

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
“PRO-SEGURANÇA”**

(BR-O0011)

**FIRST INDIVIDUAL OPERATION: PROGRAM TO EXPAND AND MODERNIZE THE
ESPÍRITO SANTO PENITENTIARY SYSTEM (MODERNIZA-ES)**

(BR-L1545)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Rodrigo Serrano Berthet (CBR/ICS), Project Team Leader; Beatriz Abizanda (CUR/ICS), Alternate Project Team Leader; Tiago Cordeiro (CSC/CBR); Alberto Winogron (CBR/ICS); Livia Gouvea (CBR/LMK); Eduardo de Azevedo (CBR/KIC); David Salazar and Leise Estevanato (CBR/FMP); Giovanna Mahfouz and Sonia Rojas (IFD/ICS); María Paula Gerardino (SPD/SDV); Krysia Avila (LEG/SGO); Julio Rojas and Alvaro Adam (VPS/ESG); Aloisio Lopes Pereira and Esperanza González (CSD/CCS); Livia Minoja (SCL/SCL); Beatriz Toribio (INE/INE); and Judith Morrison (SCL/GDI).

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2.	Climate change analysis
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ABBREVIATIONS

CBT	Cognitive behavioral therapy
CCLIP	Conditional credit line for investment projects
CNJ	Conselho Nacional de Justiça [National Council of Justice]
CPMA	Central de Penas e Medidas Alternativas [Center for the Administration of Alternative Sentences]
DEPEN	Departamento Penitenciário [Department of Prisons]
ICB	International competitive bidding
LIBOR	London Interbank Offered Rate
MM-II	Multisectoral II
NCB	National competitive bidding
PGE	Procuradoria-Geral de Estado [Office of the Prosecutor General]
PMU	Program management unit
PNSPDS	Plano Nacional de Segurança Pública e Defesa Social 2018-2028 [National Public Security and Social Defense Policy 2018-2028]
PRODEST	Instituto de Tecnologia da Informação e Comunicação do Estado do Espírito Santo [Information and Communications Technology Institute of the State of Espírito Santo]
QCBS	Quality- and cost-based selection
RNR	Risk-Need-Responsivity [model]
SECONT	Secretaria de Controle e Transparência [State Secretariat for Oversight and Transparency]
SEJUS	Secretaria de Estado da Justiça [State Secretariat for Justice]
SEP	Secretaria de Estado de Economia e Planejamento [State Secretariat for Economic Affairs and Planning]
SIFEFES	Sistema Integrado de Gestão das Finanças Públicas do Espírito Santo [Integrated Public Finance Management System of Espírito Santo]
SUSP	Sistema Único de Segurança Pública [Unified Public Security System]
TCE/ES	Tribunal de Contas do Estado do Espírito Santo [Court of Auditors of the State of Espírito Santo]

PROGRAM SUMMARY

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FIRST INDIVIDUAL OPERATION: PROGRAM TO EXPAND AND MODERNIZE THE ESPÍRITO SANTO PENITENTIARY SYSTEM (MODERNIZA-ES) (BR-L1545)

Financial Terms and Conditions					
Borrower:				Flexible Financing Facility ^(a)	
State of Espírito Santo				Amortization period:	25 years
Guarantor:				Disbursement period:	5 years
Federative Republic of Brazil				Grace period:	5.5 years ^(b)
Executing agency:				Interest rate:	LIBOR-based
The borrower, represented by its State Secretariat for Justice (SEJUS)				Credit fee:	(c)
Source	Amount (US\$)	First program (US\$)	%	Inspection and supervision fee:	(c)
IDB (Ordinary Capital):	1,200,000,000	82,329,200	80	Weighted average life:	15.25 years
Local:		20,582,300	20	Approval currency:	U.S. dollar
Total:	1,200,000,000	102,911,500	100		
Program at a Glance					
Objective of the CCLIP: The objective of the CCLIP is to improve the efficiency and effectiveness of public security and justice programs in Brazil, specifically in the following sectors: (i) public security management and governance; (ii) prevention of violence; (iii) modernization of policing practices; and (iv) justice and social reintegration.					
Objective of the first individual operation under the CCLIP: The general objective of the first operation of the CCLIP is to contribute to social reintegration and to a reduction in criminal recidivism in Espírito Santo in an efficient and effective manner. The specific objectives are to: (i) increase the application of social reintegration policies and evidence-based programs; and (ii) to increase the efficiency of expenditure through the use of new management and monitoring technologies and the improvement of the prison infrastructure for social reintegration.					
Special contractual conditions precedent to the first disbursement of the loan proceeds: The executing agency will provide evidence to the Bank of: (i) the entry into effect of the program Operating Regulations in accordance with terms previously agreed upon with the Bank; and (ii) publication in the official gazette of the State of Espírito Santo of the decree establishing the program management unit (PMU) and designating a general coordinator, who will work exclusively on the program in accordance with terms previously agreed upon with the Bank (paragraph 3.5).					
Special contractual conditions for execution: The following special contractual conditions for execution will apply: (i) activities related to alternative sentences will be in line with the policies established by the Department of Prisons and the National Council of Justice; (ii) prior to the commencement of Component 2, an agreement which defines the responsibilities of each party will have been signed by the executing agency and the Information and Communications Technology Institute of the State of Espírito Santo (PRODEST) and that agreement will have entered into effect in accordance with terms previously agreed upon with the Bank; and (iii) prior to the commencement of works for the first integrated resocialization center, the borrower will have engaged the services of a consulting firm acceptable to the Bank, to uphold prison safeguards (paragraph 3.6). For the special socioenvironmental contractual conditions of execution, see the environmental and social management report in Annex B.					
Exceptions to Bank policies: None					
Strategic Alignment					
Challenges: ^(d)		SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes: ^(e)		GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions, subject in all cases to the final amortization date and the original weighted average life. The Bank will take market conditions as well as operational and risk management considerations into account when reviewing such requests.

(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1. Brazil: background and context

- 1.1 **Macroeconomic context.** The COVID-19 pandemic has had a severe impact on the Brazilian economy. Brazil was slowly making an economic recovery and was working to apply fiscal reforms to ensure the country's macroeconomic stability. The COVID-19 shock has dealt a severe blow to its prospects. In its focus report of 16 October 2020, the central bank estimated that the country's gross domestic product (GDP) will shrink by around 5% in 2020. The steps taken by the government to soften the impact of the pandemic already amount to more than 10% of GDP. These steps have included measures to protect the most vulnerable groups, informal workers, and small and medium-sized enterprises (SMEs), and to shore up the country's finances at the subnational level. The slowdown in growth and these government relief measures will drive up the fiscal deficit. The country is expected to run a primary deficit of over 8% of GDP in 2020, and subnational governments' fiscal difficulties are likely to grow worse.
- 1.2 **The security situation in Brazil.** Since the 1980s, Brazil has witnessed a steady increase in violence, with the murder rate reaching 30.8 homicides per 100,000 population in 2017. In the last two years, however, there has been a sharp decrease in the incidence of most types of violent crimes, including a 30% drop in the murder rate¹ [1]. The reasons for this are being looked into [2]. Even so, Brazil has the second-highest murder rate in South America [3], with the largest group of victims being young Brazilian men of African descent² [4] who live on the outskirts of urban centers. Violence against women and domestic violence have continued to climb. Brazil recorded 263,067 reports of intentionally inflicted bodily harm in domestic violence cases in 2018 (over 700 per day) [2]. It is also the country with the world's fifth-highest index of feminicides, according to the World Health Organization. Even though the violence is heavily concentrated in certain areas, population groups, and behavioral categories, security policy has, for the most part, been reactive and repressive. Meanwhile, Brazil has over 750,000 people in its prisons and an incarceration rate of 307 prisoners per 100,000 population, for the third-largest prison population in the world. This sustained level of incarceration over the last 20 years has resulted in a 66% overcrowding rate, and the lack of effective social reintegration policies is reflected in a 70% recidivism index [5],[6]. In all, 5.9% of Brazil's GDP goes to cover the direct and indirect costs of crime [7].
- 1.3 **COVID-19 and security.** The COVID-19 pandemic has highlighted the importance of having a robust public security and criminal justice system capable of coping with a public health crisis such as the present one. The services whose job it is to prevent domestic violence have been strained, and their weaknesses have become evident. As they work to fight crime and maintain public order, the police have found themselves on the front lines of the battle against the pandemic and have had to reorganize in order to take on new challenges. The criminal justice and prison system has been caught short in terms of its ability to manage health emergencies

¹ The number of murders fell from 59,128 to 41,635 between 2017 and 2019[1].

² The percentage of murder victims who were persons of African descent rose from 59% in 2001 to 72% in 2011[4].

such as this; it does not have enough room to isolate persons who have been infected, it lacks the necessary measures for maintaining hygiene and social distancing, and its prison security provisions are proving to be inadequate [8]. The Department of Prisons, an agency of the Ministry of Justice and Public Security of Brazil, has launched a federal strategy for monitoring and supporting state governments' efforts to prevent the spread of COVID-19 in the prison system [5].

- 1.4 Brazil is a vast country whose federal district and 26 states differ widely from one another in terms of the various indicators and types of crimes, violence, and security problems.³ Under its federal system, state governments have a great deal of autonomy and bear the main responsibility for providing public security and justice services.⁴ Given these two factors, each state stands in need of individualized support for its efforts to meet the public security challenges it faces in Brazil.
- 1.5 **Rationale for the CCLIP.** In 2018, the federal government achieved a historic breakthrough in advancing the institutional development and governance of the security sector in Brazil when it approved the introduction of the Unified Public Security System (SUSP), which is intended to integrate and align the security policies of the country's federal, state, and municipal governments [9][10]. It also approved the National Public Security and Social Defense Policy (PNSPDS) 2018-2028 and its accompanying plan, which bring a multisectoral approach to socially and situationally based preventive measures, the modernization of policing practices, and access to justice and social reintegration [11]. While government expenditure on public security at the three levels of government is estimated at over US\$20 billion per year [2], only 5% of that sum is used for investment [12]. Given this state of affairs, the federal government has expressed a keen interest in obtaining a CCLIP [13] to help it improve the efficiency and effectiveness of public security and justice programs in Brazil. The timescale and multisectoral nature of the CCLIP would support the medium- and long-term vision that is embedded in the SUSP, the PNSPDS, and the array of development objectives and policies that are based on them. The rationale for the first operation under the CCLIP is set out below.

