

BRAZIL

**NATIONAL PROGRAM TO SUPPORT THE MODERNIZATION OF
PUBLIC ADMINISTRATION AND PLANNING IN THE STATES AND
FEDERAL DISTRICT (PNAGE) - PHASE I**

(BR-0405)

LOAN PROPOSAL

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Annex I Logical framework

Annex II Procurement plan

| Electronic Links and References | |
|---|---|
| Abbreviations | http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=672265 |
| Basic Socioeconomic Data | http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata |
| Status of loans in execution and loans approved | http://ops.iadb.org/approvals/pdfs/BRen.pdf |
| Tentative lending program | http://opsgs1/ABSPRJ/tentativelending.ASP?S=BR&L=EN |
| Terms of reference, technical specifications, and Operating Regulations | http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=370881 |
| Information available in the RE1/SC1 technical files | http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=361503 , http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=361505 , http://opsws3.reg.iadb.org/idbdocswebservices/getDocument.aspx?DOCNUM=361200 |

PROJECT SUMMARY

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(BR-0405)

| Financial terms and conditions ¹ | | | | |
|--|--------------------------|---------------------------|---------------------------------|--|
| Borrower: Federative Republic of Brazil Executing agency: Ministry of Planning, Budget and Management (MP) | | | Amortization period: | 20 years |
| | | | Grace period: | 5 years |
| | | | Disbursement period: | 5 years |
| | | | Commitment period: | 4.5 years |
| Source | Phase I Amount (US\$) | Phase II Amount (US\$) | Interest rate: | Adjustable |
| IDB (Ordinary Capital) | 93 million (60%) | 93 million (60%) | Inspection and supervision fee: | 0.00% |
| Local | 62 million (40%) | 62 million (40%) | Credit fee: | 0.25% |
| Total | 155 million (100%) | 155 million (100%) | Currency: | U.S. dollars from the Single Currency Facility |
| Project at a glance | | | | |
| Project objective: The purpose of the program is to improve the effectiveness and institutional transparency of state governments, in order to make expenditure more efficient. Achievement of this general objective will be founded on seven specific goals: (i) strengthening of public policy planning and management capacity; (ii) development of institutional capacity for human resource management; (iii) modernization of organizational structures and administrative processes; (iv) strengthening of administrative transparency and social communication mechanisms; (v) modernization of information management and integration of information technology systems; (vi) development of mechanisms to promote and implement a culture of institutional change; and (vii) development of mechanisms to promote cooperation between the states and the federal government and the harmonization and sharing of solutions. | | | | |
| Special contractual conditions: See paragraphs 3.5 and 3.8. | | | | |
| Exceptions to Bank policies: None | | | | |
| Project consistent with country strategy: Yes [X] No [] Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount [] | | | | |
| Verified by CESI on: 17 September 2004 Environmental and social review: See paragraph 4.9. Procurement: See paragraphs 3.20, 3.21, and 3.21. | | | | |

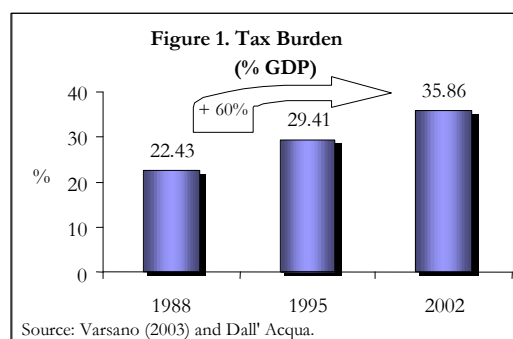
¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount. With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Reforms and recent fiscal performance of the states

1.1 In the late 1980s the progressive deterioration of public accounts in Brazil acted as a major constraint on the country's economic growth. This situation led the government to implement reforms to increase tax receipts and improve the quality of expenditure at the three levels of government, with a view to bringing public finances into balance in the short, medium and long term.

1.2 The tax reform undertaken during the past decade fueled exceptionally high levels of revenue growth. Fiscal receipts at the three levels of government expanded from 22.4% of GDP in 1988 to 29.4% in 1995, and had grown further to 35.9% by 2002 (figure 1); this underpinned an average primary surplus equivalent to 2.9% of GDP between 1991 and 1994. However, subsequent expenditure growth turned that surplus into a deficit on the order of 0.2% of GDP between 1995 and 1998, and there were primary deficits in the states and municípios and also among state enterprises.



1.3 The previous government took various steps to address this situation: (i) it implemented a fiscal restructuring program with the states in 1997, which included negotiation of state indebtedness, subject to fulfillment of annual targets in terms of revenue, expenditure and administrative reforms; (ii) it adopted a stabilization strategy based on a system of inflation targets and abandonment of the exchange-rate anchor in 1999; and (iii) it promoted the Fiscal Responsibility Law (LRF) in 2000, which created a framework for harmonization and consolidation of regulations to bring public finances into balance; and in particular it explicitly banned cross-financing between the different levels of government.

1.4 These measures have generally proven quite successful. Between 2002 and 2003: (i) 17 out of the 27 Brazilian states increased their primary surplus, while just two states remained in deficit; (ii) 19 of the 27 states brought their payroll expenditures below the limit established in the law (i.e. up to 49% of total expenditure), with just three states remaining outside that limit; and (iii) 20 of the 27 states reduced their indebtedness from the legally established ceiling (i.e. twice the level of net current income), while eight states still remained above the limit. Table I-1 shows how fiscal outcome in the consolidated public-sector moved from a primary deficit of 1.1% of GDP in 1997 to a surplus of 4.3% of GDP in 2003:

Table I-1
Fiscal outcome between 1997 and 2003
(as a percentage of GDP)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|-------------|------------|------------|------------|------------|------------|------------|
| Central government | -0.3 | 0.6 | 2.4 | 1.9 | 1.9 | 2.4 | 2.5 |
| Subnational governments | -0.7 | -0.2 | 0.3 | 0.5 | 0.9 | 0.8 | 0.9 |
| States | | -0.4 | 0.2 | 0.4 | 0.6 | 0.6 | 0.8 |
| Municípios | | 0.2 | 0.1 | 0.1 | 0.3 | 0.2 | 0.1 |
| Public enterprises | -0.1 | -0.3 | 0.6 | 1.0 | 0.9 | 0.7 | 0.9 |
| Total | -1.1 | 0.1 | 3.3 | 3.4 | 3.7 | 3.9 | 4.3 |

Source: Central Bank of Brazil.

(+) surplus (-) deficit

- 1.5 The current government promoted important reforms, e.g. in the civil servant pension regime, and tax reform (simplification and gradual transformation of cascade taxes), which foster conditions for sustained medium-term fiscal discipline at the three levels of government.

B. Basic characteristics and main public administration problems facing the executive branch at the state level

- 1.6 Brazil's 1988 Constitution gave subnational governments greater fiscal autonomy by decentralizing revenue collection and distributing functional jurisdictions between the federal and municipal levels. The states are responsible for performing all functions that are not explicitly prohibited in the Constitution; and in practice all three levels of government end up participating in several sectors at the same time. As a result, state governments jointly accounted for 38% of total government spending in 2000 but only 27.7% (26%) of total (disposable) income, whereas the federal government accounted for 45.5% of total expenditure and 67.3% (57%) of total (disposable) income. It is also important to mention that public sector employment (active civil servants) has been downsized by over 30% during the last eight years—with a particularly large reduction in the state-level civil service, amounting to nearly 45%. As a result, the state-level civil service has shrunk from 50% of total public-sector employment in 1995 to 40% in 2002, through early retirement induced by the 1998 pension reform and the outsourcing of state services. Against this backdrop, state governments must address the near-term challenge of promoting administrative reforms to improve their performance and make better use of the resources available to them. In doing so, it is essential to safeguard the fiscal discipline successes already achieved in Brazil; and the PNAGE gives the states an opportunity to contribute to this.

- 1.7 Table I-2 summarizes the main public administration problems,¹ grouped under six common strategic problems relating to state government performance.

Table I-2
Main public administration problems identified in the states

| |
|---|
| <p>1. Ineffective planning, information, monitoring, and evaluation system:</p> <ul style="list-style-type: none"> ▪ 62% of states lack defined performance targets and indicators. ▪ 52% of states lack integrated systems of public policy planning with indicators to measure sectoral targets. ▪ 30% of states lack integrated budgetary execution, accounting, tax and financial systems. ▪ 52% of states lack public policy coordination mechanisms. <p>2. Poor performance of state government human resources:</p> <ul style="list-style-type: none"> ▪ 67% of states lack a human resource management policy, encompassing competencies management, jobs and career plan, performance appraisal, recruitment policies, and so forth. ▪ Most states suffer from major instability in their staffing, because only 67% of state civil servants hold permanent posts, whereas the remainder are “commissioned” personnel, 85% of whom are drawn from non-civil service careers. ▪ In Administration Secretariats 55% of staff are “commissioned”; the equivalent figure is 39% in the case of Administration and Planning Secretariats considered jointly (these percentages contrast with 3% to 5% of “commissioned” staff in the Education, Health and Public Security Secretariats). ▪ 92% of states were unable to classify their staff adequately in terms of the time they have been in public service, because they do not have an adequate information system to do this. ▪ In most states, with available information, staff display a notable lack of qualifications and unsuitable profile. <p>3. Inefficient and ineffective management of logistics processes:</p> <ul style="list-style-type: none"> ▪ Information systems and the management of logistics processes are inexistent or poorly integrated: 78% of states lack a system for managing their transport fleet; 74% lack a complete and up-to-date real estate property database; 41% have no electronic procurement system; and 85% lack cost management and evaluation systems. ▪ 52% of states lack systems to integrate the planning and internal control areas. ▪ 67% lack a mechanism to integrate internal and external control. <p>4. Lack of transparency in administrative actions:</p> <ul style="list-style-type: none"> ▪ Between two thirds and three quarters of the states operate citizen service centers, providing information on service provision, but only 67% have conducted a user satisfaction survey during the last four years. ▪ Over half of the states have a transparency and social communication policy (78%); nonetheless, the largest shortcoming relates to the absence of social participation mechanisms in 44% of Brazilian states. ▪ Within their administrations, 59% of states lack Codes of Conduct and/or Ethics Committees, and there are no mechanisms to disseminate ethical values in 52% of the states. In addition, 63% of them lack a policy for communication with their employees. ▪ In 52% of states, there is no mechanism for coordination with the Comptroller General’s Office (Corregedoria Geral) or dissemination of its actions. ▪ Although 75% of states have an Ombudsman’s Office (Ouvidoria), it tends to have insufficient autonomy, and only 32% of states use any mechanism to disseminate its actions. <p>5. Insufficiency and poor quality of information:</p> |
|---|

¹ Public administration problems at the state level are identified from the results of a general questionnaire-based diagnostic study on the perception and opinion held by internal and external civil servants in the 26 state governments and the Federal District. The study was financed by the Ministry of Planning (MP), and was supported by specialized consulting services (<http://www.planejamento.gov.br/pnaje/index.htm>).

- Over half of the states lack an information technology master plan (63%) and/or an information technology (IT) strategic management unit (52%), to coordinate and evaluate actions and promote the crosscutting integration of information processes.
- Only 11% of states have an integrated human resource information system.
- The vast majority of states lack an integrated information system for the functions of planning, budget and financing, IT resources, and cost evaluation.
- About half of the states do not have a suitable technology environment, and there is excessive variety in the data networks used by them.

6. Insufficient capacity to implement institutional changes:

- Three quarters of the states lack any study of organizational culture, or policies to disseminate public-sector values.
- Less than half of the states claim to have instruments in place for dissemination, monitoring, and evaluation of institutional change processes.

1.8 The summary set out above shows that most state governments: (i) have serious shortcomings in their capacity for planning and coordination between the key management areas of human resources and IT, in particular relating to the health, education and public security sectors; (ii) lack horizontally integrated information systems containing complete and up-to-date databases; (iii) lack the conditions needed to implement a culture of change, with emphasis on the setting of targets and evaluation of outcomes; and (iv) have no evaluations of previous experience in implementing management technologies (or lack the capacity to carry them out) to provide guidance as to their replicability between states (e.g. the adoption of cost centers, management contracts, electronic procurement systems, integrated citizen service centers, total quality programs, strategic planning, etc.). Management capacities among state governments also vary widely, which is an aspect the PNAGE can help to reduce.

C. The country's strategy in the sector

1.9 The Brazilian Constitution requires the Executive Branch to submit for congressional approval a multiyear plan (PPA) for investment and expenditures over a four-year period starting in the second year of the political cycle, which constitutes the conceptual and financial framework for actions envisaged. The PNAGE was designed during the lifetime of the 2000-2003 PPA (*Plano Avanço Brasil*), which established a public administration efficiency goal based on: (i) a government that is closer to citizens and whose actions are transparent; (ii) a new project management model; (iii) integration of budgetary planning and formulation; and, most especially, (iv) the formation of strategic partnerships between federal, state, and municipal government bodies, international organizations, nongovernmental organizations (NGOs) and private enterprise, for the purpose of implementing programs.

1.10 The new PPA for 2004-2007 entitled *Brasil de Todos - Participação e Inclusão* [Brazil for Everyone: Participation and Inclusion] proclaims the promotion of citizenship and strengthening of democracy as one of its three mega-objectives, and

includes public sector transparency with social oversight. The new challenges raised by this mega-objective include implementation of a new form of public administration that is ethical, transparent, participatory, decentralized, citizen-focused, and subject to social oversight. This challenge views a flexible, transparent, efficient and effective state, focused on citizens' needs and expectations, as an essential condition for responding to the demands of the proposed new development model in an environment of constraints. Among the 11 directives prescribed by the PPA to meet this challenge, the proposed program includes the following: (i) improvement of public expenditure quality through the enhancement and integration of planning, budget, finance, oversight and evaluation systems; and (ii) creation and improvement of managerial controls on the outcomes of government action.

