in Brazil and the Latin American and Caribbean region. The conceptualization and formulation of this component is based on interventions in two areas: (i) monitoring and (ii) dissemination.

3.6.1 *Monitoring.* This includes two activities related to the development, implementation, and maintenance of (i) an integrated program monitoring system, and (ii) a portal for dissemination and communication with partners and beneficiaries.

3.6.2 *Dissemination.* This includes activities for local, regional, and international dissemination of the program, success cases, and best practices, in addition to training courses and the training of multipliers in micro PPP processes at the municipal level, and preparation and publication of materials.

IV. FINANCING, EXECUTION, AND SUSTAINABILITY

4.1 **Financing:** The program will cost a total of US\$2,200,000, of which US\$1,100,000 (50%) will be financed by the MIF and the remaining US\$1,100,000 (50%) will be the responsibility of the executing agency. The local counterpart will be funded as follows: the executing agency will provide US\$660,000 (60%) in cash out of its own funds; US\$330,000 (30%) will be in special contributions from the beneficiary municípios; and US\$110,000 (10%) will take the form of cash contributions from the formalization of partnerships with private sector entities.

4.2 The program includes an additional US\$30,000 for project cluster activities, and US\$5,678 for the impact evaluation, thus increasing the MIF contribution to US\$1,135,678. The MIF financing and counterpart funding combined will total US\$2,235,678.

No.	Expense category	MIF	Contribution	Totals	(%)
1	Component I: Organization and development of micro PPP pilot models at the municipal level	84,350	24,400	108,750	4.9
2	Component II: Structuring and regulation of a methodology for micro PPPs at the municipal level	85,500	64,500	150,000	6.8
3	Component III: Development of the micro PPP market at the municipal level	738,750	650,250	1,389,000	63.1
4	Component IV: Monitoring system and dissemination of experiences: Local and regional	81,750	118,250	200,000	9.1
5	Program administration	18,000	222,000	240,000	10.9
6	Evaluations	23,500	0.00	23,500	1.1
7	Audit	25,500	0.00	25,500	1.2
8	Contingencies	42,650	20,600	63,250	2.9
Subtotal		1,100,000	1,100,000	2,200,000	100%
9	Cluster activities	30,000	0.00	30,000	-
10	Impact evaluation	5,678	0.00	5,678	-
Totals		1,135,678	1,100,000	2,235,678	-

4.3 **Execution:** The program execution period is 42 months and the disbursement period is 4 years (48 months).

4.4 **Program sustainability:** The program's sustainability is expected to be achieved and ensured through the following factors: (i) the analysis and identification of potential sectors for implementing micro-social PPPs; (ii) the definition of a methodology for institutional arrangements and governance mechanisms; (iii) training of independent professionals who can act as multipliers; and (iv) the development of a monitoring system that clearly shows the program's benefits.

V. EXECUTION MECHANISM

A. Executing agency

5.1 IBAM was founded as a nonprofit and nongovernmental organization on 1 October 1952. It is recognized as an institution for public purposes dedicated to strengthening the municipal government. Its objectives are to study, investigate, and seek solutions to municipal and urban problems, strengthening their capacity to formulate policies, deliver services, and promote local development. Its main field of action is public sector administration: institutional development, improvement of the administration's organizational structures, human resources, housing, tax structure and reform, financial management, government planning, and development of the tools to manage sector public policy.

5.2 IBAM also has experience in activities with federal and state governments, public companies, and international organizations, and has a presence on virtually the entire Latin American continent. IBAM combines sufficient capacity and knowledge to execute the entire program, build the necessary partnerships, engage

in dialogue with the different levels of government, and above all, to give the necessary credibility to the process of institutionalization of this new legal framework in the country.

B. Organization of execution

5.3 The program will be managed by two bodies that must operate in harmony: the consultative board and the program executing unit (PEU), which is associated with the executing agency.