2. Espírito Santo: background and context

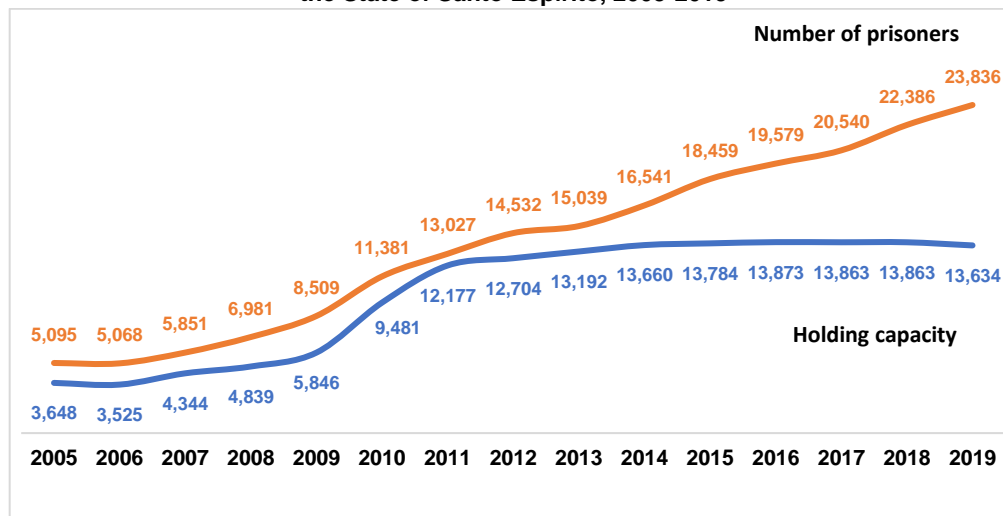
- 1.6 **Macroeconomic context and COVID-19.** Although the State of Espírito Santo has maintained positive and stable fiscal accounts—it is the only state with a CAPAG (ability to pay) rating of “A.” The recession triggered by the pandemic drove its tax receipts down by 3.7% between January and May 2020, and its GDP shrank by 1.7% in the first quarter of 2020 [14]. Updated post-COVID estimates for 2020-2021 will be made available when the budget law is submitted in September 2020. The state's government has underscored the importance of protecting and building the resilience of persons deprived of their liberty, as they are potentially one of the most vulnerable groups in this pandemic. [Optional link 3](#) lists 14 initiatives that the State Secretariat for Justice (SEJUS) is pursuing in order to combat COVID-19 in the prison system.

³ Brazil's murder rate was 20 per 100,000 population in 2018, but in some states the rate is between 7 and 11 per 100,000 and in others between 33 and 37[7].

⁴ State governments account for approximately 80% of public spending on security and justice.

- 1.7 **Security and persons deprived of their liberty in the State of Espírito Santo.** In 2018, there were 1,108 homicides (28 per 100,000 population) in the State of Espírito Santo, which was 28% fewer than in 2017; 11% of the victims were women [7]. Between 2005 and 2019, the state's prison population swelled by 368% (from 5,095 to 23,836) as its incarceration rate rose to over double the average for Latin America and the Caribbean (566 versus 262 per 100,000 population) and to a level 84% higher than the national rate (307 per 100,000). [15] Its rate of overcrowding is 75%, and 40% of the prison population is made up of remand prisoners awaiting sentencing. SEJUS runs 35 prisons, four of which are women's prisons, and is responsible for coordinating, planning, implementing, and monitoring the state's prison policy and for supervising and enforcing custodial sentences. It is also in charge of overseeing prisoner social reintegration programs. A majority of the prison population is male (95%), young (61% are over 18 but under 35 years of age), of African descent (78%), and have little formal education (58% did not complete elementary school and only 7% of male inmates have completed their secondary education)[16].

Figure 1. Trends in prison capacity and numbers of persons deprived of their liberty in the State of Santo Espírito, 2005-2019



Source: Diretoria de Administração Geral dos Estabelecimentos Penais, September 2019.

- 1.8 **Legal, institutional, and strategic structure of Espírito Santo.** Citizen security is accorded a central role and a high priority both in the state's Strategic Development Plan 2030 [17] and in the Espírito Santo Government Program 2019-2022. One of the strategic areas identified in those instruments, "Security in defense of life," focuses on increasing the effectiveness of the prison system and of resocialization efforts [18]. In its State Public Security Plan [18], the government is taking an integrated approach that combines preventive and enforcement measures in coordination with the SUSP and the PNSPDS. The state's prison policy is closely aligned with the approach taken by the Department of Prisons and the National Council of Justice in such areas as prison labor, alternative sentencing, the expansion of the use of information and communications technologies (ICTs), and the reduction of overcrowding.

- 1.9 **The general problem** to be addressed by this first individual loan operation is the high rate of recidivism in Espírito Santo, which is a contributing factor to its high rate of incarceration and, in the absence of a satisfactory comprehensive reintegration policy, to prison overcrowding.⁵ The recidivism rate in Brazil is estimated at between 35% and 55% at the state level [6] and at 35% for Espírito Santo (2019) [16]. The time is right for Espírito Santo to deploy comprehensive reforms that can avert a further deterioration of its prison system. Although its recidivism rate is not among the highest in the country, it is a significant factor in the rapid growth of its prison population (which has more than doubled in the last 10 years) and the steep increase in prison overcrowding, which is three times as high as the level defined by the United Nations as critical overcrowding (20%). The main challenges facing by Espírito Santo are discussed below.
- 1.10 **Insufficient availability of scientifically based social reintegration services and a lack of targeting**⁶ [19]. The Espírito Santo prison system does not have a scientifically based model for assessing the risk of recidivism [20] or tools for designing individual supervisory plans that have been shown to be effective in preventing recidivism on the basis of empirical evidence. The existing programs of SEJUS do not meet the rehabilitation needs of the prison population. Of all the persons deprived of their liberty in closed or semi-open facilities, only 10.9% work and only 15.9% are taking courses.⁷ The coverage of basic education services is 23.5%⁸ and secondary education coverage is 44.7%;⁹ no technical or higher education services are provided. There are no behavior modification programs, which evidence has shown to be the best way to prevent recidivism [21]. Community re-entry support services are also insufficient in quality and quantity and particularly so in the area of employability.¹⁰ SEJUS does have a social services window (Escritório Social),¹¹ but its coverage is limited because its use is voluntary and, while it arranges for access to existing public and private services, it has not developed any new targeted services or initiatives that would attract users (only 4.2% of the persons who made use of the social services window succeeded in obtaining paid employment in 2019, and few incentives are offered).

⁵ As used here, recidivism is defined as re-entry into the penitentiary system.

⁶ There are seven basic principles for an evidence-based reintegration policy [19].

⁷ Custodial sentences may be served in closed facilities (the person does not leave the prison), semi-open facilities (prisoners leave during the day but return at night), and open facilities (they leave during the day but sleep in halfway houses or are under house arrest). Sentences involving the removal of certain rights (noncustodial sentences) include mandatory community service and the confiscation of property [16].

⁸ Out of 8,711 persons who have not completed their basic education, 2,052 were studying.

⁹ Out of 3,310 persons who had not completed their secondary education, 1,481 were studying.

¹⁰ The types of barriers to employment vary across segments of the population. For former prisoners, the lack of a higher education limits them to unskilled or low-skilled jobs (only 0.7% of persons in this category have completed a university education or have taken classes at that level). For prisoners in semi-open or open facilities, the fact that they cannot obtain an employment booklet [Carteira de Trabalho e Previdência Social] (CTPS) because they have not finished serving their sentence makes it difficult to obtain employment in the formal sector. For prisoners in closed facilities, few work opportunities are available.

¹¹ The social services window (Escritório Social) serves persons who have recently been released from prison. It provides access to public and private agencies offering social reintegration services (health care, social assistance, vocational training, education, and employment services) to former inmates and their family members.

Little use is made of alternative sentencing options¹² owing to the absence of a risk assessment tool and to the limited technical capacity and infrastructure for supervising the implementation of such measures. This leads to an excessive use of pre-trial detention, particularly for persons subject to sentences of less than four years. It is estimated that a considerable percentage of the persons now being held in pre-trial detention (an estimated 40% of the total prison population in the state) will be given noncustodial sentences.¹³

- 1.11 **Underuse of social reintegration technologies.** The prison administration lacks a comprehensive information system to support improvements in human and financial resource management, centralized data analysis (especially in connection with vulnerable groups such as pregnant women or women with small children, and LGBT+),¹⁴ or integrated supervision of prisoners and monitoring of their legal status, with the result that supervisory policies relating to these groups are less than optimal and inefficient. Prisoner information systems are primarily based on the use of hard copy or Excel spreadsheets and are not linked with the systems of other government departments, such as the health ministry or secretariats or with the judicial system. In addition, the technological systems in place do not provide information on prisoners' locations, which hinders internal transfers and access to release preparation programs (e.g. therapeutic support, education, and work programs). The lack of a computerized system for keeping track of the location of persons deprived of their liberty and prison staff does not allow for the optimum application of security and resocialization principles, with the result that the former overshadows the latter. Lastly, shortages of hardware such as videoconferencing equipment lead to the unnecessary prolongation of periods of imprisonment when, because of a lack of resources, prisoners cannot be transported to the courtroom for hearings, as well as increasing transportation and security costs. In 2018, over 25,000 teams were assembled to escort prisoners to their hearings, which represented a 57% increase over the period 2014-2018 [16].
- 1.12 **Insufficient infrastructure in the prison system for the sustainable provision of efficient social reintegration processes and programs.** Existing prison infrastructure is too limited to give persons in closed or semi-open facilities access to programs designed to prepare them for their release (education, socioemotional support, and vocational programs). Most of the space in the state's prisons is devoted to sleeping quarters rather than to classrooms, workrooms, or psychosocial treatment facilities [16]. This also makes it difficult to treat and isolate infected persons during epidemics of such diseases as COVID-19. There is no infrastructure unit that could serve as a model for the delivery of resocialization

¹² Nearly 9,000 prisoners entered the system in 2019. Some of those persons could have been given alternative sentences, since they were first-time offenders and charged with crimes carrying sentences of less than four years, such as larceny (23%), battery (with or without the involvement of domestic violence) (23%), domestic violence and/or the threat of such violence (18%), and failure to pay alimony or child support (11%). Judges handed down noncustodial sentences (mainly the use of electronic ankle monitors) in only around 1,000 cases. There are no centers for the administration of alternative sentences (CPMAs) with psychosocial monitoring infrastructure or equipment.