D. The Bank's strategy with the country and sector, and lessons learned

- 1.11 The Bank's strategy with Brazil for 2004-2007 highlights institutional strengthening and modernization of the State, including the consolidation of programs to improve public administration at the state and municipal levels, with special emphasis on the efficiency and quality of public expenditure and citizen services; and support for comprehensive programs to improve government services. This program is consistent with the Bank's strategy in terms of prioritizing actions to improve public-expenditure efficiency, effectiveness, quality, and oversight (internal, external and social)—a line of action that is compatible with the challenge posed by the multiyear plan of implementing a new form of public administration that is ethical, transparent, participatory, decentralized, citizen-focused and subject to social oversight.
- 1.12 On the issue of Modernization of the State, the Bank has worked intensively in Brazil mostly in the following three areas: (i) support to increase public revenues; (ii) support to improve public expenditure management; and (iii) strengthening of institutional external control capacities. The operations and lessons learned in this sector are as follows:
 - a. **At the federal level,** the Bank began to support the fiscal management modernization process with the Federal Revenue Secretariat modernization program (888/OC-BR) approved in 1995, which was basically aimed at increasing the tax revenues collected at the federal level. The project helped to expand and expedite assistance to taxpayers, by placing major emphasis on financing IT equipment and modernization. Nonetheless, the lack of predefined outcome indicators in its design made it hard to distinguish the project's impact from the effects of changes in the legal and regulatory framework that occurred while it was being implemented.
 - b. **At the state level,** Bank participation included a loan to finance the national fiscal administration program for Brazilian states (PNAFE-980/OC-BR), which

was approved in 1996. Its specific goal was to undertake fiscal modernization projects in the various tax administration bodies at the state level, aimed at: (i) improving the regulatory, operational, technical and managerial frameworks in which they operate; (ii) strengthening and integrating financial administration, and consolidating auditing and internal control; (iii) strengthening effective control of tax compliance; and (iv) expediting legal action for collection of delinquent tax debts. To date, 27 projects have been financed through the PNAFE, one in each state and one in the Federal District. The amount disbursed thus far represents 93% of the total loan of US\$500 million. The Bank's Regional Operations Department 1 (RE1) has recently conducted an evaluation of PNAFE outcomes, which include the following: (i) strengthening of revenue collection capacity, internal control, integration of information, and tax harmonization; (ii) strengthening of the governance network and knowledge of the subnational fiscal area, through the formation of intergovernmental networks, incentives for cooperative fiscal federalism, strengthening of the coordinating role of central government, knowledge management mechanisms, institutionalization of good practices, institutional ownership of outcomes achieved, incentives for partnerships between state-level public bodies, exchange of technical solutions, and reduction of institutional disparities; (iii) concomitant support to achieve the targets set in the country's fiscal adjustment program, and strengthening of the fiscal decentralization process and underlying intergovernmental relations, thereby helping to create conditions for LRF implementation; and (iv) direct support in achieving additional revenue collection amounting to 0.34% of GDP in 1997-2003. Exemplifying the continuity of the PNAFE in a specific state, the fiscal management strengthening program in the State of São Paulo (PROFFIS BR-0372), approved by the Bank in 2003, aims to contribute to sustainable fiscal balance in the state's public accounts, with improved budgetary programming and management of the state's public expenditure.

- c. **At the municipal level**, the Bank is supporting actions through loan 1194/OC-BR approved in 1999, to increase the efficiency and effectiveness of municipal financial management. This is the first of three phases of an overall financing program of up to US\$1.1 billion. Despite the importance of this project, execution has been proceeding very slowly (6%), probably for the following reasons: (i) direct centralized coordination of a large number of municípios, without any effective intermediate coordinating mechanism to make it possible to group municípios together to achieve economies of scale in execution; (ii) the project has less advantageous financing conditions than a similar program offered by the BNDES; and (iii) problems of budgetary appropriation at the federal and municipal levels to guarantee execution of the programmed activities.
- d. **In the external control domain**, the Bank approved loan 1423/OC-BR in 2003, for the program to support modernization of the National Court of Accounts

(TCU), aimed at strengthening capacity for audit functions and transparency in the federal government's use of resources. Its design provided guidance for the program to modernize courts of accounts at the state level, PROMOEX (BR-0403), approved in 2004.

- e. **In the public administration strengthening area**, the Bank approved the program for modernization of the Executive Branch of the Federal Government (loan 1042/OC-BR) on 24 September 1994, implemented by the Ministry of Federal Administration and State Reform (MARE). Execution of this operation has also been slow (60%), mainly because of administrative discontinuity within the federal government in the state reform area ever since the start of project implementation, causing project activities to become fragmented. These obstacles could be overcome through a plan of action that has resulted in the Bank's approving an extension of the deadline to continue execution of this operation.

E. Program strategy

- 1.13 The design of the proposed program will take account of lessons arising from the programs mentioned above, mainly the PNAFE, and the diversity of situations among state governments. In considering these aspects, the program will: (i) design an institutional execution scheme that is decentralized among the states, taking advantage of experience gained previously with the PNAFE, but in this case also with a high capacity of central coordination by the MP; (ii) design and finance a monitoring and evaluation system, as an integral part of the program's institutional execution scheme; (iii) ensure the creation of an institutional mechanism for continuous technical consultation to support program execution and its continuity (see paragraph 3.4(c)); and (iv) adopt a multiphase modality to address gradually, and in an appropriate sequence, the complexity and diversity of state administration situations, and propose the evaluation of trigger elements applicable to all of them, as explained in the following chapter (see paragraph 2.16).

F. Coordination with other development institutions

- 1.14 Acting through its Country Office in Brazil, the Bank has taken steps to coordinate its actions with those of other multilateral agencies, especially the United Nations Development Programme (UNDP) and the World Bank.
- 1.15 With regard to the World Bank, several meetings were held with staff in its Brazil office in charge of public administration matters, with a view to coordinating the activities of programs being implemented by the two institutions in the country. It was specifically agreed that the state programs being undertaken by the World Bank in the field of public administration modernization in the states of Ceará, Pernambuco, Maranhão, and Minas Gerais would not duplicate the activities and products contained in the PNAGE. The IDB also furnished the World Bank with

the technical information used in preparing the PNAGE, while the World Bank made its project modernization and evaluation tool available to the PNAGE, for dissemination and use by the participating states.

II. THE PROGRAM

A. Objective

- 2.1 The purpose of the program is to improve the **effectiveness** and institutional **transparency** of state governments, in order to make expenditure more **efficient**.
- 2.2 Achievement of this general goal will be founded on seven specific objectives:
(i) strengthening of public policy planning and management capacity;
(ii) development of institutional capacity for human resource management;
(iii) modernization of organizational structures and administrative processes;
(iv) strengthening of administrative transparency and social communication mechanisms; (v) modernization of information management and integration of IT systems; (vi) development of mechanisms to promote and implement a culture of institutional change; and (vii) development of mechanisms to promote cooperation between the states and the federal government and the harmonization and sharing of solutions.

B. Structure and description

- 2.3 **Structure.** In view of the wide diversity of management capacities existing in the different Brazilian states, the program will be structured in two phases lasting a total of 10 years, in a sequence that seeks initially to prioritize crosscutting areas of public administration, or those with wide-ranging impact on the public sector as a whole; and later to place greater emphasis on sectoral actions. The **first phase** will therefore concentrate mainly on strengthening the (crosscutting) capacity of “means-oriented” entities in state public planning and administration departments, by financing: (i) strategic and operational training activities to strengthen coordination between the planning, administration and finance areas; (ii) equipment to integrate the horizontal information systems needed to link these three areas; and (iii) technical assistance for the design and adoption of new human resource and information technology management models, and to strengthen managerial capacity for implementing them. In order to help reduce management capacity disparities between the states, but always respecting specific needs in each case, the program will also support the strategic search for common solutions to be shared among states, in the activities or items mentioned above (see paragraphs 3.17 and 3.18).
- 2.4 An eventual **second phase** would consolidate or expand actions begun in the first phase, but concentrating in particular on capacity strengthening actions in “ends-oriented” or sectoral bodies, seeking mainly to: (i) consolidate or expand

implementation of the new human resource and information technology management models begun in the first phase; and (ii) strengthen the capacity of “ends-oriented” entities responsible for these services, mainly in the education, health, and public security sectors.

- 2.5 **Description.** Based on the goals and considerations discussed above, the first phase of the program is structured in six state components and one national component as described below (see Annex I, logical framework and indicators matrix):

**1. Strengthening of public policy planning and management capacity
(Bank: US\$10.9 million; local counterpart: US\$5.8 million)**

- 2.6 The aim of this component is to strengthen the institutional capacity of state governments to improve the **effectiveness** of the public policy planning and management system. The component will seek to increase compatibility between the premises and goals of economic and social development policies, and the multiyear targets and objectives of fiscal policy, with actions being supported in the following subcomponents: (i) improvement of policy formulation and implementation capacity; (ii) strengthening of policy monitoring, oversight, and evaluation capacity; (iii) improvement of capacity for multiyear management by programs; and (iv) improvement of capacity to coordinate government actions at the general, sectoral and regional levels.

2. Development of human resource policy and management capacity (Bank: US\$12.6 million; local counterpart: US\$6.7 million)

- 2.7 The aim of this component is to strengthen the capacity of human resource management units at the state level, to help **transform** their management model. The component will seek to expand the availability and reliability of operational and managerial data on human resources and will support actions in the following subcomponents: (i) updating of human resource legislation to bring it into line with current constitutional regulations; (ii) improvement of human resource database management and updating; (iii) improvement of human resource management policy planning and implementation capacity; and (iv) upgrading of current human resource management models.

**3. Modernization of organizational structures and administrative processes
(Bank: US\$14.2 million; local counterpart: US\$7.6 million)**

- 2.8 The aim of this component is to increase the **effectiveness** and **efficiency** of management and control in state governments, in order to modernize their organizational structures and administrative processes. The component will seek to extend control over operational and administrative expenses and costs, supporting actions in the following subcomponents: (i) restructuring of organizational models; (ii) modernization of the management of logistics processes (real estate, supplies,

and agreements and contracts), with emphasis on government procurement; (iii) development of cost management capacity; (iv) modernization of administrative memory management; and (v) improvement of internal control processes and their interface with external control.

4. Strengthening of administrative transparency and communication mechanisms (Bank: US\$13.4 million; local counterpart: US\$7.1 million)

- 2.9 The aim of this component is to strengthen administrative transparency and communication mechanisms in state governments, to promote and improve: (a) in the **internal** environment: rules of conduct of high ethical value, and communication channels with civil servants; and (b) in the **external** domain: mechanisms for participation in and social oversight of the processes of budget formulation and public service delivery. The component will seek to exert a positive influence on civil servants' ethical conduct and strengthen social oversight, supporting actions in the following subcomponents: (i) improvement of mechanisms for communication with state-level civil servants; (ii) improvement of mechanisms for the monitoring of conduct and dissemination of ethical values; (iii) strengthening of Ombudsman Offices (*Ouvidorias*); (iv) improvement of actions and coordination with *Corregedorias* [office of the magistrate responsible for correcting errors and abuses by judicial authorities and others responsible for administration of justice]; (v) strengthening of participation and social oversight mechanisms; and (vi) systematic evaluation of the delivery of services to the public.

5. Modernization of information management and integration of information technology systems (Bank: US\$31 million; local counterpart: US\$16.5 million)

- 2.10 The aim of this component is to increase the management capacity of state government planning bodies, to improve information **quality** and **effectiveness**. The component will seek to increase the availability of operational and managerial information, and improve its reliability, in the planning, human resource management, logistics management, and cost evaluation areas. It will support actions in the following subcomponents: (i) development of information management and information technology capacity; (ii) updating of the IT organization and management model; (iii) modernization of the technology base; and (iv) updating of databases and development of integrated information systems.

6. Development of a culture for promotion and implementation of institutional change (Bank: US\$1.7 million; local counterpart: US\$900,000)

- 2.11 The aim of this component is to contribute to the **promotion and implementation** of institutional change in the administration and planning units of participating states. This complements other program components, and will support fulfillment

of their goals through actions in the following subcomponents: (i) development and systemization of diagnostic studies on institutional culture; (ii) development of skills for the management of institutional change; and (iii) implementation of mechanisms for encouraging and recognizing individual and team performance and evaluating institutional change.

7. National component: support for cooperation in management (Bank: US\$4.5 million)

- 2.12 The aim of this component is to strengthen the management capacity of participating states, encourage cooperation between them, and promote the sharing of solutions. This component is open to all the states and will support actions through the following subcomponents: (i) training in project management; (ii) development and implementation of methodologies and systems for management, effectiveness monitoring, and impact evaluation (SISMA/SGP); (iii) formulation and implementation of shared solutions; and (iv) replication of cooperative solutions.

C. Cost and financing

- 2.13 The total cost of phase I of the program will be US\$155 million, of which the Bank will finance US\$93 million, with the local counterpart covering the remaining US\$62 million, as shown in Table II-1. Up to US\$9.5 million will be recognized retroactively as a charge against the local counterpart funding.
- 2.14 This cost assumes that the 26 states and the Federal District all participate, thereby giving an average direct cost per state of US\$4.75 million. In practice the figure for each state could range from US\$2 million to US\$10 million, according to size, needs, and initial execution capacity in each case. Justification of these amounts and the scale of the program were initially based on the analysis of a representative sample of 18 state management capacity strengthening projects that responded to the demand envisaged in the six state components to be financed by the program. Subsequently, taking into account all the state projects, the six state components and the national component were rescaled.