5.3.1 *Consultative board. Powers and responsibilities:* (i) monitor the program activities, (ii) approve the admission of new partners, (iii) approve and assist with the PEU's annual work plans, (iv) track the program's accounts, and (v) approve the fund operation manuals. *Composition:* (i) the program coordinator, (ii) two public administrators designated by the participating municipal administrations on the condition that they come from different municipalities, (iii) two members designated by IBAM, and (iv) two members designated by the participating enterprises on the condition that they come from different enterprises. *Presidency:* the president of the Board will be elected by the Board members for a one-year term, and may not be reelected for consecutive terms.

5.3.2 *PEU.* The PEU will be formed by the executing agency and is associated with it. *Internal structure:* The PEU will have a simple internal structure headed by the General Coordinator. It will assign human resources that are suited to the requirements of each phase of the program. Accordingly, the PEU will comprise a permanent technical team and have the support of specialized consultants, when necessary.

5.3.3 *Technical Committee.* In the case of component III (development of the micro PPP market at the municipal level) alone, given its scale, significance, and essentially technical nature, execution will be supported by a Technical Committee that will evaluate and select the proposals.

5.3.4 *Procurement of goods and services and consulting assignments:* All program selection and procurement processes carried out in coordination with the PEU and funded out of the MIF contribution must adhere to the policies and guidelines set out in the program procurement plan, which must be presented to the IDB-MIF for approval.

VI. MONITORING AND EVALUATION

A. Monitoring

6.1 Monitoring and supervision of activities will be the responsibility of the executing agency, which to facilitate execution, monitoring, and evaluation must maintain complete, organized files and a permanently updated monitoring system. The IDB Country Office in Brazil will be responsible for overseeing the program. The

executing agency will ensure that the mechanisms, timetables, and contractual deadlines are observed.

B. Evaluation

- 6.2 There will be two program evaluations, to be performed by independent technical consultants hired directly by the Bank through its Country Office in Brazil. A midterm evaluation will be conducted when at least 50% of the financing has been disbursed, or at the midpoint of program execution, whichever occurs first. A final evaluation will be performed upon completion of the program.
- 6.3 The midterm evaluation will focus on: (i) the degree of compliance with the planned activities, (ii) the performance of consultants and instructors hired in terms of the effectiveness and quality of the goods and services provided, (iii) the effectiveness and impact of actions taken, and (iv) compliance with the targets and objectives established in the program's logical framework.
- 6.4 The final evaluation will describe: (i) program sustainability, (ii) beneficiary satisfaction, (iii) the effectiveness of investments made, outcomes obtained, and the impact of program activities, (iv) the quality of services provided, and (v) the extent to which experiences have been disseminated.

VII. ENVIRONMENTAL AND SOCIAL FEASIBILITY

- 7.1 In order to ensure adequate attention to and mitigation of the potential social and environmental impacts of municipal micro PPP projects, social and environmental impact evaluations will be financed together with the necessary risk mitigation plans, in accordance with applicable legislation and Bank policies.
- 7.2 Likewise, the POR will contain measures to mitigate the potential environmental and social impacts based on the results of the corresponding evaluations. The program will not finance municipal micro PPP projects with a high environmental and/or social impact.
- 7.3 The guidelines and policies for conducting the environmental and social impact studies and for developing and carrying out the risk mitigation plans are set out in Annex IX, which is an integral part of the POR.
- 7.4 This program has been classified as a category C operation and was accepted by the Environmental and Social Review (ESR) on 27 July 2007.

VIII. RISKS AND BENEFITS

A. Risks

- 8.1 The program's three main risks are the lack of operating capacity of the municipal administrations and the insufficient technical capacity of local private companies to deliver public services in the long term, associated with the potential lack of private sector confidence in the public sector's ability to fulfill its obligations. To mitigate

these risks, the program includes resources to promote the institutional strengthening of public administration, to support preapproval of laws, implementation of municipal micro PPPs, and the technical training for public service operators, and to promote the active participation of the beneficiary community.

- 8.2 The program's priority will be micro PPP projects at the municipal level that are financially self-sustainable and low-risk and have a high level of sustainability. Projects requiring contributions of fiscal resources will only be supported as a complement to the program.

