

BRAZIL

PROJECT FOR TECHNOLOGICAL MODERNIZATION AND STRENGTHENING OF THE MANAGERIAL, NORMATIVE AND OPERATING CAPABILITY OF THE FEDERAL REVENUE SECRETARIAT (BR-0193)

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APPENDIX

Proposed Resolution

BRAZIL

PROJECT FOR TECHNOLOGICAL MODERNIZATION AND STRENGTHENING OF THE
MANAGERIAL, NORMATIVE AND OPERATING CAPABILITY OF THE
FEDERAL REVENUE SECRETARIAT
(BR-0193)

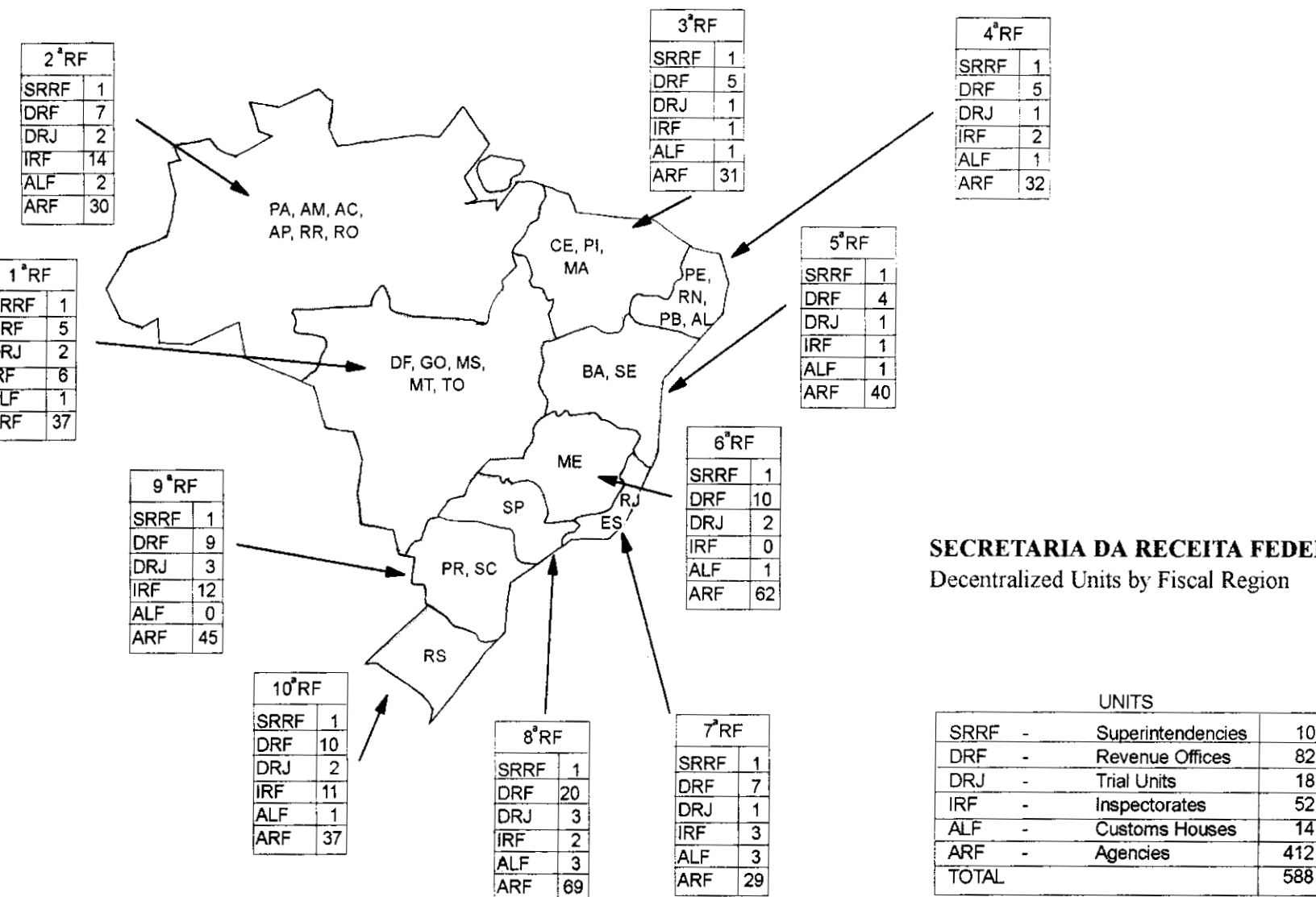
The following documents are available in the project file:

- The TAX System in Brazil and the Transfer Mechanisms Structure of the Finance Ministry and the Federal Revenue Secretariat
- Timetable of Work Development Plan
- Matrix of Dimensioning, in order to calculate the Cost of Acquisition of Equipment and Consolidated Matrix of Hardware and Software Equipments
- Matrix of Human Resources required
- Detailed Project Costs

ABBREVIATIONS

ESAF	Escola de Administração Fazendaria
IDB/Bank	Inter-American Development Bank
ICMS	Imposto sobre a Circulação de Mercadorias e Serviços
IRS	Internal Revenue Service
MERCOSUR	Mercado Común del Sur
PLOT	Plano de Modernização Organizacional e Tecnológica
SEAIN	Secretaria de Assuntos Internacionais da Secretaria de Planejamento, Orçamento e Coordenação da Presidência da República
SERPRO	Serviço Federal de Processamento de Dados
SISCOMEX	Sistema de Comercio Exterior
SRF	Secretaria da Receita Federal
STN	Secretaria do Tesouro Nacional/National Treasury Department
UNDP	United Nations Development Program
URV	Unidade Real de Valor

Project for Technological Modernization and Strengthening Managerial, Normative and Operating Capability of the Federal Revenue Secretariat



by the Inter-American Development Bank, has not been approved by any competent authority and its inclusion in the loan document has the exclusive object of influence of the project proposed for financing.

BRAZIL

Basic Socio-Economic Data
Statistics and Quantitative Analysis
Integration and Regional Programs Department

Executive Summary

Social Statistics

Land Area (Km2)	1994	8,456,508
Population (Thousands)	1994	159,000
Population (Average Annual Growth Rate)	1985-1994	1.8
Rural (Percent)	1994	20.9
Density (Population per Km2)	1994	18.8
Vital Statistics		
Crude Birth (Rate per 1,000 Population)	1992	23.3
Infant Mortality (Rate per 1,000 Live Births)	1993	57.0
Crude Death (Rate per 1,000 Population)	1992	7.4
Life Expectancy at Birth (Years)	1993	66.6
Illiteracy (Percent)	1990	18.9
Primary School Enrollment Ratio	1991	105.7

Economic Statistics

Exchange Rate (Reals/US\$)	6-1995	0.9
GDP per Capita (Average Annual Growth Rate)	1985-1994	0.8
Labor Force (Thousands)	1992	57,525
Unemployment Rate (Percent)	1994	5.5
Consumer Prices (Twelve Month Variation)	4-1995	-96.5
NF Public Sector Operational Balance (% of GDP)	1994	0.0
Domestic Credit (% of GDP)	1994	40.6
Balance of Payments (Millions of US\$)		
Current Account Balance	1994	-1,451
Trade Balance	1994	10,390
Capital Account Balance	1994	9,241
Change in Reserves (- Increase)	1994	-7,344
Total External Debt (Millions of US\$)	1994	134,865
Total Debt Service (Millions of US\$)	1994	13,498
Debt to GDP Ratio (Percent)	1994	30.2
Debt Service Ratio (Percent)	1994	26.6

21 August 1995

BRAZIL

Basic Socio-Economic Data

1. Exchange Rates

Reals/US\$, End of Period Index 1990=100

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exchange Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.8
Real Effective Index	148.2	158.0	158.0	146.4	117.4	100.0	124.6	134.9	120.3	101.8

2. Prices

Average Annual Growth Rates in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Consumer Price Index	226.9	145.2	229.7	682.3	1287.0	2937.8	440.9	1008.7	2148.4	2668.7
Wholesale Price Index	200.0	766.7	1269.2	2709.0	401.1	997.6	2032.7	...

3. International Liquidity

Millions of US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Reserves	11609	6761	7458	8116	8729	9176	8764	23268	31711	38488
Reserves minus Gold	10605	5803	6299	6972	7535	7441	8033	22521	30604	37070
Special Drawing Rights (SDRs)	1	0	0	0	...	11	13	1	2	0
Reserve Position in the IMF
Foreign Exchange	10604	5803	6299	6971	7535	7430	8020	22520	30602	37069
Gold (National Valuation)	1004	958	1159	1144	1194	1735	731	747	1107	1418

4. National Accounts

Millions of 1990 US\$ 1990 US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Gross Domestic Product	347099	372850	385271	384460	396150	378424	378932	377311	390786	412747
GDP Per Capita	2560	2695	2731	2674	2705	2539	2500	2448	2496	2596

Annual Growth Rates in Percent - Constant Prices

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
GDP Per Capita	5.6	5.3	1.5	-1.9	1.3	-6.1	-1.4	-2.4	2.5	4.1
GDP by Type of Expenditure (MP)	7.8	7.5	3.5	-0.1	3.2	-4.4	0.2	-0.8	4.1	5.7
Consumption	2.8	12.3	1.7	-1.3	3.8	-1.3	0.9	-3.3	5.4	8.2
Gross Domestic Investment	30.5	9.6	-1.5	-4.9	1.2	-11.0	-3.2	-9.1	9.8	2.5
Exports of Goods and Services	7.0	-10.6	19.2	13.1	5.1	-4.9	6.6	23.2	12.1	0.0
Imports of Goods and Services	0.0	28.7	-2.9	-1.1	8.9	10.9	10.0	5.3	35.2	7.5
GDP by Sector of Origin (FC)										
Agriculture, Forestry and Fishing	9.6	-8.0	15.0	0.8	2.9	-3.7	2.8	5.4	-1.2	7.5
Mining and Quarrying	11.6	3.7	-0.8	0.4	4.0	2.7	0.9	0.8	0.5	4.7
Manufacturing	8.3	11.3	1.0	-3.4	2.9	-9.5	-2.4	-4.1	7.9	8.0
Electricity, Gas and Water	10.2	8.3	3.3	5.8	1.6	1.8	4.3	1.6	3.7	2.3
Construction	6.0	17.8	0.7	-3.1	3.1	-9.7	-3.5	-6.6	4.9	5.9
Wholesale and Retail Trade	7.3	7.5	1.9	-2.7	2.7	-7.0	-0.8	-2.4	7.0	5.9
Transport and Communications	9.1	13.1	6.5	6.3	8.1	1.5	9.5	3.9	6.7	6.8
Financial Services	10.0	-1.7	-4.7	0.3	1.4	-3.1	-8.0	-4.6	-2.2	-2.8
Government	2.1	2.0	1.9	1.8	1.8	1.7	1.6	1.6	1.5	1.4
Other Services	-10.4	132.3	44.2	12.1	7.9	5.7	18.7	-2.6	18.4	12.2

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Basic Socio-Economic Data

4. National Accounts (cont.)

Composition in Percent - Current Prices

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
GDP by Type of Expenditure (MP)										
Consumption	74.2	77.4	73.4	70.1	69.7	75.3	78.3	76.9	77.4	...
Gross Domestic Investment	20.4	20.0	23.2	24.3	26.9	22.9	19.6	19.6	20.4	...
Exports of Goods and Services	12.9	9.2	9.8	11.7	8.9	7.8	8.9	10.4	9.8	...
Imports of Goods and Services	7.5	6.6	6.4	6.1	5.5	6.1	6.9	6.9	7.6	...
GDP by Sector of Origin (FC)										
Agriculture, Forestry and Fishing	12.6	12.1	10.8	11.4	9.8	11.5	11.4	12.2	12.5	...
Mining and Quarrying	3.4	2.8	2.3	2.1	1.7	1.8	1.8	1.8	1.8	...
Manufacturing	35.9	34.7	33.3	33.4	32.4	29.1	26.4	25.4	24.9	...
Electricity, Gas and Water	2.5	2.5	3.4	3.0	2.7	3.2	3.7	3.9	4.2	...
Construction	6.2	7.3	8.4	8.3	9.6	8.0	7.0	7.1	7.4	...
Wholesale and Retail Trade	9.7	9.1	8.4	8.7	8.5	8.1	7.5	7.5	7.6	...
Transport and Communications	5.7	5.3	5.5	5.8	6.1	5.8	5.1	5.4	6.2	...
Financial Services	3.5	5.3	6.8	4.8	3.7	5.9	12.3	9.9	6.6	...
Government	8.1	8.6	9.0	9.4	11.6	13.1	10.4	11.2	11.0	...
Other Services	12.5	12.3	12.0	13.1	14.0	13.4	14.2	15.5	18.0	...