Table II-1
Program cost and financing (Millions of U.S. dollars)

| Items | IDB | Local | Total |
|--|-------------|-------------|--------------|
| I. Administration, monitoring, and evaluation | 4.7 | 3.8 | 8.5 |
| 1.1 Coordination and administration—MP | 0.5 | 1.5 | 2.0 |
| 1.2 Coordination and administration—states | 4.2 | 2.3 | 6.5 |
| <i>a) Administration of the State Coordination Units (UCEs)</i> | <i>3.1</i> | <i>1.7</i> | <i>4.8</i> |
| <i>b) Monitoring and evaluation</i> | <i>1.1</i> | <i>0.6</i> | <i>1.7</i> |
| II. Direct costs | 88.3 | 44.6 | 132.9 |
| 1. Strengthening of public policy planning and management capacity | 10.9 | 5.8 | 16.7 |
| 2. Development of human resource policy and management capacity | 12.6 | 6.7 | 19.3 |
| 3. Modernization of organizational structures and administrative processes | 14.2 | 7.6 | 21.8 |
| 4. Strengthening of administrative transparency and communication mechanisms | 13.4 | 7.1 | 20.5 |
| 5. Modernization of information management and integration of IT systems | 31.0 | 16.5 | 47.5 |
| 6. Development of a culture for promotion and implementation of institutional change | 1.7 | 0.9 | 2.6 |
| 7. National component | 4.5 | 0 | 4.5 |
| Subtotal (I+II) | 93.0 | 48.4 | 141.4 |
| III. Contingencies | 0 | 4.9 | 4.9 |
| IV. Financial costs | 0.0 | 8.7 | 8.7 |
| Total | 93.0 | 62.0 | 155.0 |

2.15 The following table shows the investment ceilings by type of expenditure in each project:

Table II-2
Investment ceilings by expenditure type

| Categories | Application | Reference lines (*) % |
|--|--|--------------------------|
| Training | Contracting of courses, seminars, or other forms of training, in addition to local and international technical visits | 15 - 45 |
| Consulting services | Hiring of individuals or firms, either local or foreign, to support or develop products specified in the project, including computerized systems | 25 - 50 |
| Information technology systems and equipment | Procurement and installation of hardware, computer networks, basic software, and application systems | 20 - 40 |
| Support and communication material | Procurement or contracting of instruments of communication, dissemination, and instructional material | 0 - 10 |
| Physical installations | Contracting of alterations and upgrading of physical spaces | 0 - 10 |

- 2.16 **Trigger elements to move from phase I to phase II.** Two criteria have been used to evaluate the achievements of the first phase of the program—one relating to the effectiveness of the use of the loan proceeds, and the other relating to the outcomes of the priority actions identified in all projects. The intention is to evaluate the following trigger elements: (a) **use of resources (input targets):** at least 50% disbursed and 75% committed; and (b) **project results (output targets):** at least 75% of participating states with a substantial level of achievement (80%) of the targets established for priority outputs under their projects (see paragraph 3.30). Table II-3 sets out the priority outputs identified for each component, to be evaluated for each participating state. Proposed monitoring indicators have been designed for each priority output (trigger table), which are available in the files of RE1/SC1.

Table II-3
Phase I trigger elements for Phase II

| Main priority outputs identified by program component | |
|--|--|
| 1. | Planning process redesigned and integrated with budget and financial execution processes. |
| 2. | Databases of active, inactive and retired civil servants integrated, and mechanisms for their updating and maintenance implemented. |
| 3. | Logistics management systems in the areas of costs, supplies, and real estate property implemented and/or redesigned. |
| 4. | Communication channels implemented, encompassing: <i>External environment:</i> Model to evaluate public service delivery implemented in the following areas: (i) citizen service centers; (ii) education; (iii) health; and (iv) public security; <i>Internal environment:</i> Ethics Code prepared, approved and disseminated; and Public Ethics Commission set up and operating. |
| 5. | Information systems integrated and implemented in the following areas: (i) public policy planning, management, monitoring, and evaluation; (ii) human resource management; and (iii) logistics management in the costs, supplies, and real estate property areas. |
| 6. | Program to build awareness and facilitate change in institutional culture formulated and implemented. |
| 7. | Shared and cooperative solutions implemented. |

III. PROGRAM EXECUTION

A. Borrower and executing agency

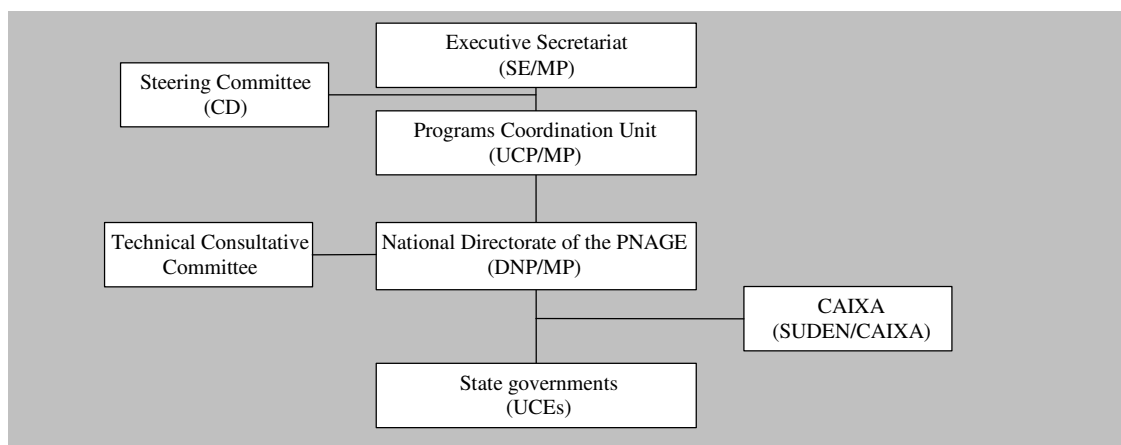
3.1 The Federative Republic of Brazil will act as the borrower and will transfer proceeds from the financing to the states on a nonreimbursable basis, pursuant to the terms and conditions indicated in the transfer contracts to be signed with each state as beneficiary entity, taking into account the terms and conditions of the loan contract and the program Operating Regulations. The Ministry of Planning, Budget, and Management (MP) will be the program's executing agency, through the National PNAGE Office (DNP/MP) set up in the Programs Coordination Unit of the MP (UCP/MP). The MP will delegate the execution functions mentioned in paragraph 3.2 to the Caixa Econômica Federal (CAIXA), which will also act as the program's financial agent. The CAIXA will act through the Superintendence for Economic and Social Development (SUDEN/CAIXA). The CAIXA is a public enterprise forming part of the Administração Federal Indireta [Indirect Federal Administration] attached to the Ministry of Finance. It has previously participated effectively as financial agent in the execution of programs with external financing, including Bank programs, and has agencies throughout the country. The states, as beneficiaries, will participate in the program through State Coordination Units (UCEs) created specifically for that purpose. The states will make local counterpart contributions for the execution and administration of the program's state components, including contingencies. The federal government will be responsible for the counterpart related to national coordination of the program and the financial costs.

3.2 The agreement between the MP and the CAIXA will include at a minimum the delegation of functions related to: (i) the preparation and signature of the transfer contracts between the states and the MP; (ii) reimbursement of expenses incurred by the beneficiaries and payments to suppliers; (iii) analysis and verification of bidding documents; (iv) the recording of financial transactions; and (v) the preparation of financial reports.

B. Program execution and administration

3.3 The PNAGE involves projects to be executed in a decentralized manner with participation by the DNP/MP, SUDEN/CAIXA, and the UCEs. The following graph illustrates the program's organizational structure.

**Graph III-1
PNAGE Organizational Structure**



3.4 The composition and main responsibilities envisaged for each entity are summarized below:

- a. **Executing agency and financial agent.** The MP will sign an agreement with the CAIXA setting out the delegation of functions for execution and the institutional responsibilities of the DNP/MP and SUDEN/CAIXA for program coordination.
- b. **Program Steering Committee (CD).** This will be chaired by the Executive Secretary of the MP, and will consist of the four representatives from the states who will be the Presidents and Vice Presidents of the Council of Administration Secretaries (CONSAD) and the Forum of Planning Secretaries (FORO).² The CD will be the program's top level consultation body, with the following main responsibilities: (i) approve the program's Operating Regulations and the amendments thereto; the consolidated annual work plans (AWPs); the semiannual execution reports covering the second half of the year to be presented to the Bank, and the annual reports from the program's monitoring and evaluation system (SISMA); (ii) issue opinion on resources made available by the states; and (iii) discuss the destination of the funds remaining from the first allocation of resources.
- c. **Technical Consultative Committee (CTC).** This committee, consisting of the UCE coordinators, will support the program's execution structure, to contribute to its sustainability. The CTC will be coordinated by the DNP/MP and will provide advisory support to the CD and the DNP/MP, at their request. It will coordinate its actions with the CONSAD and FORO work groups, and will try to

² These groups worked proactively in program preparation and dissemination.

identify opportunities for unifying the execution of projects that are common to the different states (i.e. shared solutions).

- d. **National PNAGE Office (DNP/MP).** The coordination and execution of externally funded MP programs are centralized under the MP Executive Secretariat, through the Programs Coordination Unit (UCP/MP), which reports to a General Coordinator appointed by the MP Executive Secretary. The program will have a national PNAGE office (DNP/MP) within the UCP/MP, run by a National Director supported by specialized technical staff. The main function of this office will be to coordinate decentralized program execution and its management vis-à-vis the Bank and the borrower. The National PNAGE Office will also be responsible for execution of the national component, the approval of projects prepared by the states, and for SISMA application, in addition to the preparation and monitoring of AWP's and the preparation of semiannual reports.
 - e. **Superintendence for Economic and Social Development (SUDEN/CAIXA).** The CAIXA will participate in the program by performing the functions delegated to it by the DNP/MP, through its Superintendence for Economic and Social Development, for which a coordinator for the program and the necessary specialized staff will be appointed. Local counterpart resources will be used to pay the CAIXA for its participation as financial agent and executing agency delegate, in the amount of up to 0.2% of the resources transferred to the states.
 - f. **State coordination units (UCEs).** These units will be set up in the participating states. They will report to a general coordinator and will have a basic minimum structure that ensures project execution. This structure will include two subcoordinators, one technical and the other administrative-financial, and may include a technical assistant for monitoring and evaluation reporting to the technical subcoordinator. The main responsibilities of the UCEs are to: prepare projects, the financing for which will be requested from the DNP/MP; carry out contracting and procurement and supervise the activities of the contractors; prepare the AWP's; and prepare pertinent reports and records in coordination with the DNP/MP.
- 3.5 **Special conditions precedent to the first disbursement of the program.** The following will be presented to the Bank's satisfaction: (i) evidence that the DNP/MP has been created by means of the appropriate juristic act, and suitable staff has been appointed to operate it; (ii) evidence that suitable staff has been appointed in SUDEN/CAIXA for its participation in the program; (iii) evidence that the CD and CTC have been set up and are comprised by the entities indicated in paragraph 3.4(b) and (c); (iv) evidence that the program's Operating Regulations and the Execution Manual (MEP), previously agreed with the Bank, have been implemented; (v) presentation of the final version of the transfer contract to be signed between the CAIXA and the participating states; (vi) evidence that the

DNP/MP has implemented the institutional strengthening plan-ICAS agreed upon with the Bank, which includes the project management systems (SGP) at the central level and the components of SISMA that make it possible to monitor the activities and outputs contained in the AWP (see UCP/MP Relatório de Avaliação Institucional [institutional evaluation report]); (vii) evidence that an agreement approved by the Bank has been signed governing the delegation of functions from the MP to the CAIXA, describing the latter's responsibilities with respect to the program; and (viii) evidence that SUDEN/CAIXA has adequate access to the SGP.

- 3.6 Within a period of 12 months from the date of entry into force of the loan contract, the SGP and SISMA will have been fully implemented in the DNP/MP and the UCEs.

C. Eligibility of participating states

- 3.7 Every state and the federal district will be eligible to participate in the program. Each beneficiary will sign a transfer contract with the CAIXA (as the MP's delegate), a proforma of which will be included in the Operating Regulations, setting out the commitments to be assumed by each state to participate in the program. One of the various commitments in particular specifies that each beneficiary is required to include the PNAGE in its annual budget act and in its multiyear plan.

- 3.8 **Conditions precedent to the first disbursement of the loan proceeds to the states.** The following will be presented to the Bank's satisfaction: (i) evidence that the transfer contract with the CAIXA (as the MP's delegate) has been signed, expressly indicating that the program is included in the state's annual budget act and in its multiyear plan; (ii) evidence that the UCE has been set up, by means of an appropriate juristic act, with suitable staff appointed to operate it, and evidence of implementation of the SGP and the SISMA components necessary to monitor the activities and outputs, and entry into force of the program's Operating Regulations and Execution Manual; (iii) evidence that the counterpart resources needed to ensure execution of the state program during the first year have been allocated; and (iv) presentation of the AWP for the first year of project execution.