B. Benefits

- 8.3 The expected program outcomes include: (i) pilot experiences that are implemented and evaluated; (ii) a structuring methodology that is defined and disseminated; and (iii) experiences that are shared with countries in the region. These outcomes are expected to make an effective contribution to (iv) strengthening a micro-social PPP culture of fighting poverty and revitalizing the sector. From an institutional standpoint, the program is also expected to (v) help strengthen the MIF's actions in Brazil, by upholding its tradition of support for innovative and pioneering projects in the country.

PROGRAM TO SUPPORT THE STRUCTURING AND DEVELOPMENT OF MICRO PPP MODELS AT THE MUNICIPAL LEVEL (BR-M1054)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
To help increase competitiveness and improve social conditions in Brazil's municípios by promoting micro PPPs for the delivery of essential public services.	<p>By 3 years after the program:</p> <ol style="list-style-type: none"> 01. The beneficiary municípios show an increase in private sector participation in the delivery of public services and infrastructure projects. 02. The beneficiary municípios show at least a 25% increase in public service coverage: water, sewer service, electricity, housing, irrigation, education, and health (baseline to be defined at the end of the program). 03. Low-income users (less than US\$2 a day) account for at least 70% of increased coverage. 04. The number of municípios that have institutionalized PPP structures in Brazil increases by 50%. 	<ul style="list-style-type: none"> • Municipal and national statistics on public service coverage • Impact evaluation (subject to eligibility) 	<ul style="list-style-type: none"> ▪ The macroeconomic, political, institutional, and legal scenarios make it possible to continue developing PPP structures. ▪ Acceptance by the public (users) of private sector participation in municipal public services remains unchanged.
Purpose			
To support the structuring, implementation, evaluation, and dissemination of institutional models and alternative governance mechanisms for micro PPPs at the municipal level through small local providers for the delivery of essential public services to the poor.	<p>By the end of the program:</p> <ol style="list-style-type: none"> 01. Micro PPP methodologies are institutionalized (adopted and applied) in at least 12 different municípios. 02. At least 12 micro PPP pilot experiences are implemented with small local providers. 03. Increase in both coverage and user satisfaction with services delivered by the 12 pilot PPPs. 04. At least another 15 municípios promote the regulation of local legislation governing micro PPPs. 05. At least another 50 municípios in Brazil (not targeted directly by the program) use the program's outcomes and pilot experiences to develop their own PPP structures. 	<ul style="list-style-type: none"> • Final evaluation report • Status report • Pilot project evaluation reports • Municipal public service statistics • User satisfaction surveys 	<ul style="list-style-type: none"> • The interest of private companies in participating in PPP structures increases. • The interest of municípios in institutionalizing PPP structures increases.
Components			
Component I: Development of methodology and institutional partnerships	<p>6 months into the program:</p> <ol style="list-style-type: none"> 1. At least five partnerships have been formally established with national and regional entities that will support execution of the program. <p>12 months into the program:</p> <ol style="list-style-type: none"> 2. A methodology has been developed for micro PPPs at the 	<ul style="list-style-type: none"> • Midterm and final evaluation reports • Status reports 	<ul style="list-style-type: none"> • Municipal governments maintain their political will to institutionalize PPP structures. • The legal and