5. Non-Financial Public Sector

As a Percent of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Borrowing Requirements	-30.2	-11.8	24.8	57.9	89.8	32.0	28.4	48.5	65.6	26.4
Operational Balance (- Deficit)	-4.7	-3.8	-5.9	-5.1	-7.4	1.4	-0.1	-2.9	-1.2	0.0

6. Monetary Survey

As a Percent of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Domestic Credit	33.8	34.9	32.6	24.2	14.9	24.6	21.5	22.5	24.2	40.6
Public Sector	9.9	9.8	10.3	6.8	4.2	7.6	6.8	6.4	6.4	9.7
Private Sector	23.9	25.1	22.3	17.4	10.6	17.0	14.7	16.1	21.0	41.6
Money (M1)	3.4	9.5	4.3	2.3	1.4	4.0	2.8	2.0	1.2	2.4

7. External Trade

Direction in Percent - Customs Basis Index 1980=100

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exports of Goods (fob)										
Developed Countries	64.4	66.7	65.9	65.2	67.6	68.1	63.4	60.1	55.6	58.1
Developing Countries	35.6	33.3	34.1	34.8	32.4	31.9	36.6	39.9	44.4	41.9
Latin America	9.6	12.3	12.3	11.9	11.8	11.3	16.5	21.6	24.8	21.4
Imports of Goods (cif)										
Developed Countries	45.3	59.2	56.0	57.5	55.7	55.0	59.3	59.9	58.7	61.1
Developing Countries	54.7	40.8	44.0	42.5	44.3	45.0	40.7	40.1	41.3	38.9
Latin America	12.3	13.1	12.1	12.8	18.3	17.0	18.0	18.3	18.4	16.9
Terms of Trade Index	81.9	101.9	90.5	101.6	87.3	82.3	86.8	82.8	83.8	86.7

BRAZIL

Basic Socio-Economic Data

7. External Trade (cont.)

Millions of US\$ - Customs Basis Composition in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Exports of Goods (fob)	25638.7	22382.1	26228.6	33788.5	34378.5	31397.3	31610.4	35955.5	38679.4	...
All Food	37.2	34.7	32.5	29.6	27.5	28.0	25.2	25.6	25.4	...
Agricultural Raw Materials	2.6	2.8	3.6	3.4	3.5	3.5	3.4	3.3	3.1	...
Fuels	6.4	3.2	3.6	2.7	2.5	2.2	1.4	1.6	1.7	...
Ores and Metals	18.1	19.8	17.9	23.3	25.1	25.3	27.7	23.6	21.6	...
Manufactured Goods	35.7	39.5	42.3	41.0	41.4	41.0	42.3	45.8	48.3	...
Chemicals	6.6	5.7	6.2	6.5	6.0	6.4	6.3	6.1	6.2	...
Machinery and Transport Equipment	15.4	17.3	20.5	19.0	20.1	18.7	18.7	20.9	21.0	...
Other Manufactured Goods	13.7	16.5	15.7	15.6	15.3	15.9	17.3	18.8	21.1	...
Imports of Goods (cif)	14329.2	15555.0	16577.8	16054.3	19857.0	22457.7	22976.3	22338.0	27700.3	...
Capital Goods	11.2	13.9	16.0	17.6	15.6	17.6	18.2	19.7	20.1	...
Consumption Goods	4.2	11.8	6.7	5.1	10.4	11.4	11.5	8.9	11.5	...
Intermediate Goods	84.3	74.0	77.3	77.2	73.9	70.7	69.4	69.4	64.6	...
Fuels	43.2	22.8	24.9	21.9	18.9	21.1	17.7	18.5	15.8	...
Other	0.3	0.2	0.1	...	0.1	0.3	0.9	2.0	3.7	...

8. Balance of Payments

Millions of US\$

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Current Account Balance	-273	-5304	-1450	4159	1025	-3788	-1408	6143	-637	-1451
Trade Balance	12466	8304	11158	19168	16112	10747	10578	15239	13072	10390
Exports of Goods (fob)	25634	22348	26210	33773	34375	31408	31619	35793	38783	43558
Imports of Goods (fob)	13168	14044	15052	14605	18263	20661	21041	20554	25711	33168
Service Balance	-12894	-13695	-12678	-15103	-15331	-15369	-13542	-11339	-15362	-14437
Freight and Insurance	514	34	152	235	143	-50	-156	-139	-165	-411
Travel	-375	-509	-184	-588	474	-122	-212	-319	-799	-1212
Investment Income	-11192	-11127	-10319	-12084	-12547	-11613	-9652	-8002	-10358	-8960
Other Services	-972	-1219	-1357	-1369	-1766	-1944	-1965	-1613	-2440	-2055
Unrequited Transfers	155	87	70	94	244	834	1556	2243	1653	2596
Private	139	89	113	107	226	813	1521	2240	1682	2564
Official	16	-2	-43	-13	18	21	35	3	-29	32
Capital Account Balance	292	2006	4417	-1621	1495	5330	753	10319	10703	9241
Non-Monetary Sector	3528	4960	6194	493	4201	8317	3724	9189	10703	9241
Private Sector	-2393	-4233	-6840	-6482	-3887	1047	3598	5450	12580	6175
Direct Investment	1267	177	1087	2794	744	236	-42	1443	-292	931
Portfolio Investment	-237	-450	-428	-498	-421	575	3808	7366	12872	11575
Other Long-Term	-2421	-4135	-7471	-7272	-3670	-232	-1077	-2435	...	-2367
Other Short-Term	-1002	175	-28	-1506	-540	468	909	-924	...	-3964
Government Sector	5921	9193	13034	6975	8088	7270	126	3739	-1877	3066
Long-Term	6325	8818	7995	7947	2737	-3584	-3416	16635	-2469	3066
Short-Term	-404	375	5039	-972	5351	10854	3542	-12896	592	...
Monetary Sector	-3236	-2954	-1777	-2114	-2706	-2987	-2971	1130
Long-Term	-2643	-3647	-2178	-2520	-2415	-1354	-616	-463
Short-Term	-593	693	401	406	-291	-1633	-2355	1593
Change in Reserves (- Increase)	511	3232	-2165	-1711	-1701	-1246	-197	-15069	-9213	-7344
Errors and Omissions	-530	66	-802	-827	-819	-296	852	-1393	-853	-446

BRAZIL
Basic Socio-Economic Data

9. External Debt

Millions of US\$
Ratios in Percent

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Debt	106121	113705	123837	115712	111373	116417	117350	121063	132749	134865
Long-Term Debt	91885	99519	106200	101463	90369	90432	89130	99200	105283	110098
Public and Publicly Guaranteed	74708	84878	91765	89949	84362	83761	81477	86204	86650	90538
Bilateral	8176	10542	12867	13028	13353	15470	14779	16393	16843	16952
Multilateral	7328	9996	12284	11398	11083	11386	11068	10062	9374	9066
Bond Holders	1816	1787	1516	1546	2183	2339	3147	10766	11532	57755
Banks	50107	54000	55839	55833	49949	46185	44045	43843	44686	2445
Suppliers	3117	3614	3684	3028	2605	2586	2745	1667	1395	1570
Other Creditors	4164	4939	5576	5115	5189	5796	5693	3473	2819	2750
Private Non-Guaranteed	17177	14641	14434	11514	6008	6671	7653	12996	18634	19560
Use of IMF Credit	4619	4501	3976	3333	2423	1821	1238	799	304	175
Short-Term Debt	9617	9684	13661	10915	18581	24165	26983	21064	27162	24592
Interest Arrears on Debt	348	398	3431	593	3755	9240	11188	4874	6619	2483
Total Debt Service	11306	11799	12031	17387	15492	8809	8755	9502	10743	13498
Public and Publicly Guaranteed	7038	7558	7878	13048	10818	6345	5604	6254	4978	6837
Bilateral	684	1122	955	591	1320	1079	1533	1229	605	1171
Multilateral	1079	1513	1970	2121	1901	2488	2451	2454	2392	1753
Private Non-Guaranteed	2427	2172	1860	2225	2504	1468	1089	1879	4253	5176
IMF Repurchases and Charges	403	979	1455	1180	1069	996	718	669	542	141
Short-Term Debt (Interest only)	1438	1091	839	934	1100	0	1344	700	970	1344
Debt to GDP Ratio	35	34	35	32	29	31	30	31	32	30
Debt Service Ratio	39	47	42	47	40	24	24	23	24	27

... Not Available

0.0 Indicates that the amount is nil or negligible

BRAZIL

Basic Socio-Economic Data

Sources and Notes

Executive Summary

Social Statistics:

Land Area: Organization of American States (OAS), América en Cifras 1974.

Population: IDB estimates based on data from Latin America Demographic Center (CELADE) and United Nations Population Division.

Vital Statistics:

World Bank, Social Indicators of Development - 1995 Edition and Economic Commission for Latin America and the Caribbean (ECLAC), Statistical Yearbook - 1994 Edition.

Economic Statistics:

Labor Force: World Bank, Social Indicators of Development - 1995 Edition.

Unemployment: Programa Regional del Empleo para América Latina y El Caribe (PREALC).

1. Exchange Rates:

International Monetary Fund (IMF), International Financial Statistics (IFS). Official rate.

Real Effective Index: IDB estimates based on data from the IMF.

2. Prices:

IMF, IFS. Annual figures are expressed as average annual growth rates; monthly figures as a twelve month variation.

3. International Liquidity:

IMF, IFS.

4. National Accounts:

GDP in 1990 US Dollars: IDB estimates.

GDP by Type of Expenditure and Sector of Origin: Fundação Instituto Brasileiro de Geografia e Estatística, Departamento de Contas Nacionais. Consumption includes changes in inventories from 1985.

5. Non-Financial Public Sector:

Banco Central do Brasil, Departamento Econômico. Operational Balance excludes monetary and exchange correction on the domestic debt.

6. Monetary Survey:

Banco Central do Brasil, Relatório Anual, various issues (mid-year observations).

7. External Trade:

Trade by Direction: IMF, Direction of Trade Statistics (magnetic tapes).

Terms of Trade: ECLAC, Balance Preliminar de la Economía de América Latina y el Caribe, 1994.

Export Composition: United Nations Statistical Division (UNSTAT) Commodity Trade (COMTRADE) Data Base; Exports include Re-Exports.

Import Composition: ECLAC. Fuels and Lubricants and Passenger Automobiles are included in Other.

8. Balance of Payments:

Banco Central do Brasil and IMF, Balance of Payments Statistics (magnetic tapes).

9. External Debt:

World Bank, World Debt Tables (magnetic tapes) and estimates.

BRAZIL

REGIONAL SUPPORT SERVICES

RSS/ITC/IRO

IDB LOANS

APPROVED AS OF JUNE 30, 1995

	US\$Thousand	Percentage
TOTAL APPROVED *	11,802,622	100.0%
DISBURSED	8,576,991	72.7%
CANCELLATIONS	1,157,388	9.8%
UNDISBURSED BALANCE	3,225,631	27.3%
PRINCIPAL COLLECTED	4,602,214	39.0%
APPROVED BY FUND		
ORDINARY CAPITAL	10,135,866	85.9%
FUND FOR SPECIAL OPERATIONS	1,536,216	13.0%
OTHER FUNDS	130,540	1.1%
OUTSTANDING DEBT BALANCE	3,974,777	
ORDINARY CAPITAL	3,525,319	88.7%
FUND FOR SPECIAL OPERATIONS	446,349	11.2%
OTHER FUNDS	3,109	0.1%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	1,038,789	8.8%
INDUSTRY, MINING AND TOURISM	2,178,987	18.5%
ENERGY	2,168,274	18.4%
TRANSPORTATION AND COMMUNICATIONS	2,226,455	18.9%
EDUCATION SCIENCE AND TECHNOLOGY	560,143	4.7%
HEALTH AND SANITATION	1,831,725	15.5%
ENVIRONMENT	504,166	4.3%
URBAN DEVELOPMENT	941,503	8.0%
SOCIAL INVESTMENT AND MICROENTERPRISE	0	0.0%
REFORM & PUBLIC SECTOR MODERNIZATION	10,000	0.1%
EXPORT FINANCING	266,477	2.3%
PREINVESTMENT AND OTHER	76,103	0.6%

* Net of cancellations with monetary adjustments and export financing loan collections.