¹³ The estimate for Brazil published in a study carried out by the Institute for Applied Economic Research (IPEA) [6] was 38%.

¹⁴ As a result, there is little information available on minorities or vulnerable groups. In all, 95% of the prison population is male; there are 30 men's prisons, 3 women's prisons, and 2 prisons that house both men and women. There are no specific data on the LGBT+ population; 43% of female prisoners are in pre-trial detention, compared to 32% of male prisoners.

services. There are also problems in maintaining the power and water supplies, along with other functional issues that increase operating costs and create health risks in the prisons. Half of the prisons do not have an environmental permit. Water and power systems alone account for over 10% of the total budget of SEJUS due to the structural inefficiencies of penitentiary facilities [16].

- 1.13 **Empirical evidence.** Scientific knowledge about how to reduce recidivism and promote social reintegration has developed a great deal since the 1980s. The Risk-Need-Responsivity (RNR) model¹⁵ and cognitive behavioral therapy, in particular, have revolutionized the correctional landscape. The RNR model provides for seven systematic reviews, and its use reduces recidivism by an average of 29% [22][23]. Cognitive behavioral therapy provides for a systematic review based on 58 impact assessments with 19 controlled random trials. A meta-analysis indicates that cognitive behavioral therapy reduces recidivism by 25%, on average, and by as much as 52% in the most efficient programs of this sort. [21][23] Empirical evidence indicates that other factors that reduce recidivism include access to higher education, [24] re-entry into the labor market [25], and alternative sentencing [26].
- 1.14 **Correlates of recidivism.** The RNR model is grounded in scientific evidence on the correlates of recidivism, which include: (i) static risk factors (factors that will only remain constant or worsen over time), such as a person's history of antisocial behavior; (ii) "major" dynamic risk factors (factors that may improve), such as antisocial personality patterns, antisocial attitudes and cognitive tendencies, and association with antisocial peers; and (iii) "moderate" dynamic risk factors, such as alcohol and drug use, problems with family members and/or the significant other, educational background and status, training and employment history and status, and the use of free time [20].
- 1.15 **The Bank's experience in the country and lessons learned.** The Bank currently has four public security-related investment loan operations in Brazil, three at the state level (operations [3137/OC-BR](#), [3241/OC-BR](#), and [3279/OC-BR](#)) and a component of one such operation at the municipal level (operation [4617/OC-BR](#)), all of which are performing satisfactorily. None of these operations is providing support to the adult prison system population, but the first three are focused on the socioeducational aspects of the juvenile criminal justice system. The lesson learned from these programs, which is discussed in the evaluation prepared by the Office of Evaluation and Oversight on the Bank's strategy with Brazil 2015-2018 (document RE-534-1), concerns the importance of maintaining public policy linkages over the long term between the federal and state levels in a sector that is so crucial for the country as public security (which can be achieved by means of

¹⁵ The RNR model reflects the state of the art in empirical research into the variables having the greater predictive power with regard to antisocial behavior. This model can be used to: (a) identify candidates for the most intensive forms of treatment; and (b) define the specific objectives of treatment for reducing antisocial behavior [20]. In that text, the authors comprehensively discuss the key features of the RNR model and its three main principles: risk, need, and responsivity. The principle of risk establishes that the level of treatment should be proportional to the risk of recidivism (higher levels of risk require more intensive treatment for longer periods of time). The principle of need establishes that the criminogenic needs of each person deprived of liberty should be factored into the design of the treatment (which should be modified based on the individual's needs and risk factors associated with the criminal behavior). The principle of responsivity establishes that the person deprived of liberty may be more or less responsive to treatment depending on the manner in which it is offered.

a CCLIP) (paragraph 1.5) and of aligning the operation with state and federal sector policies (paragraphs 1.8, 1.26, 1.27, and 1.28).

- 1.16 **The Bank's experience in the region and lessons learned.** This program will capitalize on the Bank's experience with projects designed to improve rehabilitation services for persons deprived of their liberty, such as: the Violence Prevention and Social Inclusion Promotion Program (loan [2526/OC-CR](#)), the Comprehensive Security Program (loan [1762/OC-PN](#)), particularly its activities aimed at modernizing prison infrastructure in line with evidence-based models (paragraph 1.28) and at introducing change management strategies to pave the way for the adoption of new working methods (paragraph 1.26), and the technical cooperation operation (operation [ATN/OC-15731-CH](#)) being provided to promote the economic and social reintegration of women deprived of their liberty through the delivery of vocational training, the promotion of microenterprise startups, and the provision of loans/seed capital (paragraph 1.26). Additional lessons learned will underpin the following actions: (i) including activities to further the implementation of evidence-based methodologies (applied in operations [2210/OC-AR](#), [2584/OC-EC](#), and [3785/OC-UR](#)) by incorporating social reintegration programs based on the RNR model (paragraph 1.26); (ii) designing technology-focused interventions to upgrade databases on persons deprived of their liberty (operation [ATN/OC-15850-RG](#)) using the case management system (paragraph 1.25); (iii) designing interventions focusing on the persons deprived of their liberty who are at the highest risk of reoffending (paragraph 1.26) in order to optimize impact (operations [2210/OC-AR](#), [3241/OC-BR](#), and [3785/OC-UR](#)); and (iv) mounting communication campaigns to raise the awareness of the main stakeholders (paragraph 1.26).
- 1.17 **Complementarity with other IDB Group operations.** This operation will complement the State Citizen Security Program (operation [3279/OC-BR](#)), which began executing in Espírito Santo in April 2018. That program focuses on other key components of the public security value chain: management, socially based preventive measures, modernization of policing practices, and the resocialization of juvenile offenders. This intervention seeks to introduce improvements in management, staff training, and infrastructure and to introduce a new model of treatment and mentoring. It is complemented by the MODERNIZA-ES program, which works with adults who have been deprived of their liberty, as that population is not covered by the State Citizen Security Program. It is also complemented by technical-cooperation operation ATN/OC-18084-BR, whose objective is to support efforts to improve public security policies and programs in Brazil and to upgrade the design and oversight of loans and activities related to the PRO-SEGURANÇA CCLIP.
- 1.18 **Coordination with other donors.** In order to roll out the CPMAs, the MODERNIZA-ES program is working with the "Justice Is Here" Program (Programa de Justiça Presente), an initiative of the National Council of Justice, the Department of Prisons, and the United Nations Development Programme (UNDP).¹⁶ The objective is to develop strategies for reducing overcrowding in Brazilian jails and prisons at all stages in the prison cycle. These strategies are to include the use of alternative sentences.

¹⁶ Signed in 2018 and endorsed in CNJ/Ministry of Justice and Public Security Cooperation Agreements 5, 6, and 7.

- 1.19 **Strategic alignment.** The operation is consistent with the second update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenges of: (i) social inclusion and equality,¹⁷ as it will provide educational and employment assistance interventions to support persons deprived of their liberty; and (ii) productivity and innovation, as it will make use of transformative digital technologies and devices (paragraph 1.22). The program is also aligned with the crosscutting issues of: (i) gender equality and diversity, since it takes into account the specific resocialization needs of diverse groups within the prison population who will benefit from program investments (paragraph 1.21); and (ii) climate change and environmental sustainability, as it will seek to strengthen the state prison system's electrical power generation capacity based on renewable sources. A total of 47.31% of the operation's resources will be invested in climate change mitigation and adaptation using the joint multilateral development bank [methodology for tracking climate change finance](#). These resources will contribute to the achievement of the IDB Group goal of boosting project financing for activities relating to climate change to 30% of all approvals by year-end 2020 (for further information, see [optional link 2](#) and paragraph 1.20);¹⁸ and (iii) institutional capacity and the rule of law, as it will support training for security staff, strengthen managerial and digital technology capacities, and reinforce the transparency and integrity of SEJUS. In addition, the program will be reflected in the indicators of the Corporate Results Framework 2020-2023 (document GN-2727-12) that measure: (i) beneficiaries of on-the-job training programs; (ii) subnational governments benefited by citizen security projects; (iii) government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery; and (iv) strengthened crime information systems.
- 1.20 It is also aligned with the component on the reduction of insecurity and violence of the Sector Strategy for Institutions for Growth and Social Welfare (document GN-2587-2) and is consistent with the guidelines and areas of action set out in the Citizen Security and Justice Sector Framework (document GN-2771-7), as it will support action to improve access to the services of the criminal justice system. In addition, this operation will be consistent with the Climate Change Sector Framework (document GN-2835-8), as it calls for digitization, the procurement of efficient equipment, the use of energy- and water-efficient building techniques, and the upgrading of facilities. The program is also aligned with pillar 4 of the IDB Group Strategy with Brazil 2019-2022 (document GN-2973), which focuses on reducing social inequality and inequality of opportunity, as one of the strategic objectives in that area is to enhance the effectiveness of citizen security services in the control and prevention of violent crime, and with the crosscutting themes of gender and diversity (with special attention being devoted to the needs of the Afro-Brazilian population, women, and LGTB+ persons who have been deprived of their liberty) and digital transformation and innovation, as it will include efforts to promote the digitization of information in the prison system with a view to upgrading and increasing the relevance of the socioeducational and vocational services provided to the prison population. The operation is also included in the Update of the Annex III of the 2020 Operational Program Report (document GN-2991-3).

¹⁷ The vast majority of persons deprived of their liberty were subject to violations of their social rights as children and adolescents and have had very limited access to development opportunities. This operation is aimed at partially reversing that situation.