D. Allocation of resources between participating states

- 3.9 Resources will be distributed in two stages: an initial distribution and another to allocate the remaining funds. The initial stage will finance eligible states that sign transfer contracts with the CAIXA up to two and a half years from the date of eligibility for the first program disbursement. The following table shows the allocations by state during the initial distribution of program resources:

Table III-1
Value of projects by state
(millions of U.S. dollars)

| Overall budget (US\$ millions) (Adm. + direct costs + contingencies) | | | |
|---|-------------|--------------|--------------|
| Unit | Bank | Local | Total |
| Roraima (RR) | 1.4 | 0.8 | 2.2 |
| Amapá (AP) | 1.4 | 0.8 | 2.2 |
| Acre (AC) | 1.4 | 0.8 | 2.2 |
| Tocantins (TO) | 1.7 | 1.1 | 2.8 |
| Rondônia (RO) | 1.7 | 1.1 | 2.8 |
| Sergipe (SE) | 1.7 | 1.1 | 2.8 |
| Federal District (DF) | 2.3 | 1.3 | 3.6 |
| Mato Grosso do Sul (MS) | 2.3 | 1.3 | 3.6 |
| Mato Grosso (MT) | 2.3 | 1.3 | 3.6 |
| Rio Grande do Norte (RN) | 2.3 | 1.3 | 3.6 |
| Amazonas (AM) | 2.3 | 1.3 | 3.6 |
| Alagoas (AL) | 2.3 | 1.3 | 3.6 |
| Piauí (PI) | 2.3 | 1.3 | 3.6 |
| Espírito Santo (ES) | 2.8 | 1.7 | 4.5 |
| Paraíba (PB) | 2.8 | 1.7 | 4.5 |
| Goiás (GO) | 3.5 | 2.0 | 5.5 |
| Santa Catarina (SC) | 3.5 | 2.0 | 5.5 |
| Maranhão (MA) | 3.5 | 2.0 | 5.5 |
| Pará (PA) | 3.5 | 2.0 | 5.5 |
| Ceará (CE) | 4.2 | 2.5 | 6.7 |
| Pernambuco (PE) | 4.2 | 2.5 | 6.7 |
| Paraná (PR) | 5.0 | 3.0 | 8.0 |
| Rio Grande do Sul (RS) | 5.0 | 3.0 | 8.0 |
| Bahia (BA) | 6.2 | 3.6 | 9.8 |
| Rio de Janeiro (RJ) | 6.2 | 3.6 | 9.8 |
| Minas Gerais (MG) | 6.2 | 3.6 | 9.8 |
| São Paulo (SP) | 6.2 | 3.6 | 9.8 |
| Total | 88.2 | 51.6 | 139.8 |

Exchange rate: US\$1.00 = R\$2.90

- 3.10 Once the two and a half years of execution have elapsed from the date of eligibility for the first program disbursement, the Program Steering Committee will decide on the distribution of the remaining funds, subject to the Bank's nonobjection and based on the results of the midterm review. This distribution will ensure the provision of resources based on a minimum of 15% to each of the following options: (i) to the participating states, taking into account their demonstrated execution capacity; (ii) to the financing of priority solutions, particularly those of a

shared type, provided the guidelines set out in the Operating Regulations on this issue are followed; and (iii) to the national component for cooperation in management, to which all the states will have access regardless of their participation in the program's other components.

- 3.11 The following criteria will be used to determine the distribution of remaining funds: (i) that there were resources not allocated to the states through the transfer contracts; (ii) that resources allocated to the states had not been committed; and (iii) that the DNP/MP judges that project balances would remain unexecuted when the execution period expires.
- 3.12 When the DNP/MP deems that a project is being executed with a delay with respect to the timetable set out in the respective AWP, it will agree on an action plan with the state in question, including a schedule of activities to overcome the situation. If the action plan is not carried out, the DNP/MP may cancel the allocation of uncommitted resources, subject to prior approval of the CD and the Bank's nonobjection; and the corresponding resources will be added to the funds available for distribution.

E. Eligibility of projects

- 3.13 For a state project to be declared eligible, it must satisfy the following requirements: (i) it must be consistent with program components and the logical framework; (ii) it must be crosscutting and consistent with program components; (iii) it must have been formulated in accordance with the institutional development methodology (IDM); and (iv) it must have been evaluated and approved by the DNP/MP, and have the Bank's nonobjection.

F. Project action areas

- 3.14 The various types of activities identified by component that can be presented for program financing are listed in the Operating Regulations. Other types of activities that may be identified, and which satisfy the objectives of each component as defined in the logical framework, must obtain the Bank's prior nonobjection to be included on this list.

G. Processing of projects

- 3.15 Projects and AWP's will be formulated by each participating state in accordance with the provisions of the Operating Regulations and the MEP. Each UCE will be responsible for preparing the projects, with technical support from the DNP/MP.
- 3.16 The projects will be presented to the DNP/MP, which will evaluate them and either approve them or return them to the states for completion or amendment. Once approved by the DNP/MP, projects will be presented for the Bank's nonobjection.

H. Shared solutions

- 3.17 The states may formulate *new solutions jointly (i.e. shared solutions)*; and they may also *replicate successful preexisting solutions (i.e. cooperative solutions)* that have been implemented previously in other states, provided such solutions satisfy the following criteria: (i) they are compatible with the action areas of the program's projects; (ii) they are priority solutions, i.e., they have a crosscutting strategic scope; and (iii) they represent a volume of demand for funding not exceeding 30% of the total cost of the projects in each of the states involved.
- 3.18 In formulating shared or successful cooperative solution models, each interested state will precisely establish its participation, specifying its responsibilities and giving details of the activities that each agrees to undertake, particularly in terms of the relevant goods and services procurement. Calculation of costs will be disaggregated by state in order to facilitate supervision by the DNP/MP, the Bank, the CAIXA, and the external auditors. Project designs will seek to ensure that any technical or financial difficulties occurring in one state do not have repercussions on the other co-participating state(s). Where expenses are hard to disaggregate, one of the participating states must assume them in full, without prejudice to any compensation that may be agreed with the other parties. The cost of implementation of a shared solution deemed technically and economically viable, is the responsibility of each state.
- 3.19 In order to stimulate the dissemination of successful projects, the state whose solution has been evaluated as replicable in other interested states will have priority in the distribution of complementary resources, up to an amount equal to 50% of the cost of implementation in the recipient state(s).

I. Procurement

- 3.20 **Civil works, goods and related services.** Goods procurement and contracting for civil works and related services will be conducted as established in the loan contract, and in accordance with the Bank policies and procedures mentioned in document GN-2349-4 of 19 January 2005. International competitive bidding will be required for civil works costing more than the equivalent of US\$10 million and for the procurement of goods or contracts for related services in excess of US\$500,000. Within the thresholds for national competitive bidding, the national electronic procurement systems (*pregão eletrônico*, *pregão presencial*, and *ata de registro de preços*), approved by the Bank's November 2005 mission, may be used on a pilot basis for one year.
- 3.21 **Consulting services.** Consulting services will be selected and hired in accordance with the provisions of the loan contract and the policies and procedures mentioned in document GN-2350-4 of 19 January 2005.

- 3.22 The executing agency may hire the CAIXA directly to act as financial intermediary. The participating states may hire a specialized agency directly to support the procurement of goods and consulting services, provided: (i) the model contract is approved by the Bank; (ii) the contract with the agency guarantees a commitment to follow the Bank's policies and procedures on procurement and contracting, auditing, and the transfer to the states of ownership of the goods and products acquired; and (iii) the contracts are not related to the program's routine activities. If these conditions are not met, the procurement undertaken will not be recognized as expenses under the financing or the local counterpart. Loan proceeds may not be used to compensate the CAIXA or the specialized agencies for services rendered.

J. Post review of procurement and disbursements

- 3.23 Bearing in mind the flexibility needed in the program's procurement and contracting, the Bank may supervise these processes on an ex post basis in the following cases: contracting for individual consultants in amounts below US\$50,000 equivalent, consulting firms for less than US\$200,000 equivalent, procurement of goods and related services below US\$500,000 equivalent, and civil works in amounts under US\$10 million equivalent, once a year has elapsed from the date of the first contract or procurement.
- 3.24 Disbursement requests may also be reviewed on an ex post basis at the Bank's discretion, after one year has elapsed from the date of the first contracting or call for bids. A decision by the Bank to review contracting or procurement and disbursements on an ex post basis, or to revert at any time during program execution to the ex ante modality, will be based on the results of program audits and the ex post review, and on the analysis of the executing agency's institutional capacity.
- 3.25 The UCEs, the DNP/MP, and SUDEN/CAIXA will keep at the Bank's disposal background information and documents relating to goods procurement processes, the selection and hiring of consulting services, and civil works contracting. The program's tentative procurement plan is attached to this report (see Annex II).

K. Revolving fund and management of resources

- 3.26 To facilitate execution of the operation, the borrower may request that a revolving fund be established for up to 5% of the total amount of the loan. SUDEN/CAIXA will handle reimbursement for expenses incurred and direct payment to suppliers, pursuant to the AWP.

L. Execution period and disbursement timetable

- 3.27 In view of the scale and complexity of the operation, the disbursement period for the first phase of the program will last five years, in accordance with the following timetable:

Table III-2
Disbursement timetable
(millions of U.S. dollars)

| Source | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|---------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| IDB/OC | 13.9 | 18.6 | 27.9 | 18.6 | 14.0 | 93.0 |
| Local | 9.3 | 12.4 | 18.6 | 12.4 | 9.3 | 62.0 |
| Total | 23.2 | 31.0 | 46.5 | 31.0 | 23.3 | 155.0 |
| Percentage per year | 15% | 20% | 30% | 20% | 15% | 100% |

M. Outcomes monitoring and evaluation

3.28 The technical and financial aspects of the program will be monitored by the Bank, the DNP/MP, and SUDEN/CAIXA. Each state will also be responsible for evaluation and monitoring of its participation in the program, using the designed monitoring system (SISMA), the record-keeping system harmonized with the DNP/MP and SUDEN/CAIXA, and the AWP. Program monitoring will be based mainly on the indicators set out in the logical framework and in the respective state projects. Monitoring will be exhaustive, in that it will cover all program activities. It will identify the causes of problems, errors, or lack of action arising in execution, and put forward alternatives to solve them.

- a. **Annual work plan (AWP)** The DNP/MP will submit an overall AWP to the Bank, with the CD's favorable opinion. This document will represent a consolidation of the AWP to be submitted by each participating state, covering the period from 1 January through 31 December each year; and it will be presented to the Bank before 1 December of the year preceding that to which it applies. Each participating state will present its specific AWP to the DNP/MP before 1 October each year.
- b. **Semiannual reports.** The DNP/MP will present semiannual reports to the Bank according to a pre-agreed format, within 60 days following the end of each six-month period. These will contain an analysis of execution progress and the status of compliance with the annual targets established for each program component.
- c. **Evaluations.** During the five years of program execution, an evaluation scheme will be applied consisting of a midterm review and a final evaluation of each of its components. The **midterm review** will provide data for the adoption of measures to improve the management and planning of project activities. This review will be carried out roughly two and a half years following the date of eligibility for disbursements. The distribution of any remaining resources will also be decided on this occasion. Without prejudice to any evaluation that may be performed to trigger the second phase of the program, a **final evaluation** will be conducted starting three months before the date of the final disbursement. Three years after the end of the first phase, an **ex post evaluation** will also be performed, based on the logical framework and SISMA methodology. The cost

of the ex post evaluation will be funded from MP resources, or those of the second phase of the PNAGE if one is being executed.

3.29 **Indicators and indexes.** SISMA indicators will be constructed by selecting and integrating the core elements of the program's logical framework and the operating and strategic frameworks of state projects designed under the institutional development methodology (IDM), developed by RE1/SC1, having been previously applied in other Bank operations with Brazil such as PNAFE and PNAFE-M. This integration will take into account three levels of indicators:

- (i) **Outcome indicators for each subcomponent.** The program's logical framework defines one or two indicators for each subcomponent in each of the program components. The definitions were established iteratively on the basis of specific diagnostic studies of the states and the operating framework of the projects in the sample analyzed. With consistency in the definition of these indicators thus assured, each of the participating states will use them to monitor the main outcomes (outputs) of execution of their projects. These indicators can be monitored on a semiannual and annual basis.
- (ii) **Outcome indicators for each component.** These indicators for each component consist of aggregate indexes of government effectiveness and transparency, calculated as simple arithmetic averages of their respective subcomponent indicators, previously standardized, as indicated in the logical framework. The variation of these indexes can be monitored on an annual basis.
- (iii) **Indicators of program purpose and impact.** The program purpose index (IP) is calculated as the simple arithmetic average of the indexes of four of its six components; those most closely linked to effectiveness indicators, keeping them separate from transparency indexes (ITR) of the fifth component, and the index of institutional change (IMI) in the sixth component. The aim is thus to maintain a hierarchy of relations between the different parts of the logical framework, and their relative autonomy whenever it is impossible to bring their categories under a single type of measurement. To measure the impact or final aim of the program, a simple model will be constructed to explore a relation between several variables or aggregate indicators of the cost of the machinery of government (e.g. the cost per citizen), and the program's three summary indexes (IP, ITR, IMI). The IP will be monitored annually, and also for the midterm evaluations and the review of trigger elements for the purpose of recommending an eventual second phase of the program. The impact measurement will be made for the ex post evaluation.

N. Phase II trigger elements

- 3.30 The evaluation of trigger elements for an eventual phase II of the program will be performed by an independent specialized consulting firm, financed out of the loan proceeds. The terms of reference for these consulting services will be agreed previously between the borrower and the Bank. At the borrower's request, and subject to prior delivery to the Bank of the results of the evaluation, the latter will undertake a special mission to review fulfillment of the agreed trigger elements, which are shown in Table II-3, in accordance with the indicators and criteria shown in the matrix of triggers available in the files of RE1/SCI.
- 3.31 If suitable conditions are deemed to exist for a second phase of the program, the Management of the Bank will prepare a memorandum for approval by the Board of Executive Directors, pursuant to the requirements of policy document PR-809 which governs the processing of subsequent phases in multiphase operations.