BRASIL

REGIONAL SUPPORT SERVICES

ITC/IRO

TENTATIVE LENDING PROGRAM

US\$ Millions		
1995		
BR0183	MUNIC.ADM.URBAN DRAINAGE R.JANEIRO (GUAN	30.0
BR0209	URBAN TRANSPORT CURITIBA	120.0
BR0203	BASIC SANITATION BAHIA TODOS OS SANTOS.	264.0
BR0164	SCIENCE & TECHNOLOGY PROGRAM, FINEP II	160.0
BR0193	TAX ADMINISTRATION	78.0
BR0182	RIO DE JANEIRO URBAN UPGRADING PROGRAM	180.0
BR0150	HIGHWAY MODERNIZAT/ S.PAULO-FLORIANOPOLS	400.0
BR0155	SMALL AND MEDIUM SIZED BUSINESS CREDIT	300.0
TOTAL A		1,532.0
BR0234	CAMPINAS FLOODING CONTROL PROGRAM	30.0
TOTAL B		30.0
TOTAL YEAR		1,562.0
1996		
BR0235	YELLOW LINE CONCESSION ROAD	14.0
BR0212	URBAN DEVELOPMENT PARANA	249.0
BR0167	SECONDARY EDUCATION IMPROVEMENT - PARANA	100.0
BR0175	RTC IPEA NETWORK, IBGE, FGV, AND OTHERS	15.0
BR0210	FAVELAS SAO PAULO REHABILITATION PROGRAM	150.0
BR0177	SOCIAL REFORM SUPPORT PROGRAM-CEARA	78.0
BR0211	MUNICIPALITIES ENVIRONMENTAL SANITAT. I	275.0
BR0169	BASIC SANIT. & FISCAL IMPROVEMENT GOIAS	175.0
BR0220	RTC MODERNIZATION OF THE FEDERAL STATE	100.0
BR0213	SANITATION PROGRAM RIO DE JANEIRO STATE	144.0
BR0171	TRC TAX AND FISCAL MODERNIZ. NORTHEAST	50.0
BR0208	RTC DEVELOPMENT AND PREPARATION ECOTUR	30.0
BR0216	FERNAO DIAS HIGHWAY STAGE II	150.0
BR0195	FEDERAL ROADS DESCENTRALIZATION PROGRAM	500.0
TOTAL A		2,030.0
BR0199	HEALTH SECTOR REFORM AND INVESTMENTS	350.0
BR0240	RTC TAX ADMIN.MODERNIZATION SAO PAULO	30.0
BR0241	SANITATION PROGRAM FEDERAL DISTRICT	250.0
BR0247	EXPANSION AND IMPROVEMENT SECONDARY EDUC	100.0
BR0246	ZONA DE MATA PROGRAM - PERNAMBUCO	120.0
TOTAL B		850.0
TOTAL YEAR		2,880.0

PROJECT FOR TECHNOLOGICAL MODERNIZATION AND STRENGTHENING OF THE
MANAGERIAL, NORMATIVE AND OPERATING CAPABILITY OF THE
FEDERAL REVENUE SECRETARIAT

(BR-0193)

(Reimbursable technical Cooperation)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: The Federal Republic of Brazil

EXECUTING AGENCY: The Ministry of Finance through the Secretaria da Receita Federal (SRF)

AMOUNT AND SOURCE:

IDB:	US\$ 78,000,000 (OC)
Local counterpart funding:	US\$ 80,300,000
Total:	US\$158,300,000

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	20 years
Disbursement period:	4 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%

OBJECTIVES: The main objective of the project is to increase the efficiency and improve the effectiveness of the SRF to control taxpayer compliance, provide better taxpayer assistance, and to reduce the diversified forms of tax evasion. The program will support activities that would improve management, normative, technological and operational capabilities of the SRF.

DESCRIPTION: The project includes the following components:

- i. Management and Project Administration-- includes directing and coordination of the various phases and activities and strategic guidance of the project.
- ii. the Operational Component--includes the implementation of short and medium term measures that would help carry out the project and provide solutions to meet the urgent needs of the SRF, such as the implementation of: (i) an SRF data communications network including installation of local as well as long distance links; and (ii) new SRF units through physical and logical infrastructure adjustments;

- iii. the Development Component--includes the full implementation of the organization's vision of the future in an integrated fashion; the conduct of the necessary organizational transformations in the areas of systems, processes and working routines; and the development of the information systems and the defining and implementation of the computer system architecture and platform; and
- iv. the Training Component--includes development and execution of the Project Training Program which will offer 9,000 training opportunities in the following areas: organizational development and management, technological and information systems, tax intelligence, auditing, customs administration, taxation/tax legislation, and tax revenue collection.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of January 24, 1995, classified this as a Category II operation.

BENEFITS:

The main benefits of the operation will be: (i) the reduction of tax evasion in its different forms, such as concealment, tax and customs fraud and arrears and, consequently, an increase in tax revenue; (ii) an increase in voluntary compliance by taxpayers because of the improvement in services rendered and the simplification of procedures; and (iii) lower costs and less time required to process foreign trade operations.

RISKS:

The risks involved have to do with the wide scope of the project, the technological gap, and the organization's capacity to absorb and accept sweeping organizational changes.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The proposed project is in accordance with the overall strategy agreed upon by the Bank and Brazil during the 1995 Programming Mission, which includes priority for public sector reform and modernization of the state at both the Federal and Sub-Federal levels.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

a. Conditions prior to first disbursement:

- (i) presentation of evidence, through pertinent documents, of the establishment of the Coordinating and Review Committee, the nomination of the Project Director and administration staff

allocated full time to the project (see 3.4-7);
and

(ii) the presentation of the Initial Report, (see 3.12).

- b. Conditions related to project execution: the work plan for the first 12 months of project execution should be presented to the Bank for approval within six (6) months from the date of effectiveness of the contract (see 3.13); and
- c. Other special conditions: the Bank will recognize as local counterpart, expenditure up to US\$2,000,000 occurred prior to the approval date, but after January 1st, 1995 (see 2.23).

**REGARDING THE
BANK'S ROLE IN
POVERTY REDUCTION:**

This project is not targeted to poverty reduction.

NOTE: The draft reimbursable technical cooperation contract will be available to the members of the Committee of the Whole upon request.

I. FRAME OF REFERENCE

A. The Plano Real and the role of tax administration

- 1.1 The strengthening of tax administration --the basic objective of the proposed project-- represents an important support to Brazil's current stabilization program, the Plano Real, which was adopted in several stages beginning in late 1993 to halt increasingly unmanageable rates of inflation.
- 1.2 The first stage of the Plano Real --the sixth major stabilization effort in eight years-- was intended to eliminate the large potential deficit that was foreseen in the 1994 federal budget. This was imperative, since it was recognized that the financing of any fiscal imbalance, either by monetary expansion or the issuance of additional domestic debt through the open market, would strongly impact already heightened inflationary expectations. Towards addressing this problem, initiatives were adopted to cut expenditures and increase revenues. The revenue measures included both new tax measures to increase collections and also tightened tax administration at the federal level in an attempt to reduce widespread evasion.
- 1.3 Preliminary data suggest that the fiscal measures adopted in support of the Plano Real were largely successful and that a small primary surplus was obtained, at the level of the federal government. In part, this reflected the buoyant performance of revenues collected by the Secretaria da Receita Federal, which expanded 2.6 percentage points to an estimated 13.3 percent of GDP (see the analysis of the tax system presented in section B below). In turn, this increase was attributable to the continued economic recovery and the decreased erosion of receipts that accompanied the decline in inflation after July and also to stronger enforcement efforts, especially in the case of the income tax. Tax collections at the federal level also benefited from the constitutional amendment, which reduced revenue transfers to state and municipal governments until the end of 1995. At the same time, delays in approving a federal budget enabled the authorities, by law, to limit most categories of expenditures to the amounts actually spent in the preceding year.
- 1.4 The second part of the Plan, initiated in March 1994, dealt with phasing in a new currency. Towards this end, a temporary new accounting unit, the real unit of value (URV) was introduced into which prices could be expressed on a daily basis. By linking increases in all domestic prices to the URV, agents could observe that, even though prices (including the exchange rate) continued to rise daily, the pattern of increases would gradually converge to a single rate in terms of URV's. Once relative prices were perceived to be adjusted and moving together, it was expected that the continued need for indexation procedures for recovering past losses in real income or profits would dissipate.

- 1.5 The transition to URV's began immediately with wages, which were converted effective March 1, 1994 by their average values in the preceding four months. By mid-March, new contracts were also written in URV's and, by late June, most prices were expressed in URV's, even though actual transactions still occurred in *cruzeiros reais* (the existing currency). Subsequently, on July 1, 1994, all prices were converted to the new currency (the *real*), at the rate of one *real* for every 2,750 *cruzeiros reais*. Simultaneously, the *real* was pegged to the U.S. dollar for the indefinite future.
- 1.6 In the case of the exchange rate, the link to the dollar was initially regarded only as an upper bound. Specifically, if the *real* were to fall in value (i.e. depreciate), the Central Bank would intervene to maintain the one-to-one rate with the dollar. In contrast, if the new currency were to rise in value (i.e. appreciate) with respect to the dollar, it would be allowed to reflect market forces. During the early months of the Plano Real, however, it became clear that the new exchange regime, besides the explicit upper bound, also had an implicit lower bound, as the authorities intervened several times before year-end 1994 to avert exchange rate appreciation beyond the level of 85 cents equal to one *real*. The unexpected appreciation of the *real*, in turn, largely reflected the continuing large capital inflow during this period.
- 1.7 The substantial appreciation of the new currency contributed to the highly favorable results obtained by the Plano Real in reducing inflation, which plummeted from almost 50 percent in June, to 6 percent in July, and to under 2 percent by December. Moreover, it was expected that the new exchange rate policy would continue to keep inflation low into early 1995, especially given Brazil's substantial holdings of reserves (estimated at about \$40 billion in December, 1994). The prospects for lower inflation were also buoyed by the significant lowering of import duties that was decreed in September 1994 and the tight monetary policy and high interest rates that were implemented to curb excess demand pressures.
- 1.8 Despite the favorable results, however, it was clear that sustaining the success of the Plano Real over the longer-term could only be ensured through: (a) continued prudent macroeconomic management to keep inflation low (especially by avoiding re-indexation and allowing market forces to operate freely); and (b) the adoption of supporting structural reforms to consolidate and build upon the gains thus far achieved.
- 1.9 Towards these ends, the government that assumed power on January 1, 1995 has identified a number of additional stabilization and reform measures for implementation during 1995 and beyond. Particular attention is being assigned to the modernization of the public sector, tax reform and additional improvements in tax administration, social security reform, privatization, and expenditure responsibility at the different levels of government.

These items comprise some of the principal topics that must be dealt with if Brazil is to make lasting progress in the area of modernization of the state and, more specifically, to achieve a permanent fiscal adjustment on the scale that is needed to ensure the long-term success of the Plano Real.

- 1.10 From a macroeconomic standpoint, a strong fiscal adjustment is particularly vital for raising public sector savings, which in recent years have been negligible in relation to GDP. The fiscal area is particularly urgent, since Brazil has lagged behind most other countries in the region in dealing with deeply-rooted problems in its public sector --problems which have long been recognized as the nation's basic source of macroeconomic imbalance. Moreover, it should be emphasized that the fiscal measures adopted under the aegis of the Plano Real were essentially short-term palliatives rather than fundamental and permanent solutions.

B. The tax system

- 1.11 Brazil's present tax system has been in place since 1966, although reforms were introduced by the new Constitution, proclaimed in 1988, to realign the tax competence of each government level. In general, the Brazilian tax system can be characterized as complex in nature. This is mainly due to the various, cumulative, and piecemeal adjustments that have been made to the tax system over the years with efforts to sustain revenue levels in a high inflation environment.
- 1.12 Each sphere of government (federal, state and municipal) has its own tax purview, distributed at present in the following manner:
 - (i) **Federal Union--Federal Taxes and Social Taxes:**
income; imports and exports; industrial products; credit transactions; currency exchange; securities; rural land property; financial transactions; and social payments;
 - (ii) **States--State Taxes:**
operations involving traffic in goods and the performance of interstate and intermunicipal transportation and communications services; the transmittal and conferral of all assets or entitlements; and the ownership of motor vehicles; and
 - (iii) **Municipalities--Municipal Taxes:**
ownership of urban land and buildings; the transmittal of such real estate; retail sales of liquid and gaseous fuel, except for diesel; and taxes on services of any kind.
- 1.13 Irrespective of the inherent tax competence at each level of government, the Federal Constitution determines the fiscal revenue to be divided among members of the federation. Accordingly, there is a transferral of resources within the three government levels.

- 1.14 The composition of the average tax burden ^{1/} from 1982 through 1991 shows 16.8% in payments and receipts at the federal level; 5.2% at the state level; and 0.7% at the municipal level. The table below indicates the tax burden and the share of principal taxes.

TAX BURDEN OF THE GENERAL GOVERNMENT
(expressed as % of GDP)

	Average (82-91)	1992	1993	1994*
1. FEDERAL GOVERNMENT	16.8	15.1	16.6	19.2
a. SRF	10.9	8.8	10.7	13.3
Income Tax	4.7	3.7	4.2	5.6
Excise Tax	2.6	2.3	2.4	2.8
Others **	3.6	2.8	4.1	4.9
b. Social Security	5.9	5.3	5.9	5.9
2. STATE GOVERNMENT	5.2	6.8	5.2	5.8
a. VAT(ICMS)	5.1	6.5	5.1	5.6
b. Others	0.1	0.3	0.1	0.2
3. MUNICIPAL GOVERNMENT	0.7	1.1	1.0	1.1
TOTAL	22.7	22.9	22.8	26.1

(*) Preliminary

(**) Includes foreign trade taxes, taxes on financial transactions, payments of social taxes, etc.