Narrative summary	Indicators	Means of verification	Assumptions
	<p>municipal level (including institutional arrangements and governance mechanisms) using national and international best practices.</p> <p>3. Potential and risk diagnostics have been conducted for the program's priority sectors.</p>		<p>institutional structures of municipal governments make it possible to adopt the proposed PPP structures.</p>
<p>Component II: Structuring and regulation of micro PPPs at the municipal level and execution of pilot projects</p>	<p>6 months into the program:</p> <p>1. A commitment has been secured and signed with two pilot municípios through preselection.</p> <p>12 months into the program:</p> <p>2. Two preselected pilot projects have been started.</p> <p>18 months into the program:</p> <p>3. Through a public consultation process, at least 30 proposals for micro PPP projects have been identified and at least 10 have been selected.</p> <p>24 months into the program:</p> <p>4. Regulations have been adopted for local legislation governing micro PPPs at the municipal level in the 10 municípios selected.</p>	<ul style="list-style-type: none"> • Midterm and final evaluation reports • Status reports • Municipal documents approving PPP methodologies 	<ul style="list-style-type: none"> • No public (user) resistance to private sector participation in municipal public services is observed. • No political (legislative branch) resistance to implementation of the local PPP law is observed.
<p>Component III: Development of the micro PPP market at the municipal level</p>	<p>12 months into the program:</p> <p>1. Standard models for (i) conducting environmental and social impact studies and (ii) implementing mitigation plans have been developed, presented, and approved.</p> <p>2. The following competitive funds have been introduced:</p> <p>(i) Implementation of micro PPPs at the municipal level and</p> <p>(ii) Establishment of regulations on local laws governing micro PPPs at the municipal level.</p> <p>18 months into the program:</p> <p>3. Fifteen (15) municípios have been selected to receive support for regulations to the local law governing micro PPPs at the municipal level.</p> <p>24 months into the program:</p> <p>4. Execution of the proposals of selected municípios has started.</p> <p>By the end of the program:</p> <p>5. At least 12 pilot micro PPP projects at the municipal level have been implemented.</p> <p>6. Regulations have been adopted for at least 15 sets of local micro PPP laws and processes.</p>	<ul style="list-style-type: none"> • Midterm and final evaluation reports • Status reports • Municipal documents approving PPP methodologies 	<ul style="list-style-type: none"> • Companies are interested in delivering services within PPP structures and have the capacity to do so. • There are municípios with the necessary political, legal, and institutional conditions to adopt PPP structures.

Narrative summary	Indicators	Means of verification	Assumptions												
Component IV: Monitoring system and dissemination of experiences: Local and regional	<p>By 12 months into the program:</p> <ol style="list-style-type: none">A system has been developed and is in operation for monitoring and incorporating the program’s pilot experiences.A program dissemination plan has been developed and a network of local providers and representative entities interested in PPP structures has been established. <p>By the end of the program:</p> <ol style="list-style-type: none">The following have taken place: (i) participation in 4 events, (ii) 6 municipal PPP training courses have been held with the participation of 250 professionals and public administrators, and (iii) 2 international conferences have been held.The program outcomes and pilot experiences have been disseminated in at least 100 municípios in Brazil.	<ul style="list-style-type: none">Midterm and final evaluation reportsStatus reports	<ul style="list-style-type: none">The program attracts the interest of other municipal governments in Brazil.The program attracts the interest of the private sector and service providers.												
Activities															
Component I: Development of methodology and institutional partnerships	<table><tr><td colspan="3">US\$</td></tr><tr><td>Total</td><td>108,750.00</td><td>100.0%</td></tr><tr><td>MIF</td><td>84,350.00</td><td>77.6%</td></tr><tr><td>Counterpart</td><td>24,400.00</td><td>22.4%</td></tr></table>	US\$			Total	108,750.00	100.0%	MIF	84,350.00	77.6%	Counterpart	24,400.00	22.4%		
US\$															
Total	108,750.00	100.0%													
MIF	84,350.00	77.6%													
Counterpart	24,400.00	22.4%													
1.1. Market analysis	<ol style="list-style-type: none"><ol style="list-style-type: none">Best practices and success and risk cases in Brazil and abroad are identified and analyzed by month 6.Alternative models of institutional arrangements for processes, guarantees, compensation, and governance have been identified and analyzed by month 8.A diagnostic and analysis of the risk for sectors that could potentially implement micro PPPs at the municipal level have been completed by month 10.	<ul style="list-style-type: none">Status reportsBest practices documentsInterview reportsTechnical consulting assignment documentsFinal documents on PPP methodologiesMunicipal documents approving adoption of PPP methodologies	<ul style="list-style-type: none">Municipal governments express interest and political will to adopt PPP structures.National and international best practices are adapted to the local conditions in the beneficiary municípios.												
1.2. Institutional arrangements	<ol style="list-style-type: none"><ol style="list-style-type: none">Micro PPP pilot models at the municipal level have been established by month 12, including development, evaluation, selection, monitoring, indicators, and contracts.														
1.3. Institutional partnerships for monitoring and promoting municipal PPPs	<ol style="list-style-type: none"><ol style="list-style-type: none">At least five PPPs are formalized by month 6.														