O. Accounting and audit

- 3.32 The DNP/MP, SUDEN/CAIXA, and the beneficiaries will maintain appropriate records relating to contract administration, program accounting, and financial management, and of the respective project, in addition to an appropriate file of original documentation in support of all contracts and transactions, in compliance with Bank requirements. These records, integrated or reconciled with general accounts of the MP and each state, will make it possible to identify and verify the sources and uses made of program resources, in the format requested by the Bank. The DNP/MP will be responsible for timely presentation to the Bank of the following audited reports: (i) consolidated annual financial statements for the program, within 120 days of the close of the respective fiscal year; and (ii) semiannual reports on the integrated post review of procurement processes and disbursement requests. One of the semiannual reports will be presented within 60 days of the end of the first six months and the other within 120 days of the end of the respective fiscal year, together with the annual financial statements. The audits will be performed by the Federal Audit Department, in accordance with the Bank's external audit policy (documents AF-100, AF-300, AF-400, and AF-500).

IV. VIABILITY AND RISKS

A. Institutional viability

- 4.1 The program's institutional viability has been analyzed at the levels of federal government, the states included in the representative sample, and the executing agency. Acting through its Executive Secretariat, the MP will provide coordination and technical support for the program through the Coordination Unit (PCU). The design of this unit is adequate for fulfillment of its role in the execution process. Nonetheless, its current activities are restricted to a single program. Although its existing human resources include qualified professional staff, more are needed. As this is a program to be executed on a decentralized basis, whereby the main effort in terms of execution will be made by the UCEs, capacity of the PCU is considered sufficient, provided the strengthening plan (ICAS) is implemented as agreed with the Bank (see UCP/MP Relatório de Avaliação Institucional [institutional evaluation report]). In order to ensure the operational solvency of the PCU/MP, however, it is recommended that a further complete assessment be carried out six months after the first disbursement.
- 4.2 Participation by the states in the preparation of the projects in the representative sample has revealed their interest in executing them and their capacity to do so, with technical support from the DNP/MP. Creation of a UCE with a basic design as set out in the Operating Regulations is also a condition for each state's participation. The distribution of responsibilities envisaged for the UCEs is suitable for execution of the projects.
- 4.3 The CAIXA, for its parts, has the necessary capacity and previously demonstrated experience in various externally funded operations. Its presence throughout the country will ensure timely transfer of program resources and the accomplishment of any other activities delegated to it.

B. Economic viability

- 4.4 Economic viability was analyzed for 15 of the 18 projects in the representative sample chosen to prepare the program, considering processes susceptible to measurement of public expenditure savings (benefits) arising from project execution, such as: (i) more efficient appointment and increased productivity of human resources, resulting from a better allocation of functions in component 2; (ii) savings resulting from fewer duplications and organizational redundancies, and from the implementation of cost management systems, mainly electronic procurement, in component 3; (iii) savings on physical space and staffing through the implementation, expansion, or improvement of public services provided electronically, in component 4; and (iv) time savings in processes relating

to the integration of information systems and use of the Internet protocol in telephony systems, in component 5.

- 4.5 These benefits were estimated by applying the parameters of cost savings observed in states with processes that are already implemented and operating in their government departments. The following table shows the present value of costs and benefits, and the benefit-cost ratios of 15 projects in the sample. The calculations used a 10% discount rate, and assumed an investment period of four years and an eight-year useful life for management improvements in the relevant projects.

Table IV-1
Cost effectiveness of the sample of program projects
(Millions of U.S. dollars)

| Components | Cost | Benefit | B/C |
|---|--------------|--------------|------------|
| 2. Development of human resource policies and management capacity. | 19.3 | 190.1 | 9.8 |
| 3. Modernization of organizational structures and administrative processes. | 17.3 | 498.7 | 28.8 |
| 4. Strengthening of administrative transparency and communication mechanisms. | 9.4 | 19.0 | 2.1 |
| 5. Modernization of information management and integration of information technology systems. | 32.6 | 62.5 | 1.9 |
| Other costs (operation and maintenance, replacement). | 34.0 | - | - |
| Total | 112.6 | 770.3 | 6.8 |

- 4.6 These results show that the actions to be funded by the program for the 15 states analyzed are economically viable, generating a potential average expenditure saving equivalent to nearly seven times the value of the investments to be made.

C. Financial viability

- 4.7 As this program will be executed on a decentralized basis, the financial viability of its execution depends directly on each state's capacity to fulfill the counterpart obligations that execution requires. While it is true that, by its very nature, the program will not lead to an increase in the states' resources, it is also true that the sample projects reveal adequate coverage of the local counterpart and will therefore not depend on new funds during their execution. The program also includes a mechanism for making funds available in advance through the revolving fund, which will facilitate budgetary execution of the projects.
- 4.8 Considering the potential participation by the 26 states and federal district, the average total counterpart funding for the five years of the program is likely to be US\$2.3 million per state, which means an average annual figure of US\$460,000 per state. These averages will certainly be even smaller for some states.

D. Environmental and social impact

- 4.9 The program is not expected to have negative environmental impacts. The improvements in participation and social oversight mechanisms to be promoted by the program will foster a positive perception among citizens, especially through its fourth component. Moreover, the gender equity dimension will be included in the design of its second and sixth components, and will be reflected in the Operating Regulations as follows: (a) **Component 2 will include the following:** (i) compilation and systemization of data on women working in state government departments, for the purpose of forming a database to provide guidance for future gender strategies; and (ii) special attention to the adoption of a gender advancement perspective in the supply of training. (b) **Component 6 will include the following:** (i) inclusion of the gender perspective in the survey on organizational culture, in order to integrate data on organizational attitudes with the registry data indicated in the above-mentioned item; and (ii) adoption of a gender criterion in the formation of civil servant teams from the planning and management areas to receive training in the management of institutional change.

E. Benefits

- 4.10 The nature of the program's benefits will basically stem from the improvement of management processes and systems, as measured through criteria of **efficacy** (cost-effectiveness): e.g. shorter times, deviations from some standard parameter, or the frequency of user complaints; and **transparency** (e.g. perception or opinion surveys), to be used in the technical and economic evaluation of state management projects. The ex ante estimation of the program's aggregate economic benefits, based on the results of the economic analysis of the project sample, suggests that these could far exceed the cost of the program. This potential fiscal impact, together with a measurement of the trend of public perceptions on improvements in state public administration, indicates that the impact of the program could be significant.

F. Risks

- 4.11 Previous experience teaches that the success of programs of this type depends crucially on maintaining a favorable economic climate, together with sustained support from state governments—and in this particular case the state management and planning authorities—for the institutional change actions that the PNAGE proposes to carry out.
- 4.12 In view of these aspects, the program involves three potentially significant risks: (i) the risk of an unfavorable economic environment, leading to a relaxation of fiscal discipline in the states: this risk will be mitigated by the program's requirement that the MP and the states include the PNAGE in their respective multiyear plan (PPA); (ii) the risk that the state authorities may fail to maintain their support for the program: this risk will be mitigated through the establishment of a

Steering Committee (CD), and a Technical Consultative Committee (CTC), both forming part of the institutional program execution framework with clear links to CONSAD and FORO, as indicated in paragraph 3.4(b) and (c); and (iii) the risk that the program may be slow to gain national scope. To mitigate this risk, the program provides for redistributing unused resources after a period of two and a half years as an incentive to already participating states, as described in paragraphs 3.9 through 3.11. A second incentive to promote the program's national scope is recognition of the states' contribution to the development of cooperative solutions in any eventual reallocation of resources, as indicated in paragraph 3.18.

NATIONAL PROGRAM TO SUPPORT THE MODERNIZATION OF PUBLIC ADMINISTRATION AND PLANNING IN THE STATES AND FEDERAL DISTRICT (PNAGE) - PHASE I - (BR-0405)