- 1.15 As the table indicates there has been continuous growth in the volume of federal taxes collected in the last two years. Tax collected by the Secretaria da Receita Federal (SRF) in 1993 was 25.5% higher than in 1992, rising from US\$36.8 billion to US\$46.3 billion.
- 1.16 It is estimated that tax collected by the SRF in 1994 has reached US\$62 billion, an increase of 34% over the amount collected in 1993. This figure, equivalent to 13.3% of GDP, would bring the total tax burden of the General Government to 26.1% of GDP. The average tax burden in Latin America is 16%.
- 1.17 One of the important reasons for the increase in tax collected by the SRF in the last two years, is due to a strategy of selective

^{1/} "Tax burden" is defined as tax revenue collected, expressed as a percentage of GDP.

targeting of collection and inspection efforts and the ripple effect of publicizing such efforts. These efforts, however, have been short term in nature and do not specifically address the inherent institutional constraints, as described in 1.33-1.43 below. High levels of tax evasion are prevalent in the system.

- 1.18 The difficulty in measuring the extent of tax evasion is obvious, since the tactics involved are by nature secret. Indicators available do not provide sufficient data for an accurate appraisal; however, most indices cited in various tax evasion studies exceed 50%. In other words, for each "Real" of tax collections, at least another "Real" is owed but not paid. These figures are indicative of the potential huge increase in revenues that can be obtained by combating tax evasion.

C. Tax and customs administration

- 1.19 At the municipal and state levels, the responsibility for administration and collection of taxes within its jurisdictions, lies with the respective treasury departments.
- 1.20 At the federal level, the SRF, which is part of the Finance Ministry, is responsible for administering all taxes except for payroll contributions (which is the responsibility of the National Social Security Institute, a branch of the Social Security Ministry).
- 1.21 The SRF functions include the planning, execution, control, supervision and evaluation of tax and customs administration and such other functions as may be delegated in specific laws.

1. Institutional framework of the SRF

- 1.22 The structure of the SRF consists of central and decentralized units. The central units perform activities of a regulatory, coordinating and planning nature, while the decentralized units carry out supervision at the regional levels and execution at the subregional and local levels.
- 1.23 The central units (Coordinations) include: Economic and Tax Studies, Taxation, Tax Collection, Inspection, Customs Control, Technology and Information Systems, Programming and Logistics, International Relations, Publishing and External Relations, Auditing and Modernization.
- 1.24 The decentralized units are composed of regional, subregional and local agencies. Regional competence is carried out by 10 Federal Revenue Superintendencies, reporting to the Federal Revenue Secretary. Each of the Superintendencies oversees jurisdictionally its respective fiscal region. The subregional units consist of 82 Federal Revenue Offices, subordinated to the Superintendent of the respective fiscal region, and 18 Judgement Units subordinated to the Federal Revenue Secretary. The local units include 14 Customs

Offices, 52 Federal Revenue Inspectorates and 412 Federal Revenue Agencies (see MAP).

- 1.25 As of May 1994, the SRF had a staff of 17,661 people, whereof 32.5% belonged to the National Treasury tax auditors category (upper level) and 33.8% were National Treasury technicians (intermediate level category). In addition to those two major categories, there are various classes of employees including technicians from the Federal Data Processing Service (SERPRO) and administrative and support staff representing 33.7% of all SRF employees.
- 1.26 The SRF is dealing with the most voluminous collections of data existing in Brazil. The Register of Individuals and Corporate Bodies lists the names of more than 100 million taxpayers and, each year, the SRF receives approximately 10 million income tax returns, 60 million tax collection documents, 2 million customs duty declarations, 2 million import and export declarations, 600,000 declarations of income tax at the source, and 150,000 declarations of tax on industrial products.
- 1.27 Procedures for collection through the banking system were adopted in 1965. At present, the SRF is responsible for managing and controlling the performance of 18,000 agencies of 128 banking organizations, monitoring the accuracy of the daily amounts collected on behalf of the National Treasury and applying penalties for any deviation or evasion. The amounts collected by the banks are deposited at the account of the National Treasury on the day following such collection. The collection documents are transcribed by the banks and remitted on the fourth working day after collection.
- 1.28 The tax inspection activities performed by the SRF are varied. They consist of external and internal inspection, reviews of tax declarations and specific actions by tax agents and experts, and fiscal intelligence activities, developed through a new special unit set up to detect and combat violations of tax regulations.
- 1.29 The SRF is responsible for interpreting federal tax laws, drawing up regulations and publishing normative guidelines for such interpretation. In 1993, the SRF started to set up Judgement Units to conduct hearings on the administrative and fiscal actions involving federal taxes. These units, specializing in the review of litigious matters, should help to reduce the accumulation of cases on the docket.
- 1.30 The SRF, through its customs service system, is responsible for controlling imported and exported goods; applying duties and other levies assessed on such goods; combating contraband and other forms of tax evasion; and compiling statistics on foreign trade. The present scope of customs services covers 16,000 km of land borders and 8,000 km of coastline and includes 330 ports, airports, border check points and other customs offices.

2. Other supporting agencies of the SRF

a. SERPRO

- 1.31 Most of the SRF data processing is being performed by the Federal Data Processing Service (SERPRO), which is a public enterprise of the Ministry of Finance, created with the objective of supporting the Federal Government in data processing and systems applications. The structure of SERPRO includes its headquarters located in Brasilia, and 10 decentralized units, located in the respective fiscal regions. The main users of SERPRO are the "Secretaria do Tesouro", the "Presidência de la República", the SRF and "Caixa Econômica Federal". As of July 1994, SERPRO had a staff of approximately 9,500 people, of which 80% were specialists in information systems. It is estimated that 30% of SERPRO's resources are presently being utilized to serve the SRF's needs in data processing.

b. ESAF

- 1.32 The "Escola de Administração Fazendaria" (ESAF) is an agency of the Ministry of Finance, created to support the Ministry in the execution of training programs. Its Director reports to the Minister of Finance. The ESAF headquarters located in Brasilia have a campus with accommodations for 288 students, 21 classrooms, 2 auditoriums and other education facilities. There are also regional centers in each of the 10 fiscal regions, equipped with a total of 67 classrooms. The training courses required for auditors entering the SRF, and other specialized training given to the SRF technicians, is carried out at the ESAF locations throughout Brazil.

3. Main constraints facing the SRF

- 1.33 The main difficulties facing the SRF in its performance of its functions are: (a) lack of timely, accurate information which is needed to perform basic tax control functions; (b) shortage of human resources, particularly in the field of auditing; (c) lag in technology resulting from inadequate investment in the field of information systems; (d) limited capacity to undertake new initiatives to control tax evasion such as fiscal intelligence work; (e) inability to decentralize and effectively monitor decentralized units performance; and (f) inability to determine potential tax revenue to be collected at the subregional and local levels.
- 1.34 The following examples depict the difficulty currently being faced by the SRF in its performance of basic tax control activities: (i) the list of taxpayers is largely out of date, which impedes all SRF actions when it is necessary to locate the taxpayer or examine the pertinent data; (ii) there is a lag of more than a year between the date the tax declaration is presented by the taxpayer and the time when that information becomes available in the SRF data base; and

(iii) current and updated accounts are not available, which makes it difficult to carry out collections, breakdowns, substantiation of data and control of arrears.

- 1.35 With respect to customs administration, the sweeping changes in the structure of Brazil's foreign trade (the total volume of foreign trade in 1970 was US\$5.2, in 1980 US\$40 and in 1993 US\$65 billion) call for the implementation of new information systems. The SISCOMEX system of automated control of exports has recently been set up on a nationwide basis. However, a more effective system to monitor imports --which have risen substantially since Brazil opened up its economy-- is needed.
- 1.36 In the area of human resources, despite the fact that 1,067 new auditors were approved and trained in 1993, the SRF continues to suffer from a general shortage of personnel. At present the SRF has fewer than half the number of auditors employed in the 1980s. The staff of Brazil's tax administration numbers 0.13 per 1,000 inhabitants, as compared with 0.52 in Spain; 0.92 in the United States; 1.41 in Canada; 1.79 in France; and 2.36 in the United Kingdom.
- 1.37 The expenses incurred by the SRF in 1993 were US\$673 million, which represent 1.5% for the collection service performed by the agency. According to data from international organizations (IMF, CIAT, the International Tax Association and IDB), the average cost of tax collection in Latin America in process of modernization is at least 2.0%, and this figure is even higher in other parts of the world (2.7% in France and 3.5% in Germany). Furthermore, approximately 61% of the total expenses consisted of personnel and social costs, 36% were for current costs, and the remaining 3% capital expenditures, which is not enough to carry out the investment necessary to support the modernization of the SRF.
- 1.38 In 1993, 94,114 tax inspection activities (internal and external) were performed. Although that represents an increase of more than 40% over previous year,s the number of fiscal interventions conducted each year continues to be very low. The number of tax auditors assigned to inspection activities throughout the country is roughly 1,700 (based on figures for 1993). At least three (3) times that number would be needed to meet the demand in this area.
- 1.39 SERPRO, which presently supports the SRF in data processing, uses mainly large-scale equipment, which is expensive to maintain and with the further drawback that it does not provide institutionwide applications to the SRF. The SERPRO systems available for service to the SRF are the ones set up in the 1970s, obsolete and unwieldy. This situation is a result of the lag in technology caused by inadequate investment in information systems over the past ten (10) years. The outdated technology and the compartmental nature of the systems comprise the basic input, --information-- for the SRF work. As a result, the existing data are out-of-date and the information yielded, when processed, is not reliable.

- 1.40 Although the SRF is recording the receipt of some of the tax documents on magnetic tapes, the information is stored in non-integrated data bases with a significant lag between the occurrence of the events and the actual availability of the records. This makes it difficult for the SRF to utilize the data for prompt and effective managerial and operational actions, in particular at the decentralized level.
- 1.41 The recently installed Fiscal Intelligence Unit needs extensive support with respect to information to be able to carry out its activities on a national scale. It presently consists of nearly 100 tax auditors assigned to the country's various regions and managed by the central office in Brasilia and the regional offices in Rio de Janeiro and São Paulo. The auditors comprising this group were trained in intelligence techniques at the Strategic Affairs Secretariat in Brasilia and in criminal investigation at the United States Federal Law Enforcement Training Center in Brunswick, Georgia. They also attended the course on International Financial Fraud given by the U.S. Internal Revenue Service.
- 1.42 Another problem facing the SRF in the area of collections, is the backlog of more than 50,000 administrative and fiscal actions -- representing more than US\$5 billion-- that must be settled. To reduce the number of cases thus accumulated, the agency has placed priority on the establishment of 18 Judgement Units. These units will need technological support to obtain the information necessary to become fully operational.
- 1.43 The constraints facing the SRF are the basis for program conceptualization. The SRF has initiated various efforts to develop solutions to address many of these problems, as described in the following paragraphs.

D. The proposed program: The implementation of a new organizational and technological model for the SRF

1. Background of the program

- 1.44 In 1990 the Finance Ministry, the SRF and SERPRO authorities agreed that a review of the technological model in use at that time was urgently needed. Resulting from this review, undertaken in 1991, there was consensus that not only the technological model had to be redefined, but there was also a perceptible need for changes in the administration, operational and organizational areas of the SRF. This led to the inclusion of these areas in drafting the proposal for a new SRF organizational and technological model.
- 1.45 In 1992 the SRF designed and approved the Organizational and Technological Modernization Plan (PLOT). This plan confirmed the general directives of the new model --operational autonomy in the decentralized units and immediate and conclusive taxpayer assistance-- and defined necessary activities to implement the model.

- 1.46 In 1993 the SRF carried out partial changes in its structure, thus launching a process of administrative decentralization. The main changes were the creation of 22 Taxpayer Assistance Centers, a National Processing Center and a central Fiscal Intelligence Unit. When these actions started they revealed that the change was of a larger magnitude than anticipated and that there was a need for an integrated approach that would provide a stringent updating process to effectively support the various steps of the implementation of the PLOT.

2. The proposed program

- 1.47 Building on this, and taking into consideration new challenges facing the SRF, the proposed operation has been designed as a comprehensive response to ensure that the solutions proposed are implemented in an integrated manner, thus solving the major limitations of the Secretariat. In the elaboration of the components, all proposals and modernization programs elaborated by and for the SRF since 1990 were carefully reviewed. The premise for program conceptualization was that, for this program to be effectively executed, the project ownership had to lie in the SRF with full support of the Finance Ministry. To this effect the program was designed by 8 specialized working groups within the SRF, coordinated by the SRF's Deputy Secretary and with technical support from the Bank. Consultants were also hired by the Bank to review the PLOT and to provide support specifically in these areas of program formulation.
- 1.48 The proposed program will support the implementation of an organizational and technological model for SRF, based on administrative decentralization, distributed data bases, operational autonomy, and processing of information done by the end user. Thus, the information data will be entered, validated, processed and utilized in the regional and subregional processing centers of SRF, to be established for this objective.
- 1.49 To facilitate implementation with adequate monitoring, and ensure system maintenance of this process the Superintendencies, Delegations, Customs Offices and Inspectorates will have Information Service Centers interconnected to a network that will be implemented on a national level.
- 1.50 The implementation of the PLOT will result in each regional administrator having responsibility in the planning and operation of their respective unit and its compliance with the global objectives as defined by the central unit.