Narrative summary	Indicators	Means of verification	Assumptions												
Component II: Structuring and regulation of micro PPPs at the municipal level and development of pilot projects	<table><tr><td colspan="3">US\$</td></tr><tr><td>Total</td><td>150,000.00</td><td>100.0%</td></tr><tr><td>MIF</td><td>85,500.00</td><td>57.0%</td></tr><tr><td>Counterpart</td><td>64,500.00</td><td>43.0%</td></tr></table>	US\$			Total	150,000.00	100.0%	MIF	85,500.00	57.0%	Counterpart	64,500.00	43.0%		
US\$															
Total	150,000.00	100.0%													
MIF	85,500.00	57.0%													
Counterpart	64,500.00	43.0%													
2.1. Structuring	2.1.1 A dissemination strategy for the municípios, private sector, and representative entities is defined and executed by month 6.	<ul style="list-style-type: none">• Status reports• Strategy papers• Notices of public consultation events• List of proposals received• Agreements on technical assistance for pilot projects• Pilot project execution reports	<ul style="list-style-type: none">• No objections are presented and there are no significant delays in the proposal selection process.• A sufficient number of companies are interested in delivering services within PPP structures and have the capacity to do so.												
2.2. Proposal selection	2.1.2 Guidelines, monitoring, and logistical support for the municípios are defined and executed by month 8.														
	2.1.3 A public consultation event and forms for developing, presenting, evaluating, and selecting proposals from the municípios are defined by month 10.														
	2.2.1 Ten proposals are selected and negotiated with a signed agreement and commitments established by month 18.														
	2.2.2 Commitments are identified, selected, and formalized with two municípios for pre-pilot projects by month 6.														
	2.2.3 A complete design of the implementation process for pre-pilot projects is prepared by month 10.														
2.3. Regulation	2.2.4 Implementation of pre-pilot projects starts by month 12.														
	2.3.1 Support is given by month 20 to the 10 selected municípios in defining guaranty, compensation, and governance processes and arrangements.														
	2.3.2 Support is given by month 22 to the 10 selected municípios in establishing regulations for local legislation governing municipal PPPs.														
	2.3.3 Regulations for laws governing municipal PPPs are adopted in the 10 selected municípios by month 24.														
Component III: Development of the micro PPP market at the municipal level	<table><tr><td colspan="3">US\$</td></tr><tr><td>Total</td><td>1,389,000.00</td><td>100.0%</td></tr><tr><td>MIF</td><td>738,750.00</td><td>53.2%</td></tr><tr><td>Counterpart</td><td>650,250.00</td><td>46.8%</td></tr></table>	US\$			Total	1,389,000.00	100.0%	MIF	738,750.00	53.2%	Counterpart	650,250.00	46.8%		
US\$															
Total	1,389,000.00	100.0%													
MIF	738,750.00	53.2%													
Counterpart	650,250.00	46.8%													
3.1. Environmental and social impact studies and risk mitigation plans	3.1.1 A standard methodology for impact studies and a mitigation plan model are developed and approved by month 12.	<ul style="list-style-type: none">• Status reports• Strategy papers• Notices of consultative events• List of proposals received• Agreements on technical assistance for pilot projects	<ul style="list-style-type: none">• The beneficiary municípios have the minimum institutional capacity to adopt PPP structures.												
3.2. Implementation of micro PPPs at the municipal level	3.1.2 Impact studies and mitigation plans for the 10 proposals selected are completed and approved by month 20.														
	3.2.1 An implementation fund for the 10 proposals selected is created by month 12.														
	3.2.2 The fund operations manual (operational and financial														