LOGICAL FRAMEWORK

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|---|--|---|
| Program goal: To help improve the effectiveness of state-level public expenditure. | The aim is to study the statistical association between costed and payroll expenditures per capita, and standardized indicators / indices for the federation members (UF) as a group. Index of per capita expenditure: (Costed and payroll expenditure per capita) i = f (IP, ITR, IMI) i. Where i = UF (federation member) | Study of the ex post economic and fiscal impact of state-level public expenditure (using a combination of parameters required by the Fiscal Responsibility Law (LRF), indices of the effectiveness of state projects, and other data). | Maintenance of a climate of economic stability in the country at large and in the states participating in the program (measured by the inflation index and GDP growth). |
| Program purpose: To improve the efficiency and institutional transparency of state-level public administration. | The intention is to study three types of index for each UF: a. The arithmetic mean of standardized indices of effectiveness (components 1, 2, 3, and 5): $IP = [(IEPG + IERH + IEGL + IETI) / 4]$ b. Transparency index (component 4): ITR c. Index of institutional change: arithmetic mean of standardized indices of state projects (component 6): IMI | SISMA monitoring and evaluation reports | Maintenance of economic stability: (measured by the inflation index and GDP growth). State administration and planning authorities maintain their commitment towards institutional change. (Absence of commitment is revealed by a lack of disbursements not caused by a lack of execution capacity; and local press reports of government attitudes that suggest a lack of budget). State governments maintain their commitment towards fiscal discipline with regard to the LRF. |
| Component 1: Strengthening of public policy planning and management capacity | | | |
| To make the public policy planning and management system effective in state governments. | By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the Index of planning and management effectiveness | SISMA monitoring and evaluation reports | Noncontingency budgeting by the state. Full execution of the budget for the planning, administration, education, |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|--|--|--|
| | <p>(IEPG), defined as the simple or arithmetic mean of standardized indicators a', b', c':</p> <p>IEPG = [(a'+b'+c') / 3]</p> <p>[Where each indicator (a, b, c) for each UF is divided by the mean of all UFs, set as the reference value 100).]</p> <p>With:</p> <p>a: number of budgetary targets at least 75% executed, corresponding to PPA actions / total budgetary targets envisaged in PPA actions.</p> <p>b: index of monitoring and evaluation capacity = [(i)+(ii)+(iii) / 3] where: (i) number of PPA programs evaluated / total number of PPA programs; (ii) number of PPA actions evaluated / total number of PPA actions; (iii) number of PPA projects evaluated / total number of PPA projects.</p> <p>c: number of PPA actions with physical targets at least 75% fulfilled / number of PPA actions with budgetary targets 100% executed.</p> | | <p>health and security areas.</p> <p>Entry of civil servants to form public policy formulation and management teams. Number of civil servants allocated to the planning area responds to needs.</p> <p>No alterations in the LRF particularly in relation to planning.</p> |
| Subcomponents: | | | |
| 1.1 Improvement of policy formulation and implementation. | <p>1.1.1 By the end of the first phase of the program, at least 60% of participating states to have planning process, integrated with budgetary and financial execution processes, redesigned and implemented.</p> <ul style="list-style-type: none"> - Number of budgetary targets at least 75% executed, corresponding to PPA actions / total budgetary targets envisaged in PPA actions. - Index of internal user satisfaction with services delivered by planning units (collected through regular and ongoing electronic surveys). | <p>Multi-year plan (PPA).</p> <p>Budgetary Directives Law (LDO).</p> <p>Annual Budget Law (LOA).</p> <p>Planning management system: reports on annual PPA monitoring and evaluation.</p> | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|--|---|-------------|
| <p>1.2 Improvement of policy monitoring and evaluation.</p> <p>1.3 Improvement of multi-year management by programs.</p> | <p>1.1.2 By the end of the first phase of the program, at least 60% of participating states to have public policy planning and management training plan formulated, approved, and implemented.</p> <ul style="list-style-type: none"> - Number of civil servants from central and sectoral planning and management units trained / total number of civil servants from central and sector planning and management units envisaged in the training plan. <p>1.2.1 By the end of the first phase of the program, at least 60% of participating states to have integrated system of planning, monitoring, and evaluation covering at least 75% of total programs, actions and government projects, formulated, approved and implemented.</p> <ul style="list-style-type: none"> - Index of monitoring and evaluation capacity = [(a)+(b)+(c) / 3] where: (a) number of PPA programs evaluated / total number of PPA programs; (b) number of PPA actions evaluated / total number of PPA actions; (c) number of PPA projects evaluated / total number of PPA projects. <p>1.3.1 By the end of the first phase of the program, at least 60% of participating states to have management by programs model implemented.</p> <ul style="list-style-type: none"> - Number of PPA actions with physical targets at least 75% fulfilled / number of PPA actions with budgetary targets 100% executed | <p>Reports on state budgetary and financial execution systems (SIAFEM, etc.)</p> <p>Training plan and evaluation reports on training actions.</p> | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|--|-----------------------|-------------|
| 1.4 Improvement of coordination of government actions at the general, sectoral and regional levels. | <p>1.4.1 By the end of the first phase of the program, at least 30% of participating states to have systematic coordination of general, sectoral, regional, and intergovernmental planning, implemented.</p> <ul style="list-style-type: none"> - Number of actions under multisectoral* or regional** or intergovernmental*** programs of the PPA with physical targets at least 75% fulfilled / number of actions under multisectoral* or regional** or intergovernmental*** programs of the PPA with budgetary targets 100% executed <p>(*) Priority: planning, administration, finance, health, education and security.</p> <p>(**) Administrative regions of the states.</p> <p>(***) Federal, state and/or municipal.</p> | | |
| Component 2: Development of human resource policies and management capacity | | | |
| Strengthening of management capacity in state government bodies to increase the effectiveness of human resources. | <p>By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the</p> <p>Index of human resource management effectiveness (IERH), defined as the simple or arithmetic mean of standardized indicators a', b':</p> <p>IERH = [(a'+b') / 2]</p> <p>[Where each indicator (a, b) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> <p>With:</p> <p>a: total number of registers updated* at least within the last 12 months / total number of civil servants.</p> | SISMA report. | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|---|--|--|
| | <p>(*) Basic data: location, function or commissioned post, qualification, paid and unpaid leave, requisitions / transfers, promotion and remuneration, including performance.</p> <p>b: number of civil servants from central and sectoral human resource units trained / number of civil servants from central and sectoral human resource units envisaged in the training plan.</p> <p>Indicator of human resource expenditure control: Annual payroll expenditure / net current receipts ≤ limit established by the LRF.</p> | <p>Four-monthly fiscal management report issued by the government (<i>Art. 54 c / c Art 55 of the LRF</i>).</p> | |
| Subcomponents: | | | |
| 2.1 Updating of human resource legislation in relation to current constitutional rules. | <p>2.1.1 By the end of the first phase of the program, at least 60% of participating states to have state legislation revised and compliant with current constitutional regulations (EC19 / 1998, EC41 / 2003 and others).</p> <p>Bill formulated and sent to the state legislature</p> | <p>Message forwarding legislative bills.</p> | <p>Approval of bills by the state legislature: conformity with existing constitutional rules and performance evaluation linked to variable remuneration.</p> |
| 2.2 Improvement of the management process, with updating of human resource databases. | <p>2.2.1 By the end of the first phase of the program, at least 60% of participating states to have <i>human resource management process redesigned, with database* of active, inactive, and retired civil servants, updated</i>, covering historical data,** and a functional register made available with mechanisms for updating and maintenance, implemented.</p> <ul style="list-style-type: none"> - Total number of registers updated* at least within the last 12 months / total number of civil servants - Annual variation in the number of errors in the makeup of the payroll | <p>Human resource management system: report on registry information and report on inconsistency and/or payroll errors.</p> | <p>The number of civil servants allocated to the human resource area responds to needs.</p> <p>Civil servants react positively to campaigns to update their registry data.</p> |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|---|
| | <p>(*) Basic data: location, function or commissioned post, qualification, paid and unpaid leave, requisitions / transfers, promotion and remuneration, including performance.</p> <p>(**) In accordance with legal limit of antiquity.</p> <ul style="list-style-type: none"> - Index of internal user satisfaction with services delivered by human resource units (collected through regular and ongoing electronic surveys). | | |
| <p>2.3 Improvement of planning and implementation of human resource management policies.</p> | <p>2.3.1 By the end of the first phase of the program, at least 60% of participating states to have human resource policy (performance evaluation, probationary period, career and remuneration, professional development, training, definition of skills and motivation) formulated, together with a training plan for civil servants in the human resource area, and performance appraisal model implemented.*</p> <ul style="list-style-type: none"> - Number of civil servants from central and sectoral human resource units trained / total number of civil servants from central and sector human resource units envisaged in the training plan. - Number of civil servants evaluated, with results linked to variable remuneration / Number of civil servants in careers* earmarked for evaluation. <p>(*) Priority: planning, administration, health, education, and security.</p> | <p>Human resource policy published.</p> <p>Reports on civil servant performance appraisal.</p> | <p>No judicial rulings, preventing implementation of some of the proposed measures.</p> |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|--|---|--|
| 2.4 Improvement of existing human resource management models. | <p>2.4.1 By the end of the first phase of the program, at least 50% of participating states to have strategic human resource planning (size of workforce, training chart, list of active / inactive workers, etc.), linked to government objectives and targets, formulated and implemented.*</p> <ul style="list-style-type: none"> - Number of units whose workforce is sized based on the approved model / Total of units selected as priority. <p>(*) Priority: planning, administration, health, education, and security.</p> | Strategic human resource plan disseminated. | |
| Component 3: Modernization of organizational structures and administrative processes. | | | |
| To increase the effectiveness and efficiency of state governments' management and oversight processes. | <p>By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the</p> <p>Index of logistics management effectiveness (IGPL), defined as the simple or arithmetic mean of two standardized indices:</p> <p>IGPL = [(IEPL 1 + IEPL 2) / 2]</p> <p>With:</p> <p>Index of the efficiency of logistics process 1:</p> <p>IEPL 1 = [(a'+b'+c'+d') / 4]</p> <p>[Where each indicator (a, b, c, d) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> | SISMA monitoring and evaluation reports. | <p>Approval of legal bill by state legislature</p> <p>PROMOEX achieves its objectives on time, thereby favoring integration of external oversight in the management cycle.</p> |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|-------------------|---|-----------------------|-------------|
| | <p>With:</p> <p>a: reduction of current year / previous year variation in the average number of days needed for procurement and contracting.</p> <p>b: reduction of current year / previous year variation in the average cost of procurement and contracting.</p> <p>c: reduction of current year / previous year variation in the number of judicial actions against the State, relating to procurement and contracting.</p> <p>d: increase in current year / previous year variation in the number of real estate properties registered and valued.</p> <p>Index of the efficiency of logistics process 2:</p> <p>IEPL 2 $= [(a' + b') / 2]$</p> <p>[Where each indicator (a, b) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> <p>With:</p> <p>a: number of units* with cost system implemented / total number of units selected for implementation.</p> <p>b: number of processes* with cost system implemented / total number of processes selected for implementation.</p> <p>(*) Priority: planning, administration, health, education, and security.</p> <p>Costing indicator</p> <p>Annual cost of governmental machinery per capita</p> | | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|--|
| Subcomponents: | | | |
| 3.1 Restructuring of organizational model. | <p>3.1.1 By the end of the first phase of the program, at least 60% of participating states to have organizational structure model evaluated and redesigned, at least in the management and planning areas.</p> <p>- Proposed reorganization formulated and sent to state legislature for approval.</p> | Message forwarding legislative bills. | Legislative support for measures that are essential for project implementation, measured by publication of legislative acts in the Official Gazette. |
| 3.2 Modernization of logistics management. | <p>3.2.1 By the end of the first phase of the program, at least 60% of participating states to have logistics processes management model (<i>assets, supplies, control of disputes, and contracts and agreements</i>) redesigned and implemented.</p> <p>Index of the efficiency of logistics process=$[(a+b+c) + (1-d)/4]$</p> <p>With</p> <p>a: Variation current year / previous year in average number of days needed for procurement and contracting</p> <p>b: Variation current year / previous year in the average cost of procurement and contracting</p> <p>c: Variation current year / previous year in the number of judicial actions against the state relating to procurement and contraction</p> <p>d: Variation current year / previous year in the number of real estate properties registered and valued.</p> <p>Index of internal user satisfaction with services delivered by logistics units (collected through regular and ongoing electronic surveys).</p> | <p>Logistics management systems: reports on procurement and contracting processes; report on control of judicial actions; asset inventory and balance sheet.</p> <p>Cost management system: reports on costs of processes and units.</p> <p>Internal and external oversight coordination plan disseminated.</p> <p>Report on compliance with LRF requirements by the state, issued by the internal oversight system, and consistent with the report of the external oversight system (<i>Art. 59 of LRF</i>).</p> <p>Internal control audit reports.</p> | <p>Adherence of managers and civil servants to the new models; commitment by civil servants to generate information and use computerized systems.</p> <p>Shared solutions made viable.</p> |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|--|-----------------------|-------------|
| 3.3 Development of cost management capacity. | <p>3.3.1 By the end of the first phase of the program at least 60% of participating states to have cost management model implemented, with structures, processes, and resources scaled and allocated.</p> <p>Index of the effectiveness of logistics management:</p> <ul style="list-style-type: none"> - Number of units* with cost system implemented / Total number of units selected for implementation - Number of processes* with cost system implemented / Total number of processes selected for implementation <p>(*) Priority: service center, planning, administration, health, education, and security.</p> | | |
| | <p>3.4 Modernization of administrative memory management.</p> <p>3.4.1 By the end of the first phase of the program, at least 50% of participating states to have administrative memory management model implemented.</p> <ul style="list-style-type: none"> - Variation current year / previous year in the number of bodies with up-to-date data registries (name changes, mergers and subdivisions, structural changes in general). | | |
| | <p>3.5 Improvement of internal oversight processes and their interface with external oversight.</p> <p>3.5.1 By the end of the first phase of the program, at least 40% of participating states to have internal oversight process improved and implemented, with at least one mechanism of coordination with external oversight.</p> <ul style="list-style-type: none"> - Number of internal oversight reports with verification that external oversight recommendations have been implemented / Total number of internal oversight audit reports. | | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|---|
| Component 4: Strengthening of administrative transparency and communication mechanisms. | | | |
| <p>Promote and/or improve rules of conduct of high ethical value, and channels of communication with civil servants in the internal environment; and mechanisms for participation, oversight and supervision of budgetary execution processes and public service provision in the external domain.</p> | <p>By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the</p> <p>Transparency index (ITR), defined as the simple or arithmetic mean of the standardized indicators a', b':</p> <p>ITR = [(a'+b') / 2]</p> <p>[Where each indicator (a, b) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> <p>With:</p> <p>a: index of internal perception of transparency (measurement of staff perceptions of government transparency)</p> <p>b: index of external perception of transparency (measurement of citizens' perception of government transparency)</p> | <p>SISMA monitoring and evaluation reports.</p> | <p>Stability of the pattern and level of conflict among local political forces.</p> |
| Subcomponents: | | | |
| <p>4.1 Improvement of mechanisms for communication with state-level civil servants.</p> | <p>4.1.1 By the end of the first phase of the program, at least 60% of participating states to have at least one <i>internal communication mechanism implemented</i>.</p> <ul style="list-style-type: none"> - Annual variation in the average number of portal hits - Index of user satisfaction with communications media used by state government (collected through regular and ongoing electronic surveys). | <p>Reports on internal surveys of transparency perception by civil servants.</p> <p>Monitoring of civil servant portal hits (intranet).</p> <p>Monitoring of government portal hits (internet), including to comply with provisions of LRF: <i>Art. 48 c / c Arts. 52 and 54, and Art. 49.</i></p> | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|-------------|
| <p>4.2 Improvement of mechanisms for conduct monitoring and dissemination of ethical values.</p> <p>4.3 Strengthening of Ombudsman's Offices (<i>Ouvidorias</i>).</p> <p>4.4 Improvement of the actions and coordination of <i>Corregedorias</i></p> | <p>4.2.1 By the end of the first phase of the program, at least 60% of participating states to have an <i>Ethics Code prepared, approved and disseminated, and an Ethics Commission established and operating.</i></p> | <p>Ethics Code published.</p> | |
| | <p>- Annual variation in the number of violations identified by the Public Ethics Commission and reported to the <i>Corregedorias</i> [office of the magistrate responsible for correcting errors and abuses by judicial authorities and others responsible for administration of justice]</p> | | |
| | <p>4.3.1 By the end of the first phase of the program, at least 40% of participating states to have competencies approved and greater functional autonomy for ombudsman's offices implemented.</p> <p>Index of effectiveness of Ombudsman's Offices = [(a+b)/2]</p> <p>a: Annual variation in the average number of days for internal bodies to respond to information requested by Ombudsman's offices</p> <p>b: Annual variation in the average number of days for Ombudsman's offices to respond to information requested by citizens</p> | <p>Reports on issues forwarded by the state Ethics Commission to the Corregedoria.</p> | |
| | <p>4.4.1 By the end of the first phase of the program, at least 40% of participating states to have the corregedoria improved and implemented.</p> <p>Index of effectiveness of Corregedorias [(a+b)/2]</p> <p>a: Annual variation in the average number of days between receipt of complaint and presentation of Corregedoria's report</p> <p>b: Annual variation in the average number of days between presentation of Corregedoria's report and implementation of the recommendation</p> | <p>Reports on Ombudsman and Corregedoria processes.</p> | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|--|--|-------------|
| <p>4.5 Strengthening of social participation and oversight mechanisms.</p> <p>4.6 Systematic evaluation of public service provision.</p> | <p>4.5.1 By the end of the first phase of the program, at least 50% of participating states to have at least two participation and social oversight mechanisms redefined and implemented.</p> <ul style="list-style-type: none"> - Number of events with participation by society for drafting and/or review and discussion of PPA, LDO, and LOA - Number of reports provided for in the LRF, available on line / number of reports provided for in the LRF for public information. <p>4.6.1 By the end of the first phase of the program, at least 40% of participating states to have <i>citizen service model, including electronic, and system for evaluation of public service provision implemented</i> in at least three final areas and in citizen service centers.</p> <p>Index of effectiveness in service delivery [(a+b=c) = (1-d)/4]</p> <p>a: Annual variation in the number of hits/day at the state government's portal</p> <p>b: Annual variation in the number of services* made available on the web</p> <p>(*) Priority: planning, administration, education, health, and security</p> <p>c: Number* of services rendered / Total services requested</p> <p>d: Annual variation in the average number* of hours between issuing the electronic ticket and beginning to deliver the service</p> <p>(*) Priority: Citizen service center</p> <p>Index of satisfaction with public service delivery = [a+b)/2]</p> | <p>Report on external studies to evaluate services provided.</p> | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|---|---|--|
| | <p>a: Annual variation in the percentage of expressions of satisfaction with services delivered* at citizen service centers</p> <p>(*) Priority: citizen service centers, planning, administration, education, health, and security.</p> <p>b: Annual variation in the percentage of expressions** of satisfaction with services delivered electronically</p> <p>(**) Ongoing survey</p> | | |
| Component 5: Modernization of information management and integration of information technology systems. | | | |
| <p>Improve the quality and effectiveness of information available to state government planning and administration bodies.</p> | <p>By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the</p> <p>Index of Information Technology Management Effectiveness (IETI), defined as the simple or arithmetic mean of the standardized indicators a', b':</p> <p>IETI = [(a'+b') / 2]</p> <p>[Where each index (a, b) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> <p>With:</p> <p>a: Index of IT management efficiency =</p> <p>[(i)+(ii) / 2], where:</p> <p>(i): annual variation in the cost of IT services (support, maintenance, helpdesk, and rental) for the installed base (servers, microcomputers, notebooks, printers, scanners, basic software, applications, and similar) - (cost / quantity).</p> <p>(ii): variation between T-zero and T-N of the average age of equipment (time of procurement of owned equipment and/or, in the case of rented equipment, date of latest replacement).</p> <p>b: Index of IT system access intensity =</p> <p>[(i)+(ii) / 2], where:</p> | <p>SISMA monitoring and evaluation reports.</p> | <p>Operationalization of shared solutions.</p> |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|-------------|
| | (i): number of secretariats or small units with access / total secretariats or units. (ii): number of users who access / total number of authorized users. | | |
| Subcomponents: | | | |
| 5.1 Development of information and IT management capacity. | 5.1.1 By the end of the first phase of the program, at least 60% of participating states to have master information technology plan (PDTI), consistent with PPA directives and the state budget, in the process of implementation. <ul style="list-style-type: none"> - PDTI approved and published - Number of civil servants of central and sectoral IT units trained / total number of civil servants in central and sectoral IT units | Master information technology plan disseminated. Training plan and training evaluation reports. | |
| 5.2 Updating of IT organization and management model. | 5.2.1 By the end of the first phase of the program, at least 60% of participating states to have <i>IT management model redesigned and implemented.</i> <ul style="list-style-type: none"> - Annual variation in the cost of IT services (support, maintenance, helpdesk, and leasing) for the installed equipment (servers, personal computers, notebooks, printers, scanners, basic software, applications, etc.) – (cost/quantity). - Index of user satisfaction with IT services (collected through regular and ongoing electronic surveys). | Cost system: report on IT management process. Hardware and software inventory. Service provision and rental contracts. User manual and system documentation. | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|---|-------------|
| 5.3 Modernization of technology base. | <p>5.3.1 By the end of the first phase of the program, 60% of participating states to have technology infrastructure (communications network, servers and workstations, basic software and security mechanisms), to support systems of planning, human resource management, logistics management and appropriation and evaluation of costs, implemented.</p> <ul style="list-style-type: none"> - Variation between T-zero and T-N in the average age of equipment and systems (date of procurement of equipment and systems owned by the entity and/or, in the case of leased systems, date of last replacement) - Annual variation in the number of authorized network users | Report on use made of the systems by authorized users (password control). | |
| 5.4 Updating of databases and development of integrated information systems. | <p>5.4.1 By the end of the first phase of the program, integrated information systems to have on-line access operating in a web environment:</p> <ul style="list-style-type: none"> - at least 60% of participating states with integrated planning management system implemented; - at least 60% of participating states with <i>integrated human resource management system implemented;</i> - at least 60% of participating states with <i>integrated logistics management system</i> implemented; - at least 30% of participating states with <i>procurement management system</i> implemented; - at least 30% of participating states with <i>cost management system</i> implemented; | | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|---|--|--|
| | <ul style="list-style-type: none"> - at least 30% of participating states with <i>disputes management system</i> implemented. <p>Index of system intensity: IIA [(a+b)/2]</p> <p>a: Number of secretaries or units with access / total number of secretaries or units</p> <p>b: Number of users that gain access / Total number of authorized users</p> | | |
| Component 6: Development of a culture for promotion and implementation of institutional change. | | | |
| Contribute to the promotion and implementation of institutional change in state government planning and administration bodies. | <p>By the end of the first phase of the program, at least 60% of participating states to be displaying a level of at least 80% in the</p> <p>Institutional change index (IMI), defined as the simple or arithmetic mean of standardized indicators a', b':</p> <p>IMI=[(a'+b') / 2]</p> <p>[Where each index (a, b) for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> <p>With:</p> <p>a: number of PNAGE physical targets fulfilled / number of physical targets envisaged.</p> <p>b: number of PNAGE financial targets fulfilled / number of financial targets envisaged.</p> <p>[Where each indicator for each UF is divided by the mean of all UFs, set as the reference value 100.]</p> | SISMA monitoring and evaluation reports. | <p>Civil servants react positively to PNAGE change proposals.</p> <p>State administration and planning authorities maintain their commitment towards institutional change.</p> |
| Subcomponents: | | | |
| 6.1 Development and systemization of diagnostic studies on institutional culture. | <p>6.1.1 By the end of the first phase of the program, at least 50% participating states to have at least two surveys of organizational culture carried out.</p> <ul style="list-style-type: none"> - Number of civil servants with professional attitudes and practices that reflect institutional change / Total number of civil servants in | Reports on internal surveys of organizational culture. | |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|--|--|---|---|
| | planning and administration areas | | |
| 6.2 Development of management skills for institutional change. | 6.2.1 By the end of the first phase of the program, at least 75% of participating states to have civil servant team from the planning and administration areas trained for the management of institutional change. - Number of civil servants trained / Total number of civil servants in the planning and administration areas | Training plan, training evaluation reports. | |
| 6.3 Implementation of mechanisms for inducement and recognition of individual merit and team performance. | 6.3.1 By the end of the first phase of the program, at least 17% of participating states to have mechanisms for inducement and recognition of merit and team performance implemented. - Number of awards to state project teams / Total physical targets of ML fully met | Reports on prize awards. | |
| Component 7: National component: support for cooperation in management | | | |
| Support strengthening of the management capacity of participating states, encourage cooperation between them, and promote the sharing of solutions | By the end of the first phase of the program, at least 60% of the index of cooperation in management (ICG) will have been met. Index of Cooperation in Management Simple or arithmetic mean of indicators of the subcomponents: $ICG = [(a' + b' + c' + d') / 4]$ | Training plan, training evaluation reports, reports on the operation of state and consolidated SISMA/SGP Databases of new technical solutions developed in a shared way Database of successful technical solutions involving cooperation among participating states | Guarantee of resources in the PNAGE budget for implementation of the national component. SISMA/SGP made available to the states and states adjust as needed to conform to the respective technological platform. National consolidation of the systems and databases of the participating states. Existence of common needs among the participating states and interest in developing new technical solutions that can be shared. Existence of successful technical solutions subject to dissemination/replication in other states. |