E. Bank strategy in country and previous experience by Bank

1. Priority of program

- 1.51 In May of 1994, the Bank responded to a request from the Finance Ministry by sending an identification mission to determine possible

areas in which the IDB could provide support for the SRF. As a result of the identification mission, on June 9, 1994 the Bank received a formal request from the Brazilian Government for the provision of technical cooperation for technological modernization and strengthening of the managerial, normative and operational capabilities of the Federal Revenue Secretariat.

- 1.52 In July of 1994, the Bank approved a short-term mission to help prepare the project and included this operation in the Bank's operating program.

2. Compatibility of project with Bank strategy in country

- 1.53 The proposed project reflects the overall strategy agreed upon by the Bank and Brazil during the 1995 Programming Mission, which includes priority for public sector reform and modernization of the state at both the Federal and Sub-Federal levels.

- 1.54 This project is consistent with the Bank's strategy of improving the efficiency of the public sector. Along this line, the Bank is encouraging its borrowing countries to focus on modernizing the state, its institutions, management and administrative practices. In June 1994, the Bank approved a technical cooperation in the amount of US\$10 million for institutional strengthening of Brazil's Foreign Ministry.

3. Previous Bank experience in sector

- 1.55 The Bank is carrying out technical assistance programs (reimbursable and nonreimbursable) in 18 countries of the region in the area of fiscal administration. Over the past ten years it has financed more than 65 such programs, which have been satisfactorily executed.
- 1.56 Lessons drawn from the Bank's and other institutions' experience indicate that the far reaching nature of tax administration reform requires leadership in implementation, close supervision and support by government at its highest level along with substantial Bank assistance. The scope of the changes to be fully implemented and assimilated within institutions of the size of the SRF, take time. Further, because revenue collection is of the utmost priority, there is also a tendency to over-emphasize computerization vis a vis other important areas like organization and management, training and auditing.
- 1.57 The encouragement of voluntary compliance also has to receive high priority. It is a basic premise that only a small amount of collection can be directly controlled. Thus, a large part of compliance depends upon the taxpayer's perception of the fairness of the system and of the efficiency and effectiveness of the entities administering the system, as well as of the risks and costs of noncompliance. Therefore, it is of utmost importance that

the quality of services be improved and the transparency and accountability of tax administration be ensured.

II. THE PROGRAM

A. Objectives and benchmarks

- 2.1 The main objective of the project is to increase the efficiency and improve the effectiveness of the SRF to control taxpayer compliance, provide better taxpayer assistance, and to reduce the diversified forms of tax evasion. The program will support activities that would improve the management, normative, technological and operational capabilities of the SRF.
- 2.2 The principal benchmarks of the proposed project are the following:
 - a. double the capacity to control taxpayer compliance and payment of arrears by techniques covering 50,000 taxpayers annually through direct presence methods and approximately 3 million taxpayers per year through notifications utilizing the mailing system;
 - b. increase fourfold the capacity to undertake fiscalization and fiscal intelligence auditing programs sustained by automated information systems to cover 500,000 taxpayers annually;
 - c. provide immediate and conclusive solutions to requests for information and claims to cover more than 60% of active taxpayers;
 - d. increase economic and tax analysis capabilities in order to establish performance indicators for the operational units of the SRF to measure productivity and indices of tax evasion at the regional and subregional level; and
 - e. finally, the implementation of this program is expected to bring a reduction on fiscal evasion, in the taxes which the SRF has the responsibility to control and, consequently, an increase in federal tax revenue. A conservative estimate would be an estimated recovery of more than US\$8 billion in tax revenue during the execution period, based on the level of collection of taxes administered by the SRF in 1994.
- 2.3 The project includes the following specific targets to be reached during the execution period:
 - a. the establishment of 82 Taxpayer Assistance Centers (Subregional level-Revenue Offices) and 478 Integrated Taxpayer Assistance Posts (Local level-Agencies and Inspectorates) with standard procedures covering all subregional and local tax offices;
 - b. the implementation of one (1) National Processing Center (Brasilia), 10 Regional Service Centers (Superintendencies) and

109 Local Service Centers (82 Revenue Offices, 14 Custom Offices and 13 Inspectorates) based on the new technological model;

- c. the carrying out of 9,015 training opportunities, including: 1,960 in technological and information systems, 250 in fiscal intelligence, 2,300 in auditing and fiscalization, 400 in customs administration and techniques, 1,350 in tax legislation, and 1,375 in revenue collection, to support the process of changes;
- d. the implementation of new information systems, at the central level as well as in 10 superintendencies, 82 Revenue Offices, 14 Custom Offices and 13 Inspectorates;
- e. control systems to be put in place for effective information of imports before arrival of merchandise in the customs houses; and
- f. implementation of a new management model and a new organizational model of the SRF.

B. Program components

- 2.4 The components and activities to be carried out in this project are described in matrixes (the Matrix), which will form part of the Initial Report (see 3.12). The Matrix (see Annex) was developed by the specialized working groups within the SRF, with technical support from the Bank, and it specifies the project components and activities, expected results, indicators for verifying the accomplishments and the resources necessary for carrying out the activities. The following components are included:

1. Management and project administration (US\$8,840,000)

- 2.5 This component includes organization and administration for project execution. Its objective is to define the strategic measures to be pursued during the execution of the project. The main activities are the following:

- a. project organization and administration;
- b. definition of project strategies related to:
 - (i) organizational, operational and technological matters, and in the viability and disclosure of the project;
 - (ii) minimizing risks and ensuring that the proposed project be fully implemented and that the impact of tax reforms that may occur during the project development will be considered; and

- (iii) the needs and expectations of the organization in the modernization process to ensure a fast, uninterrupted pace in the project development.

2.6 The administration will be headed by the Project Director (see 3.6) and composed of representatives of the SRF's Coordinations, Superintendencies and Revenue Offices to be assigned full time for the management of the project and technicians to be hired by the SRF specifically for this component. To strengthen the administration, consultants/consulting firm (152 person/months) specialized in management, O&M, information, training and communication, will be hired. Technical assistance in the execution of the project will be given by the ESAF and other supporting agencies. In this component, the Bank will finance consulting services while all other costs, including service fees for technical assistance will be financed with counterpart resources.

2. Operational component (US\$5,100,000)

2.7 The objective of this component is to allow resources for short and medium term needs, consistent with the general strategy of the project. This component will support the project implementation and produce solutions for imminent needs of the SRF and give credibility to the modernization process. Costs incurred in this component will be financed with local counterpart resources.

2.8 The activities to be carried out under this component are:

- a. identification and implementation of short term technical measures for immediate action to facilitate project execution. This will be a continuous activity during the entire execution period, to be carried out by a group of 20 technicians experienced in information systems and processes;
- b. a review of the current information systems to determine the level of utilization and the principal problems and to define priorities and alternatives for optimal use to reduce operational costs, especially those related to processing of data, databases and disc space. This activity will be carried out by the same working group as under (a) above;
- c. the implementation of an SRF data communications network including installation of local as well as long distance links. Selection and installment of an electronic mail system and the interlinks between the central and decentralized units. This activity will be carried out by another group of 20 specialists; and
- d. the implementation of SRF units through physical and logical infrastructure adjustments. This activity will be carried out by a team of 10 SRF functionaries specialized in administration and organization.

3. Development component (US\$110,940,000)

- 2.9 The objective of this component is to fully implement the organization's vision of the future in an integrated fashion, including the conduct of the necessary organizational transformations in the areas of systems, processes and working routines. It includes the development of the information systems and the defining and implementation of the computer system architecture and platform.
- 2.10 The activities to be carried out under this component are:
- a. analysis of economic-tax data, including study on tax evasion and potential tax collections, and the development of methodologies for evaluation of the efficiency within the decentralized SRF units;
 - b. revision of the organization processes, working stations and the SRF data and process model;
 - c. revision of the collective data processing model;
 - d. definition of the new systems plan;
 - e. introduction of technological platform;
 - f. systems development and implementation;
 - g. redefinition and acknowledgment of the administration model, based on operational autonomy at the decentralized level;
 - h. redefinition and acknowledgment of the operation model; and
 - i. redefinition and implementation of the new organizational model, which, when fully implemented, will contain each distinct process and working post and provide indicative means allowing the SRF to perform effective control and evaluation of the decentralized units.
- 2.11 This component includes the acquisition of computer hardware and software for an estimated 10,000 workstations, 150 database systems, 700 network systems and 700 communication systems.
- 2.12 The activities will be executed through a combination of consulting services (447 person/months) and specialists from SRF (88 persons) to be assigned part/full time to this component, and other national specialists to be contracted full time (75 persons). The responsibility within the SRF for each activity and stage of implementation will be defined in the work plan (see 3.13). Consultants to be hired include specialists in the following fields: economics-tax studies, data analysis, evaluation and statistics methodologies, reengineering processes, work stations,

data modelling, systems development, taxpayer registers, tax auditing, tax intelligence, tax documentation and custom systems.

4. Training component (US\$19,420,000)

- 2.13 The objective of this component is to have all SRF staff affected by the new organizational and technological models trained in the new techniques and administration methods to be implemented. It is estimated that over 9,000 training opportunities will be offered during the execution period, exclusively for the project, in the following areas: taxation/tax legislation, organizational development and management, technological and information systems, tax intelligence, and auditing.
- 2.14 The training activities will be carried out through: (i) "on the job training"; (ii) internal training programs at the ESAF; (iii) external training programs to take place at other educational institutions in Brazil; (iv) participation in courses and seminars abroad; (v) distance training programs; and (vi) the provision of training visits and apprenticeships to other tax administrations.
- 2.15 Costs to be financed under this component include hiring of teachers, seminars, tuition fees within Brazil and abroad, and travel and per diem for participants in seminars and visits to other tax administrations. Of these activities the Bank will finance US\$12,300,000 for training programs, fellowships, and seminars.
- 2.16 This component will be administered by a team of full time assigned staff from the SRF Training Unit (10 persons) strengthened by external consultants (26 persons/months) specialized in organization of training units, diagnosis of training needs and the development of training programs, audio visual techniques, and evaluation of training activities. This team will review, structure and coordinate all training activities to be performed under the project.
- 2.17 An additional product of this component will be the strengthening of the SRF Training Unit in general. This will make it possible for the SRF to have a continued high quality training program for the SRF needs after project execution.

C. Cost and financing of the project

1. Size of project

- 2.18 The equipment needs of the SRF at the national level (around 580 decentralized units), were obtained using the proposed PLOT together with estimates of volumes of documents, processes, fiscal actions and information traffic in network. The cost of the equipment was determined using previous acquisitions of the SRF and a market survey of big volume purchases.

- 2.19 The training program needs were determined by the central agencies of the SRF in coordination with the specialized working groups. The training unit of the SRF consolidated and adjusted the training program proposal. The cost was determined using parameters established by ESAF and other external training institutions. The costs of training abroad was based on a market survey of average cost of these services.

2. Cost of operation

- 2.20 The total cost of this operation has been estimated at US\$158.3 million. The Bank's contribution will amount to US\$78 million and that of the government the equivalent of US\$80.3 million, as shown in the following summary:

TOTAL COST AND FINANCING
(in thousands of US\$)

COMPONENTS/CATEGORIES	IDB	LOCAL	TOTAL	(%)
I. ADMINISTRATION	<u>3,040</u>	<u>5,800</u>	<u>8,840</u>	5.6
Management and Project Administration				
-Technical assistance		5,800	5,800	
-Consultants	3,040		3,040	
II. DIRECT COSTS	<u>69,360</u>	<u>66,100</u>	<u>135,460</u>	85.5
Operational Component		<u>5,100</u>	<u>5,100</u>	(3.2)
-Personnel		5,000	5,000	
-Current costs		100	100	
Development Component	<u>56,540</u>	<u>54,400</u>	<u>110,940</u>	(70.0)
-Equipment (hardware & software)	47,600	18,000	65,600	(41.0)
-Infrastructure		12,200	12,200	
-Consultants	8,940		8,940	
-Personnel		23,800	23,800	
-Current costs		400	400	
Training Component	<u>12,820</u>	<u>6,600</u>	<u>19,420</u>	(12.3)
-Courses, seminars, fellowships	12,300	5,300	17,600	
-Consultants	520		520	
-Personnel SRF		1,000	1,000	
-Current costs		300	300	
III. CONTINGENCIES	<u>4,820</u>	<u>980</u>	<u>5,800</u>	3.7
IV. FINANCIAL COSTS	<u>780</u>	<u>7,420</u>	<u>8,200</u>	5.2
-Interest		6,320	6,320	
-Credit fee		1,100	1,100	
-Inspection and supervision	780		780	
TOTAL:	78,000	80,300	158,300	100%

3. Financing

a. Resources from the Bank

- 2.21 The Bank's contribution will be drawn from the ordinary capital resources to be disbursed in convertible currency. The terms and conditions of this operation will be as follows:

Interest rate:	Variable
Credit fee:	0.75%
Inspection/supervision:	1.0%
Disbursement:	4 years
Amortization period:	20 years

b. Local contribution

- 2.22 Resources for the local contribution, representing 50.7% of total costs, will be provided by the Federal Government. The amount necessary for the first year of program execution has been included in the SRF budget for the year 1995.