¹⁸ The facilities to be built with program financing will be energy- and water-efficient.

- 1.21 **Gender and diversity.** In accordance with the Gender Equality in Development Policy (Operational Policy OP-761, document GN-2531-10), financing will be provided for the development of a system for compiling data on women and vulnerable groups (e.g. women with children who are deprived of their liberty, LGBT+ persons, persons with disabilities, persons of African descent) that takes the dimension of intersectionality into account as well. The proposed interventions relating to women will follow the United Nations Rules for the Treatment of Women Prisoners and Non-custodial Measures for Women Offenders (the Bangkok Rules) and will comply with the infrastructure standards established by the International Committee of the Red Cross (including standards applying to women's prison facilities). For Component 1, gender-differentiated risk assessment tools will be used, and a gender perspective will be applied in employability support activities. In addition, as part of the safeguards to be put in place, a service center will be set up for family members and other visitors. This, in combination with the remote visits provided for in Component 2, will help to strengthen prisoners' bonds with their children and other family members.
- 1.22 **Technological innovations.** The program will support an agenda for the digital overhaul of the prison system that will include the connection of complex systems to support the social reintegration of persons deprived of their liberty, the digital integration of jails, courtrooms, hospitals, and other government systems, and business process digitization. A range of innovations, including offender management and case management systems, smart monitoring systems, and integrated sensors of the type used for the Internet of Things, will also be brought in. Special attention will be devoted to issues around the protection of personal data and cybersecurity.¹⁹
- 1.23 **Alignment and compliance with the Operational Guidelines for Program Design and Execution in the Area of Civic Coexistence and Public Safety (document GN-2535-1).** The program has been designed in accordance with the Operational Guidelines. It provides for activities to build the capacity of SEJUS for the delivery of comprehensive services (interventions to provide persons deprived of their liberty with socioemotional support, educational services, and help them enter the labor market), administration and management (including the use of new technologies in that connection), the improvement of accountability and oversight mechanisms (paragraph 1.18 of document GN-2535-1), and the construction of prison infrastructure for the resocialization of persons deprived of their liberty (paragraphs 2.8 and 2.9 of document GN-2535-1). As per the Operational Guidelines, the necessary safeguards will be put in place [27]: (i) a consolidated information system will be developed for use in responding to complaints; (ii) the office in charge of internal disciplinary affairs will be strengthened, and a code of ethics for SEJUS staff will be drawn up and implemented (paragraph 2.3 of document GN-2535-1); and (iii) an agreement will be concluded with an internationally recognized body specialized in the field of human rights and prison infrastructure (paragraph 2.6 of document GN-2535-1).

¹⁹ The provisions of Brazil's General Act for the Protection of Personal Data, Law 13,709/2018, which governs personal data processing, will be taken into account.

B. Objectives, components, and cost

1. PRO-SEGURANÇA CCLIP

- 1.24 **The objective of the CCLIP.** The CCLIP is to be used to help improve the efficiency and effectiveness of public security and justice programs in Brazil, specifically in the following sectors: (i) public security management and governance; (ii) prevention of violence; (iii) modernization of policing practices; and (iv) justice and social reintegration. The CCLIP will have the following features:
- a. **Modality.** Given the nature of public security issues, which can be grouped into the four areas of management and governance (i.e. prevention of violence, the modernization of policing practices, access to justice, and social reintegration) and the wide range of potential executing agencies, this will be a multisector modality II (MM-II) CCLIP as per the Bank's policy on CCLIPs (document GN-2246-13). The Secretariat for International Affairs, an agency of the Ministry of the Economy, will be the liaison agency and will be responsible for coordinating and overseeing the flow of operations in each sector of the CCLIP and ensuring that its development objectives are achieved. To that end, it will propose any needed adjustments, as appropriate. The Secretariat has the authority to perform this role by virtue of its institutional mandate for coordinating, monitoring, and evaluating projects funded by multilateral development organizations. It has been fulfilling that mandate satisfactorily on an ongoing basis for a number of years now.
 - b. **Rationale.** This MM-II CCLIP will give Brazil access to a strategic tool for strengthening its Unified Public Security System, which will promote the integration and alignment of security policies at the three levels of government (the federation, states, and municípios) and the implementation of the multisectoral approach reflected in the National Public Security and Social Defense Policy (paragraph 1.5).
 - c. **Sectors.** The CCLIP will be used in the following four sectors: (i) public security management and governance: the objective will be to maximize the quality of the information and scientific evidence made available to decision-makers so as to enhance their ability to monitor the actions taken and to formulate more precise, effective, and evidence-based strategies using results-oriented, collaborative, and transparent governance and accountability mechanisms; (ii) the prevention of violence: the objective will be to help to reduce the risk factors for violence and to augment protective factors at the individual, family, school, and community levels while seeking to alter behavioral patterns by reinforcing pro-social skills and fostering peaceful social coexistence, with emphasis on the situations of at-risk youth and women victims of violence; (iii) the modernization of policing: the objective will be to promote proactive, targeted, and socially legitimate preventive policing strategies based on integrated crime analysis and intelligence oriented toward community protection and the participation of vulnerable groups; and (iv) access to justice and social reintegration: the objective will be to strengthen an agile criminal justice system that curbs impunity and a prison system that will promote the reintegration of persons deprived of their liberty into society while helping to prevent recidivism and to ensure that victims receive redress.

- d. **Institutional arrangements.** The CCLIP will have three resource allocation channels:²⁰ (i) at the federal level, the borrower would be the Federative Republic of Brazil, while the executing agencies would be federal government agencies that are part of the Unified Public Security System and play a policy-making or regulatory role vis-à-vis subnational governments or are directly responsible for federal policy in one or more sectors covered by the CCLIP; (ii) at the subnational level, the borrowers could be the Federal District, states, or municípios with debt carrying capacity that apply for loans for integrated citizen security programs in one or more of the sectors covered by the CCLIP; and (iii) national or regional development banks that participate in the corresponding subnational citizen security plan and boost the capillarity and scope of the Bank's work through onlending to several subnational entities for specific investments, in line with the sectors covered by the CCLIP.
- e. **Amount and term.** The CCLIP of up to US\$1.2 billion over a period of 10 years will be distributed among approximately 14 individual operations involving either investment loans or loan guarantees for investment projects under the terms set out in documents GN-2246-13 and OP-1622-3. The time frame for this CCLIP is justified because it will dovetail with the 10-year implementation period of the National Public Security and Social Defense Policy and because the consolidation of an evidence-based policy model is necessarily a medium-term undertaking that transcends the election cycle. This effort must also garner the participation of an increasing number of states in order to attain more far-reaching results and impacts (paragraphs 1.5 and 1.24(b)).
- f. **Beneficiaries.** The beneficiaries will be members of the public who will witness an improvement in public security and justice services thanks to the increased efficiency of expenditure on such services. These beneficiaries will include, in particular, young people at risk of violence who make use of psycho-social services that will prevent them from lapsing into lives of crime, members of the public who benefit from policing practices that deter the commission of robberies and murders while respecting human rights, and former prisoners who succeed in rejoining and playing a constructive role in society.

2. First operation under the MODERNIZA-ES CCLIP

- 1.25 **The objective of the first individual operation under the CCLIP.** The general objective of this first CCLIP operation is to contribute to social reintegration and to a reduction in recidivism in Espírito Santo in an efficient and effective manner.²¹ Its specific objectives are to: (i) step up the application of social reintegration policies and evidence-based programs; and (ii) increase the efficiency of expenditure in this area through the use of new management and monitoring technologies and the improvement of prison infrastructure for social reintegration.
- 1.26 **Component 1. Strengthening social reintegration programs (US\$23,911,500).** The objective of this component is to build the capacity of SEJUS to design and implement social reintegration policies and evidence-based programs by: (i) setting up CPMA's (with psychosocial monitoring services for persons serving alternative sentences); (ii) providing more employment and educational services

²⁰ The first operation in each resource allocation channel must complete the Bank's full project preparation cycle, starting with a project profile.

²¹ Sector 4 of the CCLIP.

that are tailored to the needs of different groups of persons deprived of their liberty and returning citizens (e.g. higher education scholarships and cooperative business incubators to assist persons who have finished serving their sentences;²² support for microenterprise startups by persons in open and semi-open facilities; and production workshops and vocational training centers for those in closed facilities); and (iii) introducing the RNR model (i.e. risk assessments, referral and treatment centers, cognitive-behavioral therapies, and training programs for resocialization personnel), including a communication and change management strategy that will support the adoption and sustainability of the new model.²³ All of these outputs provide for the adaptation of existing infrastructure, the provision of efficient tools for use in resocialization activities, the training of prison staff in a culture of resocialization, and the application of prison safeguards.

- 1.27 **Component 2. Modernizing management and technological systems (US\$31,600,000).** This component provides for the technological modernization of the prison system as a means of promoting social reintegration and increasing the efficiency and effectiveness of public spending through the implementation of: (i) an integrated computerized system for the management of information on offenders (hardware and software); (ii) an electronic monitoring center (radio frequency identification (RFID) tags, closed circuit cameras, Internet of Things systems, and the use of body scanners) and a cybersecurity solution for the protection of smart systems and devices;²⁴ and (iii) videoconferencing equipment (such as computers, cameras, recording equipment, and data storage devices) and systems (for courtroom hearings, medical attention, educational purposes, and family visits).²⁵ Procurement of the outputs will take efficiency criteria, including energy efficiency criteria, into consideration, and training on their use will be included.²⁶
- 1.28 **Component 3. Upgrading prison infrastructure (US\$43,400,000).** This component focuses on the construction and renovation of public facilities to ensure they are efficient, sustainable, secure, and suitable for the promotion of social reintegration by means of: (i) the design and construction²⁷ of two integrated resocialization centers (mixed penal facilities composed of a closed unit and a

²² The number of prisoners who are in a position to participate in university-level studies is much smaller than the number who could attend primary or secondary levels of instruction, but the State Secretariat for Justice is already taking steps to expand coverage for these latter groups, whereas no provision has been made for the former group. In addition, the lack of such scholarships is a disincentive for the completion of a secondary education, and there is compelling scientific evidence of how influential access to higher education is in reducing recidivism [24].