| Narrative summary | Outcome indicators | Means of verification | Assumptions |
|---|--|--|--|
| <p>Subcomponents</p> <p>7.1 Training in project management</p> <p>7.2 Development and implementation of methodologies and systems for management, monitoring, and evaluation (SISMA/SGP)</p> <p>7.3 Formulation and implementation of shared solutions</p> <p>7.4 Replication of cooperative solutions</p> | <p>By the end of the first phase of the program, 100% of the participating states have been trained in project management.</p> <p>a) Number of participating states trained in project management / total number of participating states x 100</p> <p>By the end of the first phase of the program, 80% of participating states have monitoring and evaluation methodologies and systems in place.</p> <p>b) Number of participating states with management, monitoring, and evaluation methodologies and systems in place by end of program / total number of participating states x 100</p> <p>By the end of the first phase of the program, 40% of the participating states with at least 01 shared technical solution implemented.</p> <p>c) Number of participating states with at least one shared technical solution implemented by the end of the program / total number of participating states x 100</p> <p>By the end of the first phase of the program, at least 03 cooperative solutions implemented in the context of the PNAGE</p> <p>d) Number of cooperative solutions implemented in the context of the PNAGE by the end of the program divided by 3 x 100</p> | <p>Training plan</p> <p>Training evaluation reports</p> <p>Reports on the operation of the state and consolidated SISMA/SGP</p> <p>Database of new technical solutions developed under a shared format.</p> <p>Database of successful technical solutions arrived at through cooperation among the participating states.</p> | <p>Guarantee of resources in the PNAGE budget for implementation of the national component.</p> <p>SISMA/SGP made available to the states and states adjust as needed to conform to the respective technological platform.</p> <p>National consolidation of the systems and databases of the participating states.</p> <p>Existence of common needs among the participating states and interest in developing new technical solutions that can be shares.</p> <p>Existence of successful technical solutions subject to dissemination/replication in other states.</p> |

PNAGE - PROCUREMENT PLAN

The project team and the Ministry of Planning, Budget, and Management have agreed upon the following procurement plan. The plan covers the first part of the program (18 months) and will be updated annually or more frequently as needed.

I. GENERAL

1. Project information: Brazil, Ministry of Planning, Budget, and Management, **NATIONAL PROGRAM TO SUPPORT THE MODERNIZATION OF PUBLIC ADMINISTRATION AND PLANNING IN THE STATES AND FEDERAL DISTRICT (PNAGE) (BR-0405)**, Loan Contract...../OC-BR, Program Coordination and Execution Units (UCP): Ministry of Planning, Budget, and Management, and the states and federal district. Total program cost (first phase): US\$155 million, with financing of US\$93 million. The program is structured for decentralized implementation, in which each of the 26 states and the federal district will execute a local component with the following six main lines of action: (i) strengthening of public policy planning and management capacity; (ii) development of institutional capacity for human resource management; (iii) modernization of organizational structures and administrative processes; (iv) strengthening of administrative transparency and social communication mechanisms; (v) modernization of information management and integration of information technology systems; (vi) development of a culture conducive to the promotion and implementation of institutional change; and (vii) a national component under the responsibility of the Ministry of Planning, Budget, and Management.

2. Date of Bank approval of the procurement plan [Original: 22 February 2006; Review 1: ...]

3. Date of General Procurement Notice: 30 days after the loan contract signature date.

4. Period covered by this procurement plan: 18 months, first phase.

II. GOODS, WORKS, AND NONCONSULTING SERVICES

1. Thresholds for prior review: Unless the Bank stipulates otherwise in writing, it will review the following contracts on a prior basis, in accordance with the procedures established in paragraphs 2 and 3 of Appendix 1 of the procurement policies: (a) For the first 12 months counted from the date of the first call for bids or, in the absence thereof, from the date of the first procurement or contract award under the program, all contracts for works or goods procurement, irrespective of amount; and (b) As from 12 months counted from the date of the first call for bids or, in the absence thereof, from the date of the first procurement or contract award under the program, any contract for construction works with an estimated

cost equivalent to US\$10,000,000.00 or more; and any contract for goods procurement with an estimated cost equivalent to US\$500,000.00 or more. The Bank may also resume prior review of selection and contracting processes at any time during program execution, depending on review findings, the institutional capacity of the executing agency, or program audits.

2. Thresholds for post review: Post review of procurements will be applied to each contract in accordance with procedures established in paragraph 4 of Appendix 1 of the procurement policies.

| | Bidding method | Thresholds for prior review (US\$) | Comments |
|----|--|------------------------------------|--|
| 1. | International competitive bidding - ICB (goods) | Above 500,000 | Goods will be procured in accordance with the provisions of section II of the procurement policies. The provisions of paragraphs 2.55 and 2.56 and Appendix 2, on the margin of domestic preference to be provided in the evaluation of bids, will be applied to goods manufactured in the country of the borrower. ¹ |
| 2. | International competitive bidding - ICB (works) | Above 10,000,000 | Works will be contracted in accordance with the provisions of section II of the procurement policies. The provisions of paragraphs 2.55 and 2.56 and Appendix 2, on the margin of domestic preference to be provided in the evaluation of bids, will be applied to goods manufactured in the country of the borrower. ¹ |
| 3. | National competitive bidding - NCB (goods) | Up to 500,000 | Goods will be procured in accordance with paragraphs 3.3 and 3.4 of the procurement policies. |
| 4. | National competitive bidding - NCB (works) | Up to 10,000,000 | Works will be procured in accordance with paragraphs 3.3 and 3.4 of the procurement policies. |
| 5. | Shopping - S (goods) | Up to 100,000 | Goods will be procured in accordance with paragraph 3.5 of the procurement policies. |
| 6. | Shopping - S (works) | Up to 500,000 | Works will be procured in accordance with paragraph 3.5 of the procurement policies |
| 7. | <i>Pregão</i> bid submitted physically - PP | Up to 30,000 | See the minutes of the mission on electronic procurement between the Bank and the executing agency of 22 and 25 November 2005. |
| 8. | <i>Pregão</i> bid submitted electronically - PE | Up to 500,000 | Idem |
| 9. | Official price list [<i>Ata de registro de preços</i>] -RP | Up to 500,000 | Idem |

2. Prequalification: Prequalification is not envisaged for the procurement of goods, works, and related nonconsulting services.

3. Proposed procedures for development components involving community participation (as defined in paragraph 3.17 of the policies): Participation by the

¹ The margin of domestic preference refers only to goods procured through ICB.

community or civil society organizations in the provision of services is not envisaged in this program.