Narrative summary	Indicators	Means of verification	Assumptions												
<p>3.3. Support for municípios in establishing regulations to local laws governing micro PPPs at the municipal level</p> <p>3.4. Technical coordination</p>	<p>management, monitoring, and governance) is developed and approved by month 12.</p> <p>3.2.3 Execution of the pilot projects selected is started by month 24.</p> <p>3.3.1 A competitive fund to support the 15 municípios that are interested (but not selected) in establishing regulations for local laws governing municipal PPPs is created by month 12.</p> <p>3.3.2 The fund operations manual (operational and financial management, monitoring, and governance) is developed and approved by month 12.</p> <p>3.3.3 The process of adopting regulations for local laws is started in the selected municípios by month 24.</p> <p>3.4.1 The Technical Coordination unit is selected and hired by month 12.</p>	<ul style="list-style-type: none">Pilot project execution reports													
<p>Component IV: Monitoring system and dissemination of experiences: Local and regional</p> <p>4.1. Monitoring</p> <p>4.2. Dissemination</p>	<table><tr><td colspan="3">US\$</td></tr><tr><td>Total</td><td>200,000.00</td><td>100.0%</td></tr><tr><td>MIF</td><td>81,750.00</td><td>41.9%</td></tr><tr><td>Counterpart</td><td>118,250.00</td><td>59.1%</td></tr></table> <p>4.1.1 The program monitoring system and baseline is developed by month 12.</p> <p>4.1.2 The program portal is developed by month 12.</p> <p>4.2.1 At least four events related to micro PPPs are held and attended by month 36.</p> <p>4.2.2 At least six courses on the municipal PPP methodology with the participation of at least 250 professionals and public administrators are held by month 36.</p> <p>4.2.3 International events for sharing experiences are held in months 24 and 42.</p>	US\$			Total	200,000.00	100.0%	MIF	81,750.00	41.9%	Counterpart	118,250.00	59.1%	<ul style="list-style-type: none">Status reportsSystem reportsInstrument establishing the networkList of materials distributedList of participants at dissemination eventsEvent reports	<ul style="list-style-type: none">Municipal governments are interested in receiving information on PPP structures.Municípios not targeted by the program have the legal and technical conditions to adopt PPP structures.
US\$															
Total	200,000.00	100.0%													
MIF	81,750.00	41.9%													
Counterpart	118,250.00	59.1%													

Note: Logical framework prepared with the support of Oscar Farfan (MIF).