²³ This program will draw on the services of psychologists, social workers, teachers, and professionals in other areas associated with social reintegration support. It will serve as a pilot for the development of a specialized career path for resocialization agents that will differ from that of today's corrections officers, where the focus is primarily on security.

²⁴ A project for the installation of fiber-optic Internet connections between administrative offices and prison facilities is now being carried out by the State Secretariat for Justice and PRODEST.

²⁵ These systems will lower greenhouse gas emissions by reducing the number of trips and transfers.

²⁶ Procel Category A, Energy Star, or equivalent.

²⁷ These centers will be designed using building information modeling (BIM) processes and will have a comprehensive costed maintenance plan that will allow recurrent maintenance expenses to be optimized and budgeted more accurately.

semi-open unit)²⁸ that meet resocialization standards in the municípios of Cachoeiro de Itapemirim and Linhares;²⁹ (ii) upgrades for power, water, and sanitation equipment (photovoltaic microgrids, water intake systems, and sewage treatment stations) in the prisons for the efficient management and use of resources; and (iii) construction of infrastructure for food and laundry services, with a view to ensuring the efficiency and sustainability of those services. These centers will be designed in line with bioclimatic architectural principles, will use environmentally sound materials, and will use energy- and water-saving systems.

- 1.29 **Component 4. Program administration (US\$4,000,000).** This component covers program execution and management, follow-up, and the measurement of results. These funds will finance program administrative services, audits, and the assessment of program implementation and impact.
- 1.30 **Beneficiaries.** The program will benefit the entire prison population by improving the technology and infrastructure used in running the country's prisons. It will also benefit certain segments of that population through the provision of social reintegration services, including: (i) all persons in the system (approximately 23,000 people) through the provision of individualized reoffense risk assessments by the time of the program's completion; (ii) 5,000 persons who will receive cognitive behavioral therapy treatment per year, for a total of as many as 20,000 beneficiaries; (iii) as many as 9,000 people per year who could be eligible for alternative sentences; (iv) 260 persons who will be trained in running labor cooperatives; (v) at least 680 people with jobs created by the program; (vi) 1,700 people who will attend vocational training courses; (vii) 400 people who will receive technical assistance and seed capital for business startups; and (viii) 500 people who will receive scholarships for higher technical or professional studies.

C. Key results indicators

- 1.31 **Impact and expected results.** The program's main impacts will be a reduction in criminal recidivism (I.1 and I.3), access to gainful employment for prisoners who have finished serving their sentences (I.2), and a greater use of alternative sentences (I.4). The main outcomes will be a reduction in the risk of recidivism (R1.1.), an increase in the number of paid jobs for persons who have been deprived of their liberty (R.1.2) and in the social and education services available for released prisoners (R.1.3 and R.1.4.), the digitization of case and hearing management systems (R.2.1, R.2.2. y R.2.3), and the use of renewable energy in prison facilities (R.2.4).
- 1.32 **Economic analysis.** The program's benefits arise from three main sources: (i) the implementation of the RNR model, which will make it possible to reduce recidivism, increase the employability of former prisoners, and lower prison operating costs in the future; (ii) an increase in the percentage of offenders subject to sentences of less than four years that will be receiving alternative sentences; and (iii) an increase in the efficiency of prison operations, with a reduction in the cost of

²⁸ Work is under way with a team from the University of Brasilia that specializes in the construction of correctional facilities, and IDB guidance on the selection of sites for the construction of social infrastructure will be followed.

²⁹ The Nelson Mandela Rules set out a minimum standard for the amount of space to be devoted to work, educational, and psycho-social treatment activities. They also provide for culturally based adaptations when necessary.

transporting prisoners to their hearings and a lower level of expenditure per prisoner. The economic analysis yields a benefit/cost ratio of 1:07; an internal rate of return of 23% (well over the Bank's 12% threshold), and a net present value of US\$5,130,569. The results of the sensitivity analysis, which is based on more conservative assumptions, exceed the thresholds for each indicator (see [economic analysis](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **First individual operation.** The first individual operation financed by the CCLIP will be a specific loan investment. The cost will be US\$102,911,500, of which US\$82,329,200 will be covered by the IDB (Ordinary Capital) and US\$20,582,300 by the local contribution [28].

Table 1. Estimated program costs (US\$)

Component	IDB	Local	Total	%
Component 1. Strengthening social reintegration programs	19,289,200	4,622,300	23,911,500	22
Component 2. Modernizing management and technological systems	24,800,000	6,800,000	31,600,000	31
Component 3. Upgrading prison infrastructure	34,240,000	9,160,000	43,400,000	42
Component 4. Program administration	4,000,000	0	4,000,000	5
Total	82,329,200	20,582,300	102,911,500	100

- 2.2 The funds will be disbursed over a period of five years, as shown in Table 2. The execution period is based on the average amount of time needed to design and implement the proposed program activities.

Table 2. Tentative disbursement schedule (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	13.96	28.99	19.79	13.01	6.58	82.33
Local	3.98	7.25	4.95	3.26	1.15	20.58
% per year	19	35	24	16	6	100

B. Environmental and social risks

- 2.3 In accordance with the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), this project has been classified as a Category "B" operation, since the infrastructure construction and rehabilitation works may have localized short-term negative environmental and social impacts that are non-scalable and can be mitigated by standard means. The direct social and environmental impacts and risks associated with the first operation of this CCLIP are the typical ones associated with construction work on this scale. They will be localized and will mainly be felt in the short run, and effective mitigation measures are available to address them: interference with and restriction of transit, excavation works in avenues and roads, dust, noise, rubble, disruption of traffic, and occupational health and safety considerations. It will not result in any

involuntary resettlements or economic displacement and will not have an adverse impact on indigenous or vulnerable population groups. Because of the variety of planned interventions, as part of the preparations for the first operation under this CCLIP, an [environmental and social analysis](#), an [environmental and social management plan](#), and a consultations plan have been drawn up, along with a [strategic environmental and social assessment](#) and the corresponding [environmental and social management framework](#) for future CCLIP operations. These evaluations establish the type of management approach that SEJUS should adopt in order to avert, reduce, and mitigate environmental and social risks associated with the operation in accordance with IDB safeguards.

- 2.4 In light of the COVID-19 pandemic, the public consultations plan provided for two virtual meetings on 17 July 2020 with the inhabitants of the areas where the two new prisons are to be built. An invitation to all interested members of the general public was published in the newspaper. An invitation was also sent out by email. A link to an infographic on the program was put up on the SEJUS website, along with a link for downloading the social and environmental documents prepared for the operation and a link for sending in comments and questions. The main subjects covered during the consultation were: a description of the program; its projected social and environmental impacts; the measures to be used to mitigate those impacts; the views of the members of the public concerned; and the socialization of the program's complaints mechanism. The consultation provided an opportunity for members of the public to comment on social and environmental aspects of the project and to make recommendations and voice their concerns in that connection. The comments made and the concerns expressed during these virtual meetings were already reflected in the social and environmental documentation, and the attendees therefore welcomed and expressed their support for the operation. The general acceptance of this intervention was validated accordingly. The planning and implementation of the consultation (the report on this consultation was posted on the Bank's website on 22 July 2020) were conducted in accordance with the Bank's guidelines and standards. For further details, see the [environmental and social management report](#).

C. Fiduciary risks

- 2.5 A medium-to-high risk rating has been assigned to the possibility that the program could fall behind schedule if the procurement or development of the information management systems is not given priority by the Secretariat for Oversight and Transparency (SECONT), the Office of the Prosecutor General (PGE), and the Institute of Information and Communications Technology of the State of Espírito Santo (PRODEST). In order to mitigate this risk, the following steps are planned: (i) fiduciary training sessions will include staff of the Secretariat for Oversight and Transparency, the PGE, and PRODEST; (ii) the PGE will designate a member of its staff to work with the program; and (iii) a consulting firm will be engaged to run the infrastructure projects and to support their supervision.

D. Other risks and key issues

- 2.6 Three additional risks were identified during the design stage:
- a. **Development.** There is a medium-to-high risk that, if corrections officers do not take the risk assessments or cognitive behavioral therapy approach on board, the reduction in the risk that former prisoners will reoffend will be smaller, which will interfere with the attainment of the goal for the reduction in

recidivism set out in the results matrix. To mitigate this risk, the executing agency will develop a change management plan, organize training sessions for all prison staff, and design a program for resocialization agents (paragraph 1.26).

- b. **Public management and governance.** A medium-to-high risk exists that the commission of acts of violence by program beneficiaries may be highlighted in the press, which could undermine the program's continuity or that of some of its key activities. To mitigate this risk, the executing agency will draw up a communication strategy and engage an outside organization to ensure that prison safeguards are enforced (paragraph 1.26).
 - c. **Fiscal sustainability.** A medium-to-high risk exists that, if the fiscal capacity of the state is hurt by the economic fallout from COVID-19, Espírito Santo could lose its CAPAG (ability to pay) "A" rating,³⁰ which would make the prospect of signing the loan contract unfeasible. To mitigate that risk, the Bank will maintain an ongoing dialogue with its counterparts in the federal government and in Espírito Santo and will continually monitor the situation.
- 2.7 **Sustainability.** In 2019 [29], Espírito Santo set up a revolving fund to finance modernization programs for the prison system and improvements in assistance for persons deprived of their liberty and released prisoners. Under Brazilian law, a portion of the revenues from prison labor (25% of the wage received per prisoner) can be reinvested in the prison system as an incentive for active involvement in the promotion of prisoner work programs. This mechanism is an additional source of funding, apart from the state's regular budget, for bolstering the sustainability of those MODERNIZA-ES reforms that prove to be the most successful.
- 2.8 **Sustainability of technological and construction investments.** The proposed solutions will afford significant cost savings and efficiency gains. Under this program, the award of a five-year contract for the maintenance of the selected technological solutions is planned, along with the development of a plan for their subsequent maintenance and updating. A centralized, integrated system will be acquired for the management and monitoring of physical and cybernetic security, Internet of Things devices and applications, governance, risks and hazards, and prisons' operational requirements on a single platform. PRODEST will be involved in the development and integration of some of the technological solutions (the case management system, integration with other secretariats), the installation of infrastructure (wiring, antennas, and fiber optics), and the state's data centers. The SEJUS technology team will be reinforced with suitably skilled technical and managerial personnel to assist with hardware maintenance over the long run. Infrastructure works will be designed using building information modeling (BIM) tools to optimize maintenance expenditures. The consulting firm engaged to assist with the construction designs will draw up a comprehensive costed maintenance plan to ensure the sustainability of the new structures.