4. Other special procurement arrangements: No retroactive financing is provided for in the loan contract.

5. Bid packages indicating procurement methods and timetable:

[Listing of packages requiring the Bank's prior review and other packages]

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 | 8 | 10 |
|----------|------------------------|---------------------|----------------|------------------|--------------------|---------------------------|------------------------------|--------------------------|------------------------------|---|
| Ref. No. | Contract (description) | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Procurement method | Prequalification (yes/no) | National preference (yes/no) | Bank review (prior/post) | Expected date of bid opening | Comments |
| 01.01 | IT hardware | 90,936.76 | 54,562.06 | 36,374.70 | NCB | No | Yes | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 01.02 | IT hardware | 183,448.97 | 110,069.38 | 73,379.59 | NCB | No | Yes | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 01.03 | IT hardware | 199,931.03 | 119,958.62 | 79,972.41 | RP | No | Yes | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 01.04 | IT hardware | 90,502.48 | 54,301.49 | 36,200.99 | NCB | No | Yes | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 01.05 | IT hardware | 332,760.00 | 199,656.00 | 133,104.00 | PE | No | Yes | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 01.06 | IT hardware | 283,940.00 | 170,364.00 | 113,576.00 | PE | No | Yes | Prior | April 2006 | Decentralized execution by the 26 states and DF |
| 01.07 | IT hardware | 275,344.83 | 165,206.90 | 110,137.93 | RP | No | Yes | Prior | May 2006 | Decentralized execution by the 26 states and DF |
| 01.08 | IT hardware | 346,036.94 | 207,622.16 | 138,414.78 | PE | No | Yes | Prior | June 2006 | Decentralized execution by the 26 states and DF |
| 01.09 | IT hardware | 271,378.55 | 162,827.13 | 108,551.42 | NCB | No | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 01.10 | IT hardware | 234,544.14 | 140,726.48 | 93,817.66 | PE | No | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 01.11 | IT hardware | 150,239.84 | 90,143.90 | 60,095.94 | NCB | No | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 01.12 | IT hardware | 235,398.28 | 141,238.97 | 94,159.31 | NCB | No | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 01.13 | IT hardware | 528,503.45 | 317,102.07 | 211,401.38 | ICB | No | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 01.14 | IT hardware | 83,877.47 | 50,326.48 | 33,550.99 | NCB | No | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 01.15 | IT hardware | 229,586.21 | 137,751.72 | 91,834.49 | NCB | No | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 | 8 | 10 |
|----------|------------------------|---------------------|----------------|------------------|--------------------|---------------------------|------------------------------|--------------------------|------------------------------|---|
| Ref. No. | Contract (description) | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Procurement method | Prequalification (yes/no) | National preference (yes/no) | Bank review (prior/post) | Expected date of bid opening | Comments |
| 01.16 | IT hardware | 411,944.83 | 247,166.90 | 164,777.93 | ICB | No | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 01.17 | IT hardware | 163,158.62 | 97,895.17 | 65,263.45 | NCB | No | Yes | Post | November 2006 | Decentralized execution by the 26 states and DF |
| 01.18 | IT hardware | 502,837.93 | 301,702.76 | 201,135.17 | ICB | No | Yes | Prior | November 2006 | Decentralized execution by the 26 states and DF |
| 01.19 | IT hardware | 704,928.48 | 422,957.09 | 281,971.39 | ICB | No | Yes | Prior | December 2006 | Decentralized execution by the 26 states and DF |
| 01.20 | IT hardware | 246,437.93 | 147,862.76 | 98,575.17 | NCB | No | Yes | Post | December 2006 | Decentralized execution by the 26 states and DF |
| 01.21 | IT hardware | 149,462.07 | 89,677.24 | 59,784.83 | NCB | No | Yes | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 01.22 | IT hardware | 106,168.97 | 63,701.38 | 42,467.59 | NCB | No | Yes | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 01.23 | IT hardware | 399,034.90 | 239,420.94 | 159,613.96 | ICB | No | Yes | Post | February 2007 | Decentralized execution by the 26 states and DF |
| 01.24 | IT hardware | 257,696.14 | 154,617.68 | 103,078.46 | NCB | No | Yes | Post | February 2007 | Decentralized execution by the 26 states and DF |
| 01.25 | IT hardware | 156,641.38 | 93,984.83 | 62,656.55 | NCB | No | Yes | Post | March 2007 | Decentralized execution by the 26 states and DF |
| 01.26 | IT hardware | 253,896.55 | 152,337.93 | 101,558.62 | PE | No | Yes | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 01.27 | IT hardware | 129,686.21 | 77,811.72 | 51,874.48 | NCB | No | Yes | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 02.01 | Adaptation works | 7,620.69 | 4,572.41 | 3,048.28 | S | No | No | Prior | November 2005 | Decentralized execution by the 26 states and DF |
| 02.02 | Adaptation works | 2,482.76 | 1,489.66 | 993.10 | S | No | No | Prior | December 2006 | Decentralized execution by the 26 states and DF |
| 02.03 | Adaptation works | 620.69 | 372.41 | 248.28 | S | Yes | No | Prior | January 2006 | Decentralized execution by the 26 states and DF |
| 02.04 | Adaptation works | 152,841.38 | 91,704.83 | 61,136.55 | NCB | No | No | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 02.05 | Adaptation works | 71,172.41 | 42,703.45 | 28,468.97 | NCB | No | No | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 02.06 | Adaptation works | 67,655.17 | 40,593.10 | 27,062.07 | NCB | Yes | Yes | Prior | April 2006 | Decentralized execution by the 26 states and DF |
| 02.07 | Adaptation works | 74,838.62 | 44,903.17 | 29,935.45 | NCB | Yes | Yes | Prior | May 2006 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 | 8 | 10 |
|----------|------------------------------------|---------------------|----------------|------------------|--------------------|---------------------------|------------------------------|--------------------------|------------------------------|---|
| Ref. No. | Contract (description) | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Procurement method | Prequalification (yes/no) | National preference (yes/no) | Bank review (prior/post) | Expected date of bid opening | Comments |
| 02.08 | Adaptation works | 66,206.90 | 39,724.14 | 26,482.76 | NCB | Yes | Yes | Prior | June 2006 | Decentralized execution by the 26 states and DF |
| 02.09 | Adaptation works | 20,394.83 | 12,236.90 | 8,157.93 | S | Yes | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 02.10 | Adaptation works | 6,206.90 | 3,724.14 | 2,482.76 | S | Yes | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 02.11 | Adaptation works | 175,862.07 | 105,517.24 | 70,344.83 | NCB | Yes | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 02.12 | Adaptation works | 75,310.34 | 45,186.21 | 30,124.14 | NCB | Yes | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 02.13 | Adaptation works | 47,586.21 | 28,551.72 | 19,034.48 | S | Yes | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 02.14 | Adaptation works | 66,372.41 | 39,823.45 | 26,548.97 | NCB | Yes | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 02.15 | Adaptation works | 51,075.17 | 30,645.10 | 20,430.07 | NCB | Yes | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 02.16 | Adaptation works | 32,482.76 | 19,489.66 | 12,993.10 | S | Yes | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 02.17 | Adaptation works | 53,172.41 | 31,903.45 | 21,268.97 | NCB | Yes | Yes | Post | November 2006 | Decentralized execution by the 26 states and DF |
| 02.18 | Adaptation works | 16,551.72 | 9,931.03 | 6,620.69 | S | Yes | Yes | Post | November 2006 | Decentralized execution by the 26 states and DF |
| 02.19 | Adaptation works | 154,344.83 | 92,606.90 | 61,737.93 | NCB | Yes | Yes | Post | December 2006 | Decentralized execution by the 26 states and DF |
| 02.20 | Adaptation works | 53,379.31 | 32,027.59 | 21,351.72 | NCB | Yes | Yes | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 02.21 | Adaptation works | 35,793.10 | 21,475.86 | 14,317.24 | S | Yes | Yes | Post | February 2007 | Decentralized execution by the 26 states and DF |
| 02.22 | Adaptation works | 93,103.45 | 55,862.07 | 37,241.38 | NCB | Yes | Yes | Post | March 2007 | Decentralized execution by the 26 states and DF |
| 02.23 | Adaptation works | 4,758.60 | 2,855.17 | 1,903.45 | S | Yes | Yes | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 03.01 | Support and communication material | 17,185.17 | 10,311.10 | 6,874.07 | S | No | Yes | Prior | November 2005 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 | 8 | 10 |
|----------|------------------------------------|---------------------|----------------|------------------|--------------------|---------------------------|------------------------------|--------------------------|------------------------------|---|
| Ref. No. | Contract (description) | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Procurement method | Prequalification (yes/no) | National preference (yes/no) | Bank review (prior/post) | Expected date of bid opening | Comments |
| 03.02 | Support and communication material | 20,008.97 | 12,005.38 | 8,003.59 | S | No | Yes | Prior | December 2006 | Decentralized execution by the 26 states and DF |
| 03.03 | Support and communication material | 14,648.28 | 8,788.97 | 5,859.31 | S | No | Yes | Prior | January 2006 | Decentralized execution by the 26 states and DF |
| 03.04 | Support and communication material | 16,730.34 | 10,038.21 | 6,692.14 | S | No | Yes | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 03.05 | Support and communication material | 14,238.62 | 8,543.17 | 5,695.45 | S | No | Yes | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 03.06 | Support and communication material | 96,148.97 | 57,689.38 | 38,459.59 | NCB | No | Yes | Prior | April 2006 | Decentralized execution by the 26 states and DF |
| 03.07 | Support and communication material | 3,289.66 | 1,973.79 | 1,315.86 | S | No | Yes | Prior | May 2006 | Decentralized execution by the 26 states and DF |
| 03.08 | Support and communication material | 12,192.69 | 7,315.61 | 4,877.08 | S | No | Yes | Prior | June 2006 | Decentralized execution by the 26 states and DF |
| 03.09 | Support and communication material | 79,686.07 | 47,811.64 | 31,874.43 | NCB | No | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 03.10 | Support and communication material | 81,201.93 | 48,721.16 | 32,480.77 | NCB | No | Yes | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 03.11 | Support and communication material | 51,236.74 | 30,742.05 | 20,494.70 | NCB | No | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 03.12 | Support and communication material | 55,806.90 | 33,484.14 | 22,322.76 | NCB | No | Yes | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 03.13 | Support and communication material | 179,412.41 | 107,647.45 | 71,764.97 | NCB | No | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 03.14 | Support and communication material | 40,495.24 | 24,297.14 | 16,198.10 | S | No | Yes | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 03.15 | Support and communication material | 47,379.31 | 28,427.59 | 18,951.72 | S | No | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 03.16 | Support and communication material | 70,531.03 | 42,318.62 | 28,212.41 | NCB | No | Yes | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 03.17 | Support and communication material | 32,744.83 | 19,646.90 | 13,097.93 | S | No | Yes | Post | November 2006 | Decentralized execution by the 26 states and DF |
| 03.18 | Support and communication material | 36,306.21 | 21,783.72 | 14,522.48 | S | No | Yes | Prior | November 2006 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 | 8 | 10 |
|----------|------------------------------------|---------------------|----------------|------------------|--------------------|---------------------------|------------------------------|--------------------------|------------------------------|---|
| Ref. No. | Contract (description) | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Procurement method | Prequalification (yes/no) | National preference (yes/no) | Bank review (prior/post) | Expected date of bid opening | Comments |
| 03.19 | Support and communication material | 110,817.24 | 66,490.34 | 44,326.90 | NCB | No | Yes | Prior | December 2006 | Decentralized execution by the 26 states and DF |
| 03.20 | Support and communication material | 42,337.93 | 25,402.76 | 16,935.17 | S | No | Yes | Post | December 2006 | Decentralized execution by the 26 states and DF |
| 03.21 | Support and communication material | 46,208.28 | 27,724.97 | 18,483.31 | S | No | Yes | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 03.22 | Support and communication material | 19,255.17 | 11,553.10 | 7,702.07 | S | No | Yes | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 03.23 | Support and communication material | 114,489.93 | 68,693.96 | 45,795.97 | NCB | No | Yes | Post | February 2007 | Decentralized execution by the 26 states and DF |
| 03.24 | Support and communication material | 45,464.55 | 27,278.73 | 18,185.82 | S | No | Yes | Post | February 2007 | Decentralized execution by the 26 states and DF |
| 03.25 | Support and communication material | 30,158.62 | 18,095.17 | 12,063.45 | S | No | Yes | Post | March 2007 | Decentralized execution by the 26 states and DF |
| 03.26 | Support and communication material | 76,827.59 | 46,096.55 | 30,731.03 | NCB | No | Yes | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 03.27 | Support and communication material | 71,123.93 | 42,674.36 | 28,449.57 | NCB | No | Yes | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 04.01 | IT hardware | 20,000.00 | 10,000.00 | 10,000.00 | PP | No | Yes | Prior | May 2006 | Direct execution by the MP |
| 04.02 | Support and communication material | 30,000.00 | 18,000.00 | 12,000.00 | PE | No | Yes | Prior | June 2006 | Direct execution by the MP |

III. SELECTION OF CONSULTANTS

Consultants will be selected and contracted in accordance with the provisions established in document GN-2350-4 (*Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank*).

| | Selection method | Comments |
|----|--|---|
| 1. | Quality- and cost-based selection (QCBS) | Selection according to the provisions of section II and paragraphs 3.16 through 3.20 of the policies on consultants. Pursuant to paragraph 2.7 of those policies, the short list may be comprised entirely of national consultants in the case of services with an estimated cost below US\$200,000 equivalent per contract. |
| 2. | Quality-based selection (QBS) | For services involving the implementation of information technology networks; studies; management models; technical assistance; tool development and implementation; activities relating to cooperation and communication between entities; definition, review, simplification, consolidation, development, and implementation of methodologies, standards, processes, systems, models, applications and plans and information systems, in accordance with the provisions of paragraphs 3.1 through 3.4 of the policies on consultants. |
| 3. | Least-cost selection (LCS) | For services relating to technical forums, meetings, and seminars, in accordance with the provisions of paragraphs 3.1 through 3.6 of the policies on consultants. |
| 4. | Single-source selection (SSS) | Of a specialized agency to provide technical support exclusively in processes involving the procurement of goods and selection of consulting firms or individual consultants relating to program execution, subject to the following conditions: (i) the Bank will approve the contract to be signed with specialized agencies in advance; (ii) the specialized agency will undertake to abide by Bank policies and procedures on procurement and contracting; (iii) the hiring of consulting services to carry out routine program execution activities will not be allowed. |

1. Prior review by the Bank of the consultant selection process: Unless the Bank stipulates a different process, in writing, the following contracts will be reviewed on a prior basis, in accordance with the procedures established in paragraphs 2 and 3 of Appendix 1 of the policies on consultants: (a) Up to 12 months counted from the date of the first call for bids or, in the absence thereof, from the date of the first contracting of program services, all contracts for the provision of services by consulting firms or individual consultants, irrespective of amount; (b) As from 12 months counted from the date of the first call for bids, or in the absence thereof, from the date of the first contracting of program services, all contracts for the provision of services by consulting firms, with an estimated cost equivalent to US\$ 200,000.00 or more; and (c) As from 12 months counted from the date of the first call for bids, or in the absence thereof, from the date of the first contracting of program

services, contracts for the provision of services by individual consultants, with an estimated cost equivalent to US\$50,000.00 or more.

2. Post review: Post review will be applied to any contract not included, according to the procedures established in paragraph 4 of Appendix 1 of the policy on consultants.

3. Contracting of