D. Recognition of costs

- 2.23 The SRF has requested the Bank to recognize as part of counterpart contribution, expenditures occurred from January 1st, 1995, up to the equivalent of US\$2,000,000 used under the Development Component for purchase of hardware and software for implementation of the network and for training of new SRF personnel assigned to the project. Such costs will be accounted for in accordance with the Bank's rules for this type of expenditure. The Bank has reviewed and found the proposed activities allowable for recognition of costs.

III. PROGRAM EXECUTION

A. The executing agency

- 3.1 The SRF will have the overall responsibility for the program execution. The project will comprise the Brazilian national territory on the federal level and will be conducted by the SRF's central unit, being that some specific activities may be decentralized to regional and sub-regional units or centers.
- 3.2 The SRF will be technically supported by consultants specialized in management, organization and methods, information, training and communication. In addition, the SRF will also be supported by the ESAF and other specialized institutions and consulting firms.
- 3.3 The program will be developed fully integrated in the SRF structure with groups of consultants and SRF and other technical employees working on a full time basis for the total execution period of 42 months.
- 3.4 To coordinate the overall execution of the program, including the strategic measures to be carried out throughout the execution, the Secretary of the SRF will establish, through an appropriate decree, the following structure:

a. The Coordinating & Review Committee

- 3.5 This committee will be presided by the Federal Revenue Secretary and will include members he appoints, such as Deputy Secretaries, Coordinators and Regional Representatives at the Superintendencies and Revenue Offices levels. The Committee will meet, at a minimum, every three months and also during the Bank's supervision missions. The main purpose of the Committee will be to:
 - (i) approve the project's work plan and reports;
 - (ii) make decisions in technical matters which transcend the Coordinations and which are within the national scope; and
 - (iii) coordinate the project and its outputs with ongoing activities of the SRF and other technical cooperation programs.

b. The Project Director

- 3.6 The Project Director, appointed by the Secretary, will be fully dedicated to the project being responsible in all administrative and technical aspects and for its daily execution.

- 3.7 It has been agreed with the SRF that, as a condition prior to first disbursement, the following will be required: the evidence, through the appropriate formal document(s), of the nomination of the Project Director, the establishment of the Coordinating & Review Committee, and the project administration staff allocated for the entire execution period.
- 3.8 The responsibility of coordinating the training activities will belong to the SRF's Training Unit, supported by the ESAF and other training institutions the SRF might hire.
- 3.9 The responsibility of coordinating the activities related to technological system development and information systems will belong to the Technology and Information System Central Unit of the SRF.

B. Monitoring and reports

1. Reports

- 3.10 The execution of the project will be followed up by the Coordinating & Review Committee through the preparation of semi-annual reports on the physical and financial execution. Such reports will present evidence for evaluation of the performance and for eventual corrections.
- 3.11 The agreement to be entered into between the Bank and the Government of Brazil will stipulate that the Executing Agency must prepare certain reports and submit them through their Coordinating & Review Committee to the Bank's country office in Brazil, which will have the primary responsibility for monitoring the project. The following reports, of which copies will be forwarded to the supporting units at the Bank's headquarters, will be required:

a. Initial report

- 3.12 As a condition prior to first disbursement, an Initial Report containing the following information must be submitted: (i) a quantitative diagnosis of the actual situation at the SRF, specifying data regarding human resources, installed equipment, the productivity of the operative units and of the fiscal programs, level of tax collection and other indicators that will permit future goals and objectives of the project to be measured; (ii) the Matrix adopted by the SRF; (iii) terms of reference and the plan for contracting consultants/consulting firms; (iv) SRF and other staff assigned to the program; and (v) a plan for hiring new SRF officers during the first two (2) years of the project execution period.

b. Work plan

- 3.13 Within six (6) months after the effective date of the contract, a detailed work plan to implement the activities established in the Matrix (part of the Initial Report) covering the first 12 months thereafter, must be presented to the Bank for approval.

c. Progress reports and periodic reviews

- 3.14 Throughout the execution period, a progress report on each six-month period, counted from the submission of the work plan, must be submitted within 30 days after the end of the period. The report must include a description of the progress made relative to the work plan, degree of compliance of benchmarks established, deviations, and the operational plan for the next six-month period. As annexes, the Progress Reports should include the revised lists of the training program, the acquisition program and the hiring of consultants program for that period.

d. Financial reports

- 3.15 Within 90 days following the close of each calendar year during the period of execution of the project and on the date of the last disbursement, the executing unit must submit financial statements on the use made of the Bank's resources and of the local counterpart contribution. All financial reports must be audited by the National Treasury Department (STN).

2. Evaluation mechanism

- 3.16 With the support of this project the Coordination of Economic and Tax Studies of the SRF will implement a methodology for assessing the productivity and efficiency of the decentralized SRF units (see 2.10.a). This methodology will be the mechanism that the SRF would use to establish an effective supervision of the process of tax administration and its yield, during and after project execution.
- 3.17 In order to assess the degree of implementation of this methodology and the productivity and efficiency of different decentralized units throughout Brazil, the SRF will submit indicators measuring the obtained results in its reports to the Bank.

3. Inspection and supervision

- 3.18 The project monitoring will be a constant process done through the reports described in 3.10-3.15 above. The Bank's Country Office will have the responsibility for inspection and supervision on behalf of the Bank, with the support of the project team, when necessary.

- 3.19 The project will be evaluated as to the accomplishments of the programmed components and activities, the attainment of the objectives and, consequently, the benefits.
- 3.20 Based on the reports, the SRF with the participation of the Coordinating & Review Committee and the Bank will jointly review and evaluate the program at its initiation and at least on an annual basis. The second annual review will be a mid-term evaluation. During these reviews the degree of compliance of the performance indicators established for the period will be analyzed, the work plan for the following period will be approved, and an assessment will be made of any difficulties being encountered with its corresponding recommendations. The findings will be presented at the Coordinating and Review Committee meetings for follow-up actions.

C. Other aspects of execution

- 3.21 Execution period: The period for execution of the project has been estimated at 42 months, as from the date of the signing of the loan contract.
- 3.22 Disbursement timetable: The period for disbursement has been estimated at 48 months. The program's estimated disbursement timetable by source of funding is summarized below.

DISBURSEMENT TIMETABLE (US\$000 or equivalent)					
SOURCES	Year 1	Year 2	Year 3	Year 4	TOTAL
Bank financing	5,100	18,500	32,200	22,200	78,000
Local counterpart	9,200	22,500	31,300	17,300	80,300
TOTAL	14,300	41,000	63,500	39,500	158,300
Percentage	9.1%	25.9%	40.1%	24.9%	100%

- 3.23 Environmental impact: At its meeting of January 24, 1995, the Bank's Environment Committee classified this project as Category II operation.
- 3.24 Ex-post evaluation: Two years or later, after the operation is concluded, the Bank will conduct an ex-post evaluation. For this purpose all progress reports, mission reports and evaluations generated during program execution will be utilized. The ex-post evaluation will determine the results achieved, in terms of

sustainability, particularly with regard to: (a) the level of various forms of tax evasion; (b) the level of operational efficiency achieved by the SRF with the use of the new procedures and systems set up by the implementation of the PLOT; (c) the levels of use and efficiency attained in the area of audit and collection; (d) the level of voluntary compliance; (e) the status in the SRF of staff that received the various types of training during program execution; (f) the level and timeliness of foreign trade information available in the customs area; and (g) the level of increase of various types of tax revenue.

D. Procurement plan and procedures

- 3.25 Procurement under the program will be undertaken by following the Bank's standard bidding procedures. Procurement of goods in excess of US\$350,000 equivalent, will be undertaken through international competitive bidding (ICB). Procurement of goods in lesser amounts will follow national bidding procedures, without restrictions on the participation of bidders from the Bank's member countries. The national bidding procedures (Law 8666) provide that bidding be dispersed throughout the country and be adjudicated to the lowest price; the procedures are also consistent with Bank procedures.

MAJOR PROCUREMENT ITEMS	FINANCING (%)		METHOD*	SPECIFIC PROCUREMENT NOTICES
	IDB	Local		
WORKSTATION (7,635) No. of lots : 10 Total amount : US\$19,8 mill	75%	25%	ICB	3 lots / 1996 3 lots / 1997 4 lots / 1998
PRINTERS (2,502) No. of lots : 8 Total amount : US\$3,2 mill		100%	ICB	2 lots / 1996 4 lots / 1997 2 lots / 1998
DATA BASE SERVER(131) No. of lots : 5 Total amount : US\$18,6 mill	100%		ICB	1 lot / 1995 2 lots / 1996 2 lots / 1997
NETWORK SERVER (685) No of lots : 5 Total amount : US\$1,7 mill	100%		ICB	2 lots / 1996 3 lots / 1997
COMMUNICATION SERVER (685) No. of lots : 5 Total amount : US\$1,6 mill	100%		ICB	2 lots / 1996 3 lots / 1997
NOTEBOOK (1,308) No. of lots : 5 Total amount : US\$4,5 mill	50%	50%	ICB	1 lot / 1996 2 lots / 1997 2 lots / 1998
OPTICAL SYSTEM (703) No. of lots : 10 Total amount : US\$6,1 mill	50%	50%	ICB	2 lots / 1996 3 lots / 1997 5 lots / 1998
DATA BASE MANAGEMENT No. of lots : 1 Total amount : US\$8,2 mill	85%	15%	ICB	1 lot / 1996
NETWORK SYSTEM No. of lots : 1 Total amount : US\$3,5 mill	87%	13%	ICB	1 lot / 1996

* ICB = International competitive bidding

- 3.26 The SRF will select and contract individual consultants or consulting firms in accordance with standard Bank guidelines. The general terms of reference for each individual or firm consultants will be in accordance with the specifications included in the Matrix previously approved by the Bank.

TIMETABLE FOR HIRING CONSULTANCY (Amounts in US\$ million)						
Areas	#persons /months	Total Amount	Year 1	Year 2	Year 3	Year 4
Tax Administration	61	1.22	0.5	0.3	0.2	0.2
Organization Development	144	2.88	0.72	0.72	0.72	0.72
Technological/Information System	310	6.2	1.0	3.2	1.0	1.0
Training	38	0.76	0.3	0.3	0.16	
Other areas (Management, Communication, etc)	72	1.44	0.35	0.35	0.49	0.25
TOTAL	625	12.5	2.87	4.87	2.57	2.19

IV. FEASIBILITY AND RISKS

A. Justification

- 4.1 The main beneficiaries of the project will be:
- a. the government, due to the reduction of fiscal evasion in its various forms, such as illegal tax withholdment, tax and customs fraud, and arrears;
 - b. taxpayers due to the improvement in services provided and the simplification of procedures related to: (i) duties and tax payments controlled by the SRF; (ii) yearly declarations of assets and goods of individual taxpayers; (iii) declaration of information and debts of corporations; and (iv) administrative and fiscal processes of entering tax credits;
 - c. all users of customs services (exporters, importers, transporters, shipment agencies, depositaries and dispatchers), since goods will be released more quickly due to the simplification of customs dispatching; and
 - d. the MERCOSUR member countries, considering their needs for operationally integrated customs systems.

B. Institutional feasibility

- 4.2 The key factor which could limit the implementation of this modernization process is the SRF's capability to absorb and assimilate this reform. The quality of SRF's human capital was the main factor in determining the institutional feasibility of the Executing Agency to undertake the program. In this respect, it should be noted that the selection and entry of SRF staff to the level of professional auditor or technician is subject to a rigorous process which leads to highly qualified staff. This process entails two obligatory stages: (i) a nationwide public competition (with an average 125 applicants for each vacancy), including tests in tax, civil and constitutional law; tax systems and tax legislation; accounting; mathematics; economics; Portuguese and English; and (ii) a second stage in which those evaluated and approved in stage 1 are subject to a training regimen. This consists of a three-month course (360 classroom hours) dealing specifically with the taxes administered by the SRF and activities in the inspection, collection and taxation systems. This course is of an eliminatory nature. By this stringent process, the SRF is considered to have staff capable to undertake the organizational and technical changes and undergo the Project Training Program.
- 4.3 The public competitive tests given for admission to the SRF and the training courses presently being offered to the SRF technicians are the responsibility of the ESAF. ESAF has the institutional

capability to carry out the training program to be assigned to them in this operation.