³⁰ An update is expected from the Ministry of the Economy in July or August 2020. At the present time, Espírito Santo has the highest fiscal rating in Brazil, which strengthens its borrowing capacity. The Brazilian government will review the fiscal status of the State of Espírito Santo before giving its final approval for the signing of the loan contract.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of the arrangements for implementation

- 3.1 **Borrower and executing agency.** For this first CCLIP operation, the State of Espírito Santo will be the borrower and the State Secretariat for Justice of Espírito Santo (SEJUS) will serve as the executing agency. The Federative Republic of Brazil will be the counterpart and the guarantor of the financial commitments made under the loan contract for this first CCLIP operation. The results of the institutional capacity analysis indicate that SEJUS has the necessary capacity to manage the activities to be undertaken in this individual operation but that it will need to strengthen its project management capacity, particularly in technical areas and in the areas of procurement, finance, and socioenvironmental safeguards. A program management unit (PMU) with the necessary basic capacities (paragraph 3.2) will therefore be set up at SEJUS, and its personnel will then be trained in the application of the Bank's financial procedures and procurement policies in order to ensure that the procurement process runs smoothly and that financial management functions are effective. A team will also be put in place to provide technical support to the SEJUS Infrastructure Unit to build up its socioenvironmental management capacity in accordance with the outline provided in the [environmental and social management report](#), Annex A, Directive B.4.
- 3.2 **Program execution, administration, and coordination mechanisms.** The PMU will have a direct link to the Secretary of SEJUS and will be in charge of program coordination, including its planning, financial management, and procurement functions. The PMU team will be composed of the following staff, who will work exclusively on the program: a general coordinator, management consultants for each of the four program components, an administrative and financial specialist, a procurement specialist, and a special bidding committee. In addition, a SEJUS deliberative committee responsible for strategic direction of the program will be created, composed of the Secretary of SEJUS and the deputy secretaries whose areas of responsibility are included under the program. The deliberative committee will meet monthly.
- 3.3 **Interagency coordination mechanisms.** The program will work alongside the Interagency Commission for the Espírito Santo Penitentiary System for the purpose of improving prison policy on the basis of research, dialogue, and collaboration among the main parties involved in the penal justice system. This commission has held monthly meetings since January 2019 and is presided by the SEP. Its members consist of representatives from the Court of Justice, the State Public Prosecutor's Office, the State Public Defender's Office, the Federal Public Defender's Office, the Brazilian Bar Association's Espírito Santo Division, the SEJUS of Espírito Santo, and the State Secretariat for Human Rights. The program will also have a managing committee made up of representatives of organizations involved in the loan operation, such as SEJUS, SEP, and PRODEST. It will meet quarterly to facilitate program coordination, strategic alignment, and sustainability. PRODEST will designate a point person for the MODERNIZA-ES program.
- 3.4 The **program Operating Regulations** will detail the operation's implementation strategy and will cover: (i) the organizational structure of the program; (ii) the functions of the PMU; (iii) program coordination and interagency coordination mechanisms; (iv) the program plan for scheduling and monitoring the work and for

evaluating the results; (v) guidelines for financial, auditing, and procurement procedures; (vi) financial management rules; and (vii) a chapter on socioenvironmental considerations. The [strategic environmental and social assessment](#) and the [environmental and social management plan](#) will be annexed to the [program Operating Regulations](#).

- 3.5 **Special contractual conditions precedent to the first disbursement of the loan proceeds.** The executing agency will provide evidence to the Bank of: (i) the entry into effect of the [program Operating Regulations](#) in accordance with terms previously agreed upon with the Bank, which will establish the guidelines and procedures to be followed by the executing agency and the coordination mechanisms to ensure the successful execution of the program; and (ii) publication in the official gazette of the State of Espírito Santo of the decree establishing the PMU and designating its general coordinator, who will work exclusively on the program in accordance with terms previously agreed upon with the Bank in order to ensure the quality and full implementation of the program (paragraph 3.12).
- 3.6 **Special contractual conditions for execution.** The following special contractual conditions for execution will apply: (i) activities related to alternative sentences will be in line with the policies established by the Department of Prisons and the National Council of Justice, thereby establishing guidelines that will promote the issuance of noncustodial sentences whose implementation is supported by the services provided by these centers; (ii) prior to the commencement of Component 2, an agreement which defines the responsibilities of each party will have been signed by the executing agency and PRODEST and that agreement will have entered into effect in accordance with terms previously agreed upon with the Bank, thereby ensuring that priority will be placed on the procurement and development of the hardware and software called for under the program; and (iii) prior to the commencement of the works for the first integrated resocialization center, the borrower will have engaged the services of a consulting firm acceptable to the Bank to uphold prison safeguards, thereby ensuring compliance with the applicable regulations and international standards regarding human rights and prison infrastructure. This consulting engagement will be a vehicle for establishing a partnership with a specialized, internationally recognized institution in accordance with the provisions of the guidelines of document GN-2535-1 (paragraph 1.23).
- 3.7 **Procurement of works, goods, consulting services, and nonconsulting services.** The procurement of works, goods, consulting services, and nonconsulting services charged against the loan proceeds will be carried out in accordance with Bank policy (document GN-2349-15, "Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank," and document GN-2350-15, "Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank"). Based on the capacity analysis of the executing agency, procurement processes financed in part or in their entirety by the Bank will be subject to ex post review except in those cases specified in the [procurement plan](#) where ex ante supervision is called for. When procurement processes are carried out under the country system, their supervision will also be conducted under that system.

- 3.8 **Direct contracting.** In accordance with the policy set out in paragraph 5.4(a) of document GN-2350-15, four individual consultants are to be directly contracted to support the PMU. This course of action affords the advantage of maintaining continuity of service, as they are currently providing consulting services in support of the administrative modernization of SEJUS. The estimated cost of these contracts over the five-year execution period is US\$360,000. The [procurement plan](#) provides an itemized breakdown of these proposed contracts.
- 3.9 **Retroactive financing and recognition of expenditures.** At the request of the State of Espírito Santo, the Bank may retroactively finance, as a charge against the loan proceeds, up to US\$16,465,840 (20% of the amount of the proposed loan) and recognize eligible expenditures, as a charge against the local counterpart contribution, up to US\$4,116,460 (20% of the estimated local counterpart contribution) in the categories of works, goods, nonconsulting services, and consulting services relating to programs, technology, or infrastructure works to promote reintegration that have been incurred by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Those requirements include compliance with IDB safeguard policies. Such expenditures must have been incurred on or after the project profile approval date (28 May 2020) but under no circumstances may include expenditures incurred more than 18 months prior to the date on which the loan was approved.
- 3.10 **Advance of funds.** Disbursements will be made in the form of advances based on the program's actual liquidity needs for a period of no more than six months. Such advances will be made using a special bank account in the name of the program for the exclusive use of loan proceeds in accordance with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12).
- 3.11 **Audits.** The program's financial statements will be audited each year by the Court of Auditors of the State of Espírito Santo or, if it is unavailable, by an independent external auditing firm acceptable to the Bank that is engaged by the executing agency. The audited financial statements will be submitted to the Bank within 120 days following the close of each fiscal year of the entity in accordance with the procedures and terms of reference previously agreed upon with the Bank.

B. Summary of arrangements for monitoring results

- 3.12 **Monitoring by the executing agency.** Monitoring by the executing agency will be based on: (i) the results matrix; (ii) the [program execution plan](#); (iii) the [monitoring and evaluation plan](#); (iv) the [procurement plan](#); (v) the program risk management matrix; (vi) the program monitoring report; (vii) semiannual progress reports; and (viii) the program's audited financial statements. The PMU will prepare consolidated semiannual progress reports for the Bank's review. These reports will be forwarded within 30 days of the close of each six-month period.
- 3.13 **Evaluation.** The program will be evaluated on the basis of annual targets and indicators for the outcomes and outputs set out in the results matrix. The [monitoring and evaluation plan](#) provides for independent midterm and final evaluations. The borrower will prepare a midterm review report and forward it to the Bank within 90 days once 50% of the loan proceeds have been disbursed or 36 months after execution has begun, whichever occurs first. The borrower will also forward a final evaluation to the Bank within 90 days once 95% of the loan

proceeds have been disbursed. That evaluation will serve as an input for the project completion report.

- 3.14 In order to gain more knowledge about the effectiveness of cognitive behavioral therapy programs, a quasi-experimental impact evaluation will be carried out using a matching difference-in-differences model to gauge the impact on recidivism and the risk profiles of persons deprived of their liberty.

IV. ELIGIBILITY CRITERIA

- 4.1 **CCLIP eligibility criteria.** The CCLIP meets the eligibility requirements for a Modality CCLIP II established in the policy set forth in document GN-2246-13 and its operational guidelines (document OP-1622-3) for the following reasons: (i) its objectives are aligned with the priority issues identified in the IDB Group Strategy with Brazil 2019-2022 (document GN-2973) and specifically its fourth strategic area, which focuses on reducing social inequality and inequality of opportunity by enhancing public policy efficiency and, in particular, developing comprehensive public security policies, with emphasis on the local level and on persons and behaviors entailing a high risk of criminal activity; and (ii) the Secretariat for International Affairs will serve as the liaison agency and will be responsible for coordinating and overseeing the flow of operations in each sector of the CCLIP (paragraph 1.24(a)).
- 4.2 **Eligibility of the first individual operation under this CCLIP.** This first operation meets the applicable requirements established in the policy set forth in document GN-2246-13 for the following reasons: (i) the comprehensive analysis of the institutional capacity of the executing agency, SEJUS, conducted using the institutional capacity analysis platform indicates that it does have the necessary execution capacity, although the analysis also identified possible risks and areas in which improvements are called for (paragraphs 2.5 and 3.1); (ii) the achievement of the operation's objective will contribute to the attainment of the multisectoral objectives of this CCLIP by strengthening social reintegration policies for persons deprived of their liberty as a means of reducing recidivism (paragraph 1.24); (iii) the operation is provided for in the fourth sector of the CCLIP (justice and social reintegration) (paragraph 1.24); and (iv) it includes actions that should be taken in the areas requiring improvements that were identified in the institutional capacity assessment (paragraph 3.1).