PROGRAM TO SUPPORT THE STRUCTURING AND DEVELOPMENT OF MICRO PPP MODELS AT THE MUNICIPAL LEVEL (BR-M1054)
ITEMIZED BUDGET

Components		Total resources (US\$)	MIF resources (US\$)	Counterpart resources (US\$)	IBAM		Municipal administrations		Private sector		Total (%)
No.	Activities: Outputs				Kind	Cash	Kind	Cash	Kind	Cash	
1	Component 01. Development of methodology and institutional partnerships	108,750	84,350	24,000	16,200	8,200	0	0	0	0	4.9%
1.1	Area of intervention: Market analysis	67,500	55,000	12,500	12,500	0	0	0	0	0	3.0%
1.2	Area of intervention: Institutional arrangement	27,000	22,500	4,500	0	4,500	0	0	0	0	1.2%
1.3	Area of intervention: Institutional partnerships for monitoring and promoting municipal PPPs	14,250	6,850	7,400	3,700	3,700	0	0	0	0	0.6%
2	Component 02. Structuring and regulation of methodology for micro PPPs at the municipal level	150,000	85,500	64,500	10,450	10,450	21,800	21,800	0	0	6.7%
2.1	Area of intervention: Structuring	25,500	20,500	5,000	2,500	2,500	0	0	0	0	1.1%
2.2	Area of intervention: Proposal selection	64,500	35,000	29,500	2,950	2,950	11,800	11,800	0	0	2.9%
2.3	Area of intervention: Regulation	60,000	30,000	30,000	5,000	5,000	10,000	10,000	0	0	2.7%
3	Component 03. Development of micro PPP market at the municipal level	1,389,000	738,750	650,250	147,675	151,650	225,938	41,025	46,388	37,575	62.1%
3.1	Area of intervention: Environmental and social impact studies and risk mitigation plans	194,000	120,000	74,000	18,800	6,900	34,500	6,900	3,450	3,450	8.7%
3.2	Area of intervention: Implementation of micro PPPs at the municipal level	785,000	450,000	335,000	71,000	49,500	165,000	16,500	16,500	16,500	35.1%
3.3	Area of intervention: Support for municipios in establishing regulations to local micro PPP laws and processes	230,000	48,750	181,250	57,875	35,250	26,438	17,625	26,438	17,625	10.3%
3.4	Area of intervention: Support for regional technical units in the Latin American and Caribbean region in establishing regulations for local micro PPP laws and processes	0	0	0	0	0	0	0	0	0	0.0%
3.4	Area of intervention: Technical coordination	180,000	120,000	60,000	0	60,000	0	0	0	0	8.1%
4	Component 04. Monitoring system and dissemination of experiences: local and regional	200,000	81,750	118,250	35,519	37,306	0	19,269	0	26,156	8.9%
4.1	Area of intervention: Monitoring	48,000	12,000	36,000	18,000	18,000	0	0	0	0	2.1%
4.2	Area of intervention: Dissemination	152,000	69,750	82,250	17,519	19,306	0	19,269	0	26,156	6.8%
5	Program management	240,000	18,000	222,000	0	222,000	0	0	0	0	10.7%
6	Evaluations	23,500	23,500	0	0	0	0	0	0	0	1.1%
7	Audit	25,500	25,500	0	0	0	0	0	0	0	1.1%
8	Contingencies	63,250	42,650	20,600	10,300	10,300	0	0	0	0	2.8%
Total		2,200,000	1,100,000	1,100,000	220,144	439,906	247,738	82,094	46,388	63,731	98.4%
9	Project cluster activities	30,000	30,000	0							1.3%
10	Impact evaluation	5,500	5,500	0							0.2%
Total		2,235,500	1,135,500	1,100,000							100.0%

PROGRAM TO SUPPORT THE STRUCTURING AND DEVELOPMENT OF MICRO PPP MODELS AT THE MUNICIPAL LEVEL (BR-M1054)
PROJECT CLUSTER

	Project number/ approval date	Project name, executing agency, and amount	Signature date and original disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, change in executing agency, etc.
1	ATN/MT-8724-BR 19 May 2004	Public-Private Partnership Program Ministry of Planning and Budget US\$675,000	5 July 2004 36 months	52.52%	The project continues to satisfactorily carry out the agreed activities designed to achieve the established objectives.
2	ATN/MT-9587-BR 14 December 2005	National Program for Institutional Development of Public-Private Partnerships Ministry of Planning and Budget US\$2,480,000	20 October 2006 36 months	0%	The project is proceeding slowly and using counterpart resources (approximately US\$200,000 to date), as well as a resources from the MIF, not the revolving fund, for reimbursement of expenses incurred.
3	ATN/MT-9636-CO 21 December 2005	Program for Public-Private Partnerships in the Initiative for Integration of Regional Infrastructure in South America (IIRSA) National Concessions Institute US\$420,000	31 August 2006 24 months	20%	Despite some initial setbacks, problems have been favorably resolved and the program is now back on schedule.
4	ATN/MT-10287-ME 14 February 2007	Program to Promote Public-Private Partnerships in Mexican States (PIAPPEM) IDB US\$3,930,000	14 February 2007 60 months	2.57%	Performance indicators show a positive trend and the assumptions have a high probability of occurrence.
5	ATN/ME-10889-PE 19 March 2008	Improvement in Access to Water and Sanitation Services Nongovernmental organization - Aqualimpia US\$1,989,950	48 months	0%	The project has not been signed.