C. Technical feasibility

- 4.4 The program incorporates the Organizational and Technological Model (PLOT) that was proposed by the specialized working group of the SRF and SERPRO. Through the Bank's analysis, including the utilization of highly qualified short-term consultants, the technical feasibility of utilizing the proposed model was confirmed. This has reinforced the Bank's concordance with this model and assures state-of-the-art investments in computer and data communication technology.

D. Risks

- 4.5 The success of this operation depends on the level of commitment and leadership in the Government of Brazil at both its highest and its operating levels. The new government has expressed as its top priority the reform of the tax system.
- 4.6 This operation is vulnerable to various types of inter-related risks: project structure, size and scope, technological gap, and the capacity to absorb and accept major organizational changes. There is an additional risk due to the way the program is executed in that program management must be intense until full transition to the new organizational and technical structure is completed.
- 4.7 To minimize these risks, the program has been designed directly by working groups within the SRF (with Bank and consultant support). This program is fully understood by the organization's leadership and core managerial level as **their program** and includes a strategy for the entire organization to participate and support the reforms on a step-by-step basis. Providing and combining short term results with long term goals during execution will encourage staff involvement from its inception and expand support for change throughout the reform process at all levels in this large organization.
- 4.8 The high level of precision or specification by area, matching activity against the expected results, will provide the basis for periodic review and evaluation of program implementation and highlight bottlenecks or problems at an early stage. Benchmarks have been established to effectively assess program execution at various times during the program. Furthermore, the use of prototypes in the new computer applications will be a mechanism that will ensure assimilation throughout the organization and permit adjustments as necessary before total system implementation.
- 4.9 Specifically with respect to minimizing the structure, size, and scope risk factor, which is related to changes in the work processes and in the infrastructure, a strategy of monitoring

critical path activities relating these changes to output indicators has been elaborated to ensure that problems and restrictions will be dealt with in a timely fashion. A carefully designed implementation work program will ensure that changes are introduced and implemented simultaneously with organizational strengthening.

- 4.10 The project scope has taken into account the interrelationships between the different areas of activity. Action plans establish time-bound benchmarks for specific decisions, activities and outputs to enable adequate monitoring.
- 4.11 An operational component has been designed specifically to assure that the organization's functioning is not seriously impeded during this process and that outputs or new systems once ready for implementation do not suffer delays in becoming fully operational. Furthermore, by having a coordinating & review committee at the highest level of the SRF, the integrity of the modernization reform is maintained.
- 4.12 Finally to address the technological risk, two complementary areas of activity have been included in project design: (i) the training of various elements of the organization in a simultaneous fashion; and (ii) the provision of temporary support through the hiring of consultants in the utilization of specific new technologies.

KEY PROJECT ACTIVITIES, RESULTS, INDICATORS OF EXECUTION, RESOURCES REQUIRED AND TRAINING PROGRAM

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

AGEMENT AND PROJECT ADMINISTRATION COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
PROJECT ADMINISTRATION AND MANAGEMENT	A1. Establish and organize work teams	1. Project management in place	1. Notice of appointments of personnel assigned	Responsibility: Project Manager
	A2. Allocate required resources	2. Agreements signed, external consultants engaged, personnel and supplies allocated, and logistics arranged	2. Overall planning and work programs approved by the SRF and IDB	1. Premises to accommodate project teams
	A3. Establish management procedures for quality control, work reviews, and meeting targets		3. Information on project made available in the SRF	2. Officers from SRF and others at management level (14)
	A4. Assess results of changes	3. General planning and work programs prepared	4. Presentation of regular reports requested by the IDB	3. Administrative/financial support staff from SRF (8)
	A5. Assist IDB missions with project evaluation		5. Completion of each stage of project	4. External consultants in project management (40 person-months)
ESTABLISH STRATEGIES FOR IMPLEMENTATION OF PROJECT	B1. Assess SRF's current condition and impact of project reforms on tax and define strategies in areas of organization, technology, training, transition, project information	1. Document containing strategies for project implementation	1. Strategies for implementing project approved by Coordinating & Review Committee	5. External consultants specializing in O&M at the O&M project management level (40 person-months)
				6. External experts in data base systems, at data base project management level (40 person-months)
				7. Consultants in training, management level (12 person/months)
				8. External experts in communications and advertising (20 person-months)

RESOURCE MATRIX

MANAGEMENT AND PROJECT ADMINISTRATION COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
LOCAL COUNTERPART	A1. SRF OFFICIALS	
	- Project Manager: Deputy Secretary of Federal Revenue Secretariat	1
	- Representatives of Offices of Tax Revenue, Audit, Taxation, Customs, Technology, Information, Logistics, Modernization, the Superintendencies, and Branch Offices	10
	- Administrative/financial support staff	8
	A2. OTHER OFFICIALS	
CONSULTANTS	- Senior experts with experience in SRF work	3
	B1. Project management: specialists in large-scale project coordination	40 person-months
	B2. Organization and methods: specialists in management of large organizational development and reengineering projects	40 person-months
	B3. Information systems: specialists in large-scale information management projects	40 person-months
	B4. Training: specialists in organizing training programs	12 person-months
	B5. Communications: specialists in communications and information	20 person-months

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

RATIONAL COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
IDENTIFICATION, DESCRIPTION, AND IMPLEMENTATION OF SHORT-TERM MEASURES	A1. Specify possibilities of immediate implementation	1. Proposed short-term measures		1. Work team of experts from SRF and others with vast experience in the systems and processes set up (20)
	A2. Identify areas in need of adjustment and development of systems and processes			2. Team of officials from SRF and others to set up the communications network (20)
	A3. Develop a strategy and work plan for implementation of short-term changes			3. Computer and data communications equipment
REVIEW OF PRESENT SYSTEMS	B1. Collect data for determining utilization level and main problems in systems and procedures implemented	1. Proposed short-term measures to reduce SRF operating cost, and particularly data processing costs: systems deactivated, optimized data bases, less disk-space used, and lower operating costs	1. Approval and implementation of short-term measures, including savings in operating SRF data processing service through SERPRO data base system made available to SRF	4. Software for networks, e-mail, and data base management systems
	B2. Establish priorities and optimization alternatives			5. Data communications circuits engaged
ESTABLISHMENT OF SRF DATA COMMUNICATIONS NETWORK	C1. Preparation of project for setting up SRF long-distance and local networks	1. Establishment of SRF network at a national level	1. SRF units interconnected and hooked up to SERPRO network	
	C2. Selection of e-mail system	2. Implementation of e-mail system linking central and branch units	2. Communications established through the e-mail system set up	
	C3. Make access to existing systems available to more users			

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

RATIONAL COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
PUTTING THE UNITS INTO OPERATION	D1. Upgrade physical and logical infrastructure	1. Establishment of taxpayer assistance centers	1. Present SRF system set up at the national level	1. Team of officials from SRF (10) in management and organization
	D2. Personnel training in new operating methods and behavioral changes	2. Establishment of information processing centers		
		3. Establishment of judgement units		
		4. Establishment of fiscal intelligence units		
		5. Establishment of customs valuation unit and its offices in RJ and SP		
		6. Establishment of tariff list and classification unit and its offices in RJ and SP		
		7. Establishment of modernization unit		

RESOURCE MATRIX

ATIONAL COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
LOCAL COUNTERPART	A1. SRF OFFICIALS	
	- Representatives of Tax Revenue, Audit, Taxation, Customs, and Technology Units at the national level, with experience in the systems now set up within the SRF	10
	- Representatives from the regions with experience in network and management	10
	- <i>Officials from the regions and administration and modernization areas</i>	10
	A2. OTHER OFFICIALS	
	- Systems analysts and programmers, with experience in SRF systems, at management and operational level	10
	- Technical experts in teleprocessing and network management	10

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

DEVELOPMENT COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
ANALYSIS OF ECONOMIC/ TAXATION DATA	A1. Perform diagnostic study of the SRF's current unit network	1. Preparation of economic/tax map of Brazil	1. SRF approval and authorization of methodology to assess SRF units at national level	1. SRF officials (3) with experience in economic/tax studies
	A2. Estimate potential tax revenues and taxpayer services for units	2. Methodology to determine size of SRF units and assess them	2. Economic/tax studies	2. External consultants in quantitative methods (6 person-months)
	A3. Develop methodology to determine cost and features of SRF work positions in country			3. External experts in financial and tax studies (6 person-months)
	A4. Conduct economic/taxation studies and assess tax reforms			4. Experts from SRF and others in O&M, data models, systems definition (25)
REVIEW OF SRF PROCESSES	B1. Review all SRF processes, particularly in areas of revenues and collections, audits, taxation, and customs	1. Flow process chart		5. External consultants specializing in organizational development, data models, systems definition (104 person-months)
	B2. Prepare complete flow process chart	2. Implementation plan		
	B3. Define corporate data base requirements for new operational processes			6. External consultants specializing in tax administration (61 person-months)
	B4. Devise strategy for implementing new processes			

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

DEVELOPMENT COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
C. REVIEW OF POSITIONS	<p>C1. Define relationship and reporting lines between positions</p> <p>C2. Define activities to be performed in the position</p> <p>C3. Define performance criteria for each position</p> <p>C4. Determine resources required for work</p> <p>C5. Define skills and experience required of incumbent</p> <p>C6. Define training required for the position</p>	<p>1. Review definition of at least the following positions:</p> <ul style="list-style-type: none"> -Taxpayer services -Collection -Tax audit -Refunds -Tax management and collection network control -Judgement of claims -Customs matters -Legal action -Human resources and data processing -Internal and outside technical guidance -Administrative technical audit 	<p>1. All SRF positions fully defined</p>	
D. REVIEW OF CORPORATE DATA MODEL AND SRF PROCESSES	<p>D1. Develop corporate model of data and processes</p> <p>D2. Establish data base hardware plan</p> <p>D3. Develop modules, procedures, and rules to assure access to data base and network</p>	<p>1. Corporate model combining all data and processes, particularly in collection, tax audit, taxation, compliance intelligence, customs, and financial and tax/administrative, and management data</p>	<p>1. Corporate model of SRF data and procedures fully defined (physical and logical)</p>	

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

DEVELOPMENT COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
E. ESTABLISHMENT OF PLAN OF NEW SYSTEMS	E1. Review pilot systems developed by SRF that use new technologies	1. Systems development plan with details of work teams, responsibilities, and schedules for development and implementation	1. Approval of systems development plan	1. Official from SRF and others with expertise in data processing (135) 2. External consultants with expertise in different aspects of data processing (270 person-months)
	E2. Identify information systems to be developed	2. Detailed sizing of entire environment for systems development and user utilization		
	E3. Determine size of hardware and software and data communications environments for systems development			
	E4. Draw up schedules for development and implementation			
F. IMPLEMENTATION OF TECHNOLOGY PLATFORM	F1. Set up physical and logical infrastructure	1. Information Service Centers set up: - National Center (CNS) - 10 Regional centers (CRS) - 109 local centers (CLS) - 18 judgement units - 82 taxpayer assistance centers		
	F2. Set up support functions			
	F3. Set up production functions			
	F4. Determine size of hardware, software, and data communications, issue specifications, procure, and install			

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

DEVELOPMENT COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
G. SYSTEMS DEVELOPMENT	G1. Define methodologies, standards for development and documentation of systems	1. Implementation of methodologies and standards	1. Systems at user testing phase	
	G2. Define quality control standards for the following areas of system building: performance, recycling, reliability, security, and flexibility	2. Systems developed and tested for implementation:		
	G3. Establish priority for systems to be developed	- Taxpayer register - Tax returns - Intake - Collection - Audit - Customs - Compliance intelligence - Taxation		
	G4. Produce specifications for functional aspects of systems			
	G5. Develop systems interface and user applications			
	G6. Build applications			

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

DEVELOPMENT COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
B. SYSTEMS IMPLEMENTATION	H1. Define implementation strategy	1. Implementation strategies defined and approved by Coordinating & Review Committee	1. New systems and procedures established nationally and old systems dismantled	
	H2. Define pilot projects to be implemented	2. Systems in place at head office, superintendencies, offices, customs, and some audit units and branch offices		
	B3. Implement national training program			
	H4. Approve pilot projects			
	H5. Implement user training program			
	H6. Establish systems nationally			
I. DEVELOP MANAGEMENT MODEL	I1. Define SRF's basic mandate	1. Management model defined	1. Management model approved by SRF	
	I2. Develop SRF profile			
	I3. Define principal roles of SRF			

DEVELOPMENT COMPONENT

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
DEFINITION OF ORGANIZATIONAL MODEL	J1. Specify criteria for new organizational design	1. New organizational model defined	1. Approval of organization model by SRF	
	J2. Analyze cost, benefits, and risks	2. Internal regimen modified	2. Internal regimen approved by Minister	
	J3. Prepare basic structure on basis of review of processes and new positions definitions			
ESTABLISHMENT OF ORGANIZATIONAL MODEL	K1. Define needs for establishing new model			
	K2. Develop training plan			
	K3. Assess results			

RESOURCE MATRIX

DEVELOPMENT COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
LOCAL COUNTERPART	A1. SRF OFFICIAL	
	- Experts from Office of Economic and Tax Studies, with experience in data analysis	3
	- SRF experts selected nationally specializing in O&M, data models, methodologies for defining and developing systems and specialists in taxpayer registers, tax returns, intake and collection, audit, taxation, customs, compliance intelligence	15
	- SRF staff with expertise in information systems selected nationally	70
	A2. OTHER OFFICERS	
	- Experts experienced in developing data models and systems development	6
	- Experts in systems developed for SRF	4
	- Experts in information technology	10
	- Systems analysts and programmers	40
	- Experts prod. control/planning	5
	- National support technicians	10
CONSULTANTS	B1. Quantitative methods and economic and tax studies: specialists in data analysis, assessment methodologies, and statistics	12 person-months
	B2. Organizational development: specialists in methodologies for process reengineering, with experience in applications to large companies and position implementation	80 person-months
	B3. Data models: experts in data model development, with experience in CASE tools	12 person-months
	B4. Systems definition: experts in systems development methodologies, with experience in developing systems in relational and distributed environments	12 person-months

RESOURCE MATRIX

DEVELOPMENT COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
B. CONSULTANTS	<p>B5. Tax and customs administration:</p> <ul style="list-style-type: none"> - Specialists in developing and implementing programs to modernize and update taxpayer registers - Specialists in tax inspection and auditing: <ul style="list-style-type: none"> -Taxpayer selection programs -Comparison of legislation as an instrument of tax oversight -Magnetic media in taxpayer oversight -Establishment and outfitting of tax audit offices in strategic locations - Compliance intelligence specialists from IRS with experience in tax investigation -Taxation: documentalists, with experience in preparing lists of descriptors, indexing, and retrieval of documents and texts - Customs specialists with expertise in: <ul style="list-style-type: none"> -customs legislation -customs information systems 	<p>6 person-months</p> <p>3 person-months</p> <p>3 person-months</p> <p>4 person-months</p> <p>4 person-months</p> <p>6 person-months</p> <p>6 person-months</p> <p>6 person-months</p> <p>23 person-months</p>

RESOURCE MATRIX

DEVELOPMENT COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
CONSULTANTS	B6. Methodology for systems development	40 person-months
	B7. Systems and data protection	20 person-months
	B8. Systems audit	6 person-months
	B9. Design, installation, and management of computer networks	20 person-months
	B10. Data base planning and management	20 person-months
	B11. Information services management	6 person-months
	B12. Shift from centralized to decentralized environments	6 person-months
	B13. Research and development (hardware and software)	6 person-months
	B14. Advisory assistance specifically in software selected	140 person-months
	B15. Advisory assistance specifically in hardware selected	6 person-months

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

TRAINING COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
A. REVIEW AND ORGANIZATION OF SRF TRAINING AREA	<p>A1. Analyze support infrastructure for training activities</p> <p>A2. Identify needs and weak areas of Training Unit</p> <p>A3. Prepare proposal for modernizing and strengthening SRF Training Unit</p>	<p>1. SRF Training Unit reinforced with additional staff and physical resources so it can support the project and SRF (on a continuous basis) training program</p>	<p>1. Training unit re-structured with capability to carry out project training program</p>	<p>1. Physical space for organizing Training Unit</p> <p>2. Training support equipment</p> <p>3. Officials from SRF to work in Training Unit (10)</p> <p>4. External consultants to assist with strengthening of Training Units (4 person-months)</p> <p>5. External consultants to help draw up training plans (4 person-months)</p> <p>6. External consultants specializing in audiovisual methods (12 person-months)</p> <p>7. External consultant specializing in training program assessment (6 person-months)</p>
B. DETAILED SURVEY OF TRAINING NEEDS	<p>B1. Define a methodology for identifying training needs</p> <p>B2. Prepare a proposal for identifying training needs</p> <p>B3. Institute a process for identifying training needs in different areas of SRF and for project implementation</p>	<p>1. Officers from SRF Training Unit trained in needs survey methodologies</p>	<p>1. Training needs survey completed</p>	

MATRIX OF ACTIVITIES, RESULTS, AND INDICATORS

TRAINING COMPONENT

STAGE	ACTIVITY	EXPECTED RESULTS	PROGRESS INDICATORS	RESOURCES REQUIRED
DEVELOPMENT AND IMPLEMENTATION OF PROJECT TRAINING PROGRAM	C1. Identify short- and long-term training needs for project execution	1. Specific training programs to address needs identified	1. Project training programs approved by SRF	
	C2. Organize the curriculum and plan course content	2. Training events held as planned	2. Number of officials receiving training during project execution equals number of trainees set as one of project goals	
	C3. Identify courses and seminars to be offered abroad and prepare travel program	Note: A preliminary list of courses already identified is attached as an annex, with estimates of time and number of trainees	3. The extent to which training needs are met	
	C4. Prepare training programs for the 40 months of project execution			
	C5. Establish agreement with ESAF and other agencies			
	C6. Implement project training programs			
	C7. Implement system to monitor and assess project and the results of training programs			
DEFINITION OF ONGOING TRAINING PROGRAM	D1. Identify training needs through processes and positions, set up as part of project	1. Ongoing training program to allow SRF officials to retain skills learned during project execution	1. Ongoing training program approved by the SRF	
	D2. Organize different courses and plan course content			

RESOURCE MATRIX

OPERATIONAL COMPONENT

TYPE	CATEGORY AND DESCRIPTION	REQUIREMENT
A. LOCAL COUNTERPART	A1. SRF OFFICERS - Officers with expertise in training assigned to SRF Training Unit	10
B. CONSULTANTS	B1. Organization of Training Unit B2. Drafting of training plans and application of training needs survey methodologies B3. Audiovisual methods B4. Evaluation of training programs	4 person-months 4 person-months 12 person-months 6 person-months

TRAINING PROGRAMS IN BRAZIL AND ABROAD

TRAINING	LOCAL	GROUPS	TRAINEES		TIME		CONTRIBUTION (US\$)	
			UNIT.	TOTAL	UNIT.	TOTAL	SRF	IDB
INFORMATION SYSTEMS		98	-	1,960	-	20,610	1,126,000	5,261,600
A1. Systems analysis and development	External	10	20	200	300	3,000	0	885,000
A2. Data management	External	15	20	300	300	4,500	0	1,327,500
A3. Data base management	External	20	20	400	300	7,200	0	2,082,000
A4. Data communications	External	3	20	60	60	180	0	78,300
A5. User services	ESAF	15	20	300	200	3,000	750,000	187,500
A6. Technical support	External	10	20	200	210	2,100	0	651,000
A7. Information systems for system users	ESAF	10	20	200	18	180	136,000	15,800
A8. Training in systems developed under project	ESAF	15	20	300	30	450	240,000	34,500
ORGANIZATION/MANAGEMENT DEVELOPMENT		56	-	1,380	-	3,360	240,000	1,420,600
B1. Reengineering of processes, methods, and technologies	External	2	20		30	60	0	36,600
B2. Establish models for data, methods, and methodologies	External	2	15	30	120	240	0	66,400
B3. Training in new procedures and processes	ESAF	10	30	300	30	300	240,000	23,000
B4. Management development	External	25	20	500	90	2,250	0	847,500
B5. Strategic planning	External	2	30	60	30	60	0	52,600
B6. Leadership and team work	External	15	30	450	30	450	0	394,500
COMPLIANCE INTELLIGENCE		11	-	250	-	2,250	0	2,221,500
C1. Federal Law Enforcement Training Center/FLETC-USA	USA	2	25	50	300	600	0	684,000
C2. Internal Revenue Service/IRS-USA		2	25	50	300	600	0	684,000
C3. Compliance intelligence in customs	USA	2	25	50	300	600	0	684,000
C4. Data communications and security measures								
AUDIT		95	-	2,300	-	6,900	1,650,000	1,551,500

TRAINING PROGRAMS IN BRAZIL AND ABROAD

TRAINING	LOCAL	GROUPS	TRAINEES		TIME		CONTRIBUTION (US\$)	
			UNIT.	TOTAL	UNIT.	TOTAL	SRF	IDB
D1. Use of notebooks for external audits	ESAF	30	20	600	60	1,800	660,000	123,000
D2. State-of-the-art tax audit methods	External	25	20	500	120	3,000	0	1,042,500
D3. Interview techniques	ESAF	10	30	300	60	600	330,000	41,000
D4. Procedural methods	ESAF	10	30	300	60	600	330,000	41,000
D5. Applied tax legislation and tax audit and accounting	ESAF	10	30	300	60	600	330,000	41,000
D6. Management training in auditing (supervisor)	External	10	30	300	30	300	0	263,000
CUSTOMS		22	-	400	-	2,184	824,800	142,040
E1. Foreign trade and customs legislation	ESAF	4	15	60	30	120	48,000	9,200
E2. International agreements	ESAF	4	15	60	30	120	48,000	9,200
E3. Special customs regimes	ESAF	6	20	120	300	1,600	420,000	111,000
E4. Merchandise valuation	ESAF	8	20	160	18	144	108,800	12,640
TAXATION		45	-	1,360	-	2,400	900,000	661,500
F1. Tax law and legislation (national and foreign)	ESAF	10	30	300	30	300	240,000	23,000
F2. Preparation of legal opinions and legislation	ESAF	10	30	300	60	600	330,000	41,000
F3. Economic law	ESAF	10	30	300	60	600	330,000	41,000
F4. Financial and capital market	External	15	30	450	60	900	0	556,500
COLLECTION		55	-	1,375	-	1,440	762,500	398,900
G1. Bank audit methods	ESAF	5	25	125	24	120	92,500	9,700
G2. Negotiation techniques	External	10	25	250	24	240	0	204,400
G3. Budgetary methods of collection	ESAF	10	25	250	24	240	185,000	19,400
G4. Use of information systems for revenues and collections	ESAF	10	25	250	30	300	200,000	23,000
G5. Tax rules for revenues and collections	ESAF	5	25	125	24	120	92,500	9,700
G6. Methods of revenue projection and analysis	ESAF	5	25	125	24	120	92,500	9,700

TRAINING PROGRAMS IN BRAZIL AND ABROAD

TRAINING	LOCAL	GROUPS	TRAINEES		TIME		CONTRIBUTION (US\$)	
			UNIT.	TOTAL	UNIT.	TOTAL	SRF	IDB
G7. Tax collection and assessment methods	ESAF	5	25	125	30	150	100,000	11,500
G8. Data collection and processing methods	External	5	25	125	30	150	0	111,500
TOTAL ESAF		202	-	4,900	-	12,264	5,303,300	836,840
TOTAL EXTERNAL (PRIVATE SECTOR)		174	-	3,965	-	25,080	0	8,768,800
TOTAL FOREIGN		6	-	150	-	1,800	0	2,052,000
TOTAL		382	-	9,015	-	39,144	5,303,300	11,657,640

WORKSHOPS AND FELLOWSHIPS

	LOCAL	SEM./VISITS		TRAINEES		COST (US\$)		FARES (US\$)	PER DIEM (US\$)	IDB CONTRI-BUTION (US\$)
		ANNUAL	TOTAL	ANNUAL	TOTAL	ANNUAL	TOTAL			
SEMINARS		6	18	24	72	1,500	108,000	144,000	72,000	216,000
A1. Information systems	Exterior	2	6	8	24	1,500	36,000	48,000	24,000	72,000
A2. Tax automation	Exterior	2	6	8	24	1,500	36,000	48,000	24,000	72,000
A3. Customs	Exterior	2	6	8	24	1,500	36,000	48,000	24,000	72,000
TRAVEL		15	0	45	135	0	0	270,000	135,000	405,000
B1. Audit	Exterior	3	9	9	27	0	0	54,000	27,000	81,000
B2. Collection	Exterior	3	9	9	27	0	0	54,000	27,000	81,000
B3. Information systems	Exterior	3	9	9	27	0	0	54,000	27,000	81,000
B4. Customs	Exterior	3	9	9	27	0	0	54,000	27,000	81,000
B5. Taxation	Exterior	3	9	9	27	0	0	54,000	27,000	81,000

PROPOSED RESOLUTION

BRAZIL. REIMBURSABLE TECHNICAL COOPERATION /OC-BR FOR
TECHNOLOGICAL MODERNIZATION AND STRENGTHENING OF THE
MANAGERIAL, NORMATIVE AND OPERATING CAPABILITY
OF THE FEDERAL REVENUE SECRETARIAT

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is hereby authorized, in the name and on behalf of the Bank to enter into such agreements as may be necessary with the Federative Republic of Brazil and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document _____ with respect to the technical cooperation for the execution of a project for the Technological Modernization and Strengthening of the Managerial, Normative and Operating Capability of the Federal Revenue Secretariat.

2. That is authorized for the purposes of this resolution up to US\$78,000,000, or its equivalent in other currencies, except that of the Federative Republic of Brazil, which are part of the Ordinary Capital resources of the Bank.

3. That the above mentioned sum is to be provided on a reimbursable basis, in accordance with the relevant conditions specified in the Technical Cooperation Agreement.