Development Effectiveness Matrix		
Summary		BR-L1545
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Beneficiaries of on-the-job training programs (#)* -Subnational governments benefited by citizen security projects (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Crime information systems strengthened (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	Enhance the effectiveness of citizen security services in the control and prevention of violent crime
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.3
3.1 Program Diagnosis		2.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		1.4
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.6
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		7.1
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Thecnical Cooperation ATN/OC-18084-BR whose objective is to support the improvement of citizen security policies and programs in Brazil, as well as the design and supervision of loans and activities related to the CCLIP PROSEGURANCA

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

Evaluability Assessment Note: The main goal of the operation is to efficiently contribute to social reintegration and the reduction of criminal recidivism in Espírito Santo. The proposal defines three specific areas of intervention. The first area proposes strengthening social reintegration programs through the implementation of evidence-based policies such as the risk-need-responsivity model. The second area aims to digitize internal procedures and facilitate access to video conferencing systems for audiences, family visits, and telemedicine services. The third area proposes an improvement of prison infrastructure with climate change mitigation measures.

The project proposal diagnosis describes a high criminal recidivism rate in Espírito Santo: 35% [SEJUS,2019]. Additionally, the diagnosis presents limitations associated with the lack of targeting of the social reintegration programs. The diagnosis also finds high logistics costs related to the absence of technological tools, and the inadequate infrastructure for implementing reintegration programs. Overall, the diagnosis identifies problems and their causes.

The solutions are aligned with the problems. There is no evidence on effectiveness for some proposed solutions in the country. Some results targets are not based on evidence.

The economic analysis provides a quantification of some economic benefits. It quantifies the benefits of reducing the recidivism rate and the savings associated with a reduction of logistical costs. The assumptions on the magnitude of the expected benefits are not based on evidence. The costs include maintenance and investments associated to the loan. The analysis concludes the project has a net present value of US\$5.1 million.

Monitoring relies on reports by SEJUS with many indicators provided by a penitentiary monitoring system financed by the loan. The evaluation plan includes an impact evaluation with a quasi-experimental design. The evaluation aims to quantify the effect of the risk-need-responsivity model on the level of risk and the recidivism rate of persons deprived of liberty treated by the program.

RESULTS MATRIX

Program Objective:	The general objective of this first operation under the CCLIP is to contribute to social reintegration and to a reduction in criminal recidivism in Espiritu Santo in an efficient and effective manner. The specific objectives are to: (i) increase the application of social reintegration policies and evidence-based programs; and (ii) to increase the efficiency of expenditure through the use of new management and monitoring technologies and the improvement of prison infrastructure for social reintegration.
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EXPECTED IMPACT

Indicators	Unit of measurement	Baseline	Baseline year	End of program	Means of verification	Comments
General objective: Contribute to social reintegration and to a reduction in criminal recidivism in Espiritu Santo in an efficient and effective manner						
I.1 Criminal recidivism in Espiritu Santo	Percentage	35	2019	28	Case monitoring and follow-up system (SMSC)/State Secretariat for Justice (SEJUS)	See the monitoring and evaluation plan
I.2 Percentage of persons who used the social services window ¹ and obtained gainful employment	Percentage	4.2	2019	15	SMSC/SEJUS	
I.3 Percentage of participants in cognitive behavioral therapy treatment programs who reoffended as compared to the percentage of members of a control group who did so in t+24 months	Percentage	0	2019	-25	SMSC/SEJUS	
I.4 Percentage of offenders who receive alternative sentences for crimes carrying sentences of less than 4 years (per year)	Percentage	38	2015	43	Institute for Applied Socioeconomic Research (IPEA) (2015) SMSC/SEJUS	

¹ For a description of the social services window (Escritório Social) see the [monitoring and evaluation plan](#) or the program proposal.

EXPECTED OUTCOMES

Indicators	Unit of measurement	Baseline	Baseline year	Project completion	Means of verification	Comments
SPECIFIC OBJECTIVE 1. Increase the application of social reintegration policies and evidence-based programs						
1.1 Percentage of persons deprived of their liberty whose risk level changes after treatment (per year)	Percentage	0	2019	25	SMSC/SEJUS	See the monitoring and evaluation plan
1.2 Percentage of persons deprived of their liberty engaged in gainful employment (per year)	Percentage	7.78	2019	13.5	SMSC/SEJUS	
1.3 Percentage of released prisoners who used the social services window (per year)	Percentage	14.5	2019	19.6	SMSC/SEJUS	
1.4 Percentage of courses successfully completed by scholarship recipients (per year)	Percentage	0	2019	50	SMSC/SEJUS	
SPECIFIC OBJECTIVE 2. Increase the efficiency of expenditure through the use of new management and monitoring technologies and the improvement of prison infrastructure for social reintegration						
2.1 Percentage of persons deprived of their liberty whose case has been entered into the digital case management system (per year)	Percentage	0	2019	100	SMSC/SEJUS	See the monitoring and evaluation plan
2.2 Percentage of virtual hearings held (per year)	Percentage	0	2019	60	SMSC/SEJUS	
2.3 Index of average unit cost of hearing-related logistics	Index	0	2019	0.6	SMSC/SEJUS	
2.4 Percentage of electrical power usage derived from renewable sources in remodeled facilities (per year)	Percentage	0	2019	15	Electricity bills and photovoltaic electrical power generation report - SMSC/SEJUS	

OUTPUTS

Outputs	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
COMPONENT 1. Strengthening social reintegration programs											
1.1 Risk assessments based on the RNR model are applied	Assessments	0	2020	4,000	13,000	13,000	13,000	13,000	56,000	SEJUS semiannual report	See the monitoring and evaluation plan
1.2 Treatment with cognitive behavioral therapy to reduce the risk of recidivism has begun	Persons deprived of their liberty	0	2020	-	5,000	5,000	5,000	5,000	20,000		
1.3 Centers for the administration of alternative measures (CPMAs) are in operation	Centers	0	2020	3	2	2	-	-	7		
1.4 Places have been opened up for released prisoners in cooperative business incubators	Places	0	2020	20	40	60	60	80	260		
1.5 Higher education scholarships have been awarded to released prisoners	Scholarships	0	2020	100	100	100	100	100	500		
1.6 Job placements have been created for persons deprived of their liberty in closed facilities	Jobs	676	2020	-	-	826	1,091	1,356	1,356		
1.7 Places have been opened up in job skills training courses in CEFOP vocational training centers for persons deprived of their liberty	Places	879	2020	-	1,800	2,600	2,600	2,600	10,479		
1.8 Places have been opened up for technical and financial training and assistance in a business startup support center	Places	0	2020	70	100	100	100	100	470		
1.9 Resocialization agents have been recruited and trained	Agents	0	2020	-	68	-	-	-	68		

Outputs	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
1.10 A communication and change management plan has been validated and is being implemented	Plan	0	2020	-	1	-	-	-	1		
1.11 Reports on prison safeguards have been submitted	Reports	0	2020	1	1	1	1	1	5		
COMPONENT 2. Modernizing management and technological systems											
2.1 Components of the smart monitoring center are in operation	Components	0	2020	1	2	1	-	-	4	SEJUS semiannual report	See the monitoring and evaluation plan
2.2 Videoconferencing systems have been set up and are in operation	Systems	0	2020	2	2	-	-	-	4		
2.3 Integrated systems on the smart management platform are in operation	Systems	0	2020	1	2	1	-	-	4		
COMPONENT 3. Upgrading prison infrastructure											
3.1 Blueprints and technical specifications for the construction of integrated resocialization centers have been delivered	Blueprints	0	2020	-	2	-	-	-	2	SEJUS semiannual report	See the monitoring and evaluation plan
3.2 Integrated resocialization centers built	Centers	0	2020	-	-	-	1	1	2		
3.3 Existing prisons outfitted with resource-efficient power, water, and sanitation systems	Units	0	2020	-	15	15	13	-	43		
3.4 Prisons have self-sustaining infrastructure in operation	Centers	0	2020	-	-	4	4	4	12		
3.5 Prisons have upgraded power systems	Centers	0	2020	-	10	10	15	-	35		

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Federative Republic of Brazil

Project number: BR-O0011; BR-L1545

Project name: Conditional Credit Line for Investment Projects (CCLIP)
"PRO-SEGURANÇA"
First Individual Operation: Program to Expand and Modernize the Espírito Santo Penitentiary System (MODERNIZA-ES)

Executing agency: Secretariat for Justice (SEJUS) of the State of Espírito Santo

Fiduciary team: Leíse Estevanato and David Salazar (VPC/FMP)

I. EXECUTIVE SUMMARY

- 1.1 The evaluation of institutional fiduciary management capacity for this program is based on: (i) the country's current fiduciary context; (ii) the results of the evaluation of the main fiduciary risks; (iii) an institutional analysis; (iv) the borrower's experience in executing IDB-financed projects; and (v) working meetings with the project team and SEJUS.
- 1.2 Brazil has robust country fiduciary systems for the sound management of administrative, financial, oversight, and procurement processes in line with the principles of transparency, economy, and efficiency. The executing agency's systems and capacity for planning and organization, execution, and oversight are considered to have an intermediate level of development.
- 1.3 SEJUS has the legal capacity and experience needed to execute the program activities.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 SEJUS is the agency responsible for the social reintegration policy of the State of Espírito Santo and for the administration of the state's prison system.
- 2.2 Program activities will be executed by the program management unit (PMU) of SEJUS, which is responsible for institutional and technical coordination functions.
- 2.3 SEJUS will centralize and be in charge of procurement and contracting processes.
- 2.4 Internal oversight of the executing agency is the responsibility of the Internal Control Execution Unit, which was established as part of the Internal Control Executive Body in 2017. The latter reports to the State Secretariat for Oversight and Transparency (SECONT) and is responsible for the internal oversight of state agencies. External oversight is the responsibility of the Court of Auditors of the State of Espírito Santo (TCE/ES), which audits all state agencies and is eligible to audit IDB operations.

III. INSTITUTIONAL CAPACITY AND FIDUCIARY RISK EVALUATIONS AND MITIGATION ACTIONS

- 3.1 The findings of the evaluation of institutional capacity and its validation with staff indicate that the executing agency has an intermediate level of institutional capacity. It has a great deal of experience in executing projects in its area of responsibility and in using its own teams to implement those projects, but it will need to set up a PMU and to train that team in the application of the Bank's financial procedures and procurement policies in order to ensure that the procurement process runs smoothly and that financial management functions are effective. In order to strengthen the PMU, the following steps will be taken: (i) roll out an additional module for the state's system or develop a financial management system to be financed with program funds; (ii) establish a PMU staffed with fiduciary personnel who will work full time on this assignment; (iii) establish a special committee to handle project bidding processes; (iv) train project management personnel in the application of IDB fiduciary policies; (v) assign prosecutors to work on the project; and (vi) adopt program Operating Regulations that will rationalize the legal controls applying to procurement processes and facilitate the coordination of the PMU. These regulations must be made known to all parties concerned and be accepted by them. A medium-to-high risk rating has been assigned to the possibility that the program could fall behind schedule if the procurement or development of the information management systems is not given priority by SECONT, the Office of the Prosecutor General (PGE), and the Institute of Information and Communications Technology of the State of Espírito Santo (PRODEST). In order to mitigate this risk, the following steps are planned: (i) fiduciary training sessions will include staff of SECONT, the PGE, and PRODEST; (ii) the PGE will designate a member of its staff to work with the program; and (iii) a consulting firm will be engaged to run the infrastructure projects and to support their supervision.

IV. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 4.1 **Procurement of works, goods, and nonconsulting services.** Contracts subject to international competitive bidding (ICB) will use the Bank's standard bidding documents. Contracts subject to national competitive bidding (NCB) will use national bidding documents agreed upon with the Bank.
- 4.2 **Selection and contracting of consultants.** Contracts will use the Bank's standard request for proposals. The relevant sector specialist will be responsible for reviewing the terms of reference. The selection and contracting of consultants will be undertaken in accordance with the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15).
- 4.3 **Use of country procurement systems.** The country procurement subsystem approved by the Bank, the Pregão Eletrônico, will be used for the procurement of commonly used goods up to a threshold of US\$5 million. Any subsequently approved system or subsystem will be applicable to the operation. The

procurement plan and any updated versions thereof will indicate which contracts will be executed under the approved country systems.

- 4.4 **Retroactive financing and recognition of expenditures.** At the request of the State of Espírito Santo, the Bank may retroactively finance, as a charge against the loan proceeds, up to US\$16,465,840 (20% of the amount of the proposed loan) and recognize eligible expenditures, as a charge against the local counterpart contribution, up to US\$4,116,460 (20% of the estimated local counterpart contribution) in the categories of works, goods, nonconsulting services, and consulting services relating to programs, technology, or infrastructure works to promote reintegration that have been incurred by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Those requirements include compliance with IDB safeguard policies. Such expenditures must have been incurred on or after the project profile approval date (28 May 2020) but under no circumstances may include expenditures incurred more than 18 months prior to the date on which the loan was approved.

B. Direct contracting

- 4.5 In accordance with the policy set out in paragraph 5.4(a) of document GN-2350-15, four individual consultants are to be directly contracted to support the PMU. This course of action affords the advantage of maintaining continuity of service, as they are currently providing consulting services in support of the administrative modernization of SEJUS. The estimated cost of these contracts over the five-year execution period is US\$360,000.

Table 1. Thresholds for international bidding and international shortlist (US\$)

Method	ICB works	ICB goods and nonconsulting services	International consulting shortlist
Threshold	25,000,000	5 million	1 million

Table 2. Main procurement (US\$)

Type of procurement	Selection method	Estimated date	Estimated amount (millions)
Goods and nonconsulting services			
Mobilization and tracking equipment	ICB	2021, Q2	6.1
Centralized management and monitoring system	ICB	2021, Q3	6.0
Consulting firms			
Project management	QCBS	2020, Q4	1.9
Works			
Photovoltaic microplants	NCB	2020, Q3	2.2
Linhares integrated resocialization center	NCB	2022, Q2	10.4
Cachoeiro do Itapemirim integrated resocialization center	NCB	2022, Q2	13.9

* [Procurement plan](#).

C. Procurement supervision

- 4.6 Procurements will be subject to ex post review except in those cases where ex ante supervision is called for. When procurement processes are carried out under the country system, their supervision will also be conducted under that system.
- 4.7 The supervision method to be used will be determined for each selection process on a case-by-case basis. Ex post reviews will be conducted every 12 months pursuant to the project supervision plan.

Table 3. Threshold for ex post review

Works	Goods	Consulting services
NCB and shopping	NCB and Pregão	Less than US\$1 million

D. Records and files

- 4.8 The PMU will be responsible for documenting procurement processes and will keep such records on file as are necessary for supervision and auditing purposes.

V. FINANCIAL MANAGEMENT

- 5.1 **Programming and budget.** SEJUS will be responsible for the PMU's coordination of the necessary planning processes for the execution of activities pursuant to the multiyear execution plan and the annual work plan. State agencies use the following planning instruments: a multiyear plan, the budget guidance law (Lei de Diretrizes Orçamentária), and the Annual Budget Act. The program budget forms part of the latter.
- 5.2 The PMU will ensure that the resources for the program (both the Bank's and the local counterpart contributions) are duly budgeted for each year and are earmarked for the annual execution plan as provided for in the project's timetable. Budgetary resources must be recorded for the relevant year in the Integrated Public Finance Management System (SIGEFES) as externally sourced funds. The Budget Act must allocate the funds required for project execution (both the external credit and the local counterpart contribution).
- 5.3 **Accounting and information systems.** The executing agency uses the mandatory municipal and state financial management systems for public entities. Thus, since 2014 it has been using Integrated Public Finance Management System (SIGEFES), a dynamic system that provides a single window for financial control systems used in the state, such as the Integrated Financial Administration System for States and Municipalities (SIAFEM), the Integrated Planning System (SIPLAN), and the Multiyear Planning System (SISPPA).
- 5.4 All of the project's accounting and financial information will be registered in SIGEFES. This system does not currently permit the automatic generation of program reports and financial statements in U.S. dollars by investment category, as required by the IDB. Within a maximum period of six months following the signing of the loan contract, the executing agency will therefore provide evidence

- of the installation of an auxiliary financial management system that will be capable of generating the reports required by the Bank.
- 5.5 **Disbursements and cash flow.** The program will use the National Treasury System. Expenditures will be subject to its financial and budget execution process and will be duly recorded in SIGEFES.
- 5.6 Bank funds will be administered using a dedicated bank account that will permit the identification of the loan proceeds and the reconciliation of these resources, including deposits and payments.
- 5.7 Disbursements will be in U.S. dollars and will be made in the form of advance payments. The advances will be based on financial projections with a maximum 180-day time horizon. Future advances will be contingent upon at least 80% of the total balances pending justification having been accounted for.
- 5.8 Expenditures that the Bank finds to be ineligible must be covered by local counterpart funds or by other funds deemed suitable by the Bank given the reason for their ineligibility.
- 5.9 For purposes of accounting for the loan proceeds and local counterpart funds, payments in the local currency will be converted into the currency of the operation in accordance with the following provisions (to be defined): (i) the effective exchange rate for converting the currency of the operation into the local currency will be applied to advances; (ii) the exchange rate on the date of payment; and (iii) another criterion proposed by the borrower that is acceptable to the Bank.
- 5.10 **Internal control and auditing.** Internal oversight of the executing agency is the responsibility of the Internal Control Execution Unit, which was established as part of the Internal Control Executive Body in 2017. The latter reports to SECONT and is responsible for the internal oversight of all state agencies.
- 5.11 **External control and reporting.** External oversight is conducted by the Court of Auditors of the State of Espírito Santo (TCE/ES). External audits of the program will be carried out by the TCE/ES or by an external auditing firm deemed eligible by the Bank.
- 5.12 Audited annual financial statements will be submitted to the Bank within 120 days following the close of each fiscal year in accordance with terms of reference agreed upon with the Bank. The final audit will be submitted within 120 days of the date of the last disbursement.
- 5.13 **Financial supervision plan.** This plan may be modified in the course of the program's execution as risk levels change or as additional controls are required.

Table 4. Supervision plan

Nature and scope	Frequency	Responsible party	
		Bank	Executing agency
Ex post review of disbursements and procurement	Annual	Fiduciary team	PMU – External auditor
Annual audit	Annual	Fiduciary team	PMU – External auditor
Review of disbursement requests	Periodic	Fiduciary team	
Supervisory visit	Annual	Fiduciary specialist	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Brasil. Conditional Credit Line for Investment Projects (CCLIP) for the
PRO-SEGURANÇA program (BR-O0011)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Federative Republic of Brazil, to establish the Conditional Credit Line for Investment Projects (CCLIP) for the PRO-SEGURANÇA program (BR-O0011) (the "Line") for an amount of up to US\$1,200,000,000 chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on __ _____ 20__)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Brazil. Loan ____/OC-BR to the State of Espírito Santo. Program to Expand and Modernize the Penitentiary System in Espírito Santo (MODERNIZA-ES). First Loan under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0011 – PRO-SEGURANÇA

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the State of Espírito Santo, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Program to Expand and Modernize the Penitentiary System in Espírito Santo – MODERNIZA-ES, which constitutes the first individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0011 – PRO-SEGURANÇA, approved on _____ 2020 by Resolution DE-___/20. Such financing will be for the amount of up to US\$82,329,200, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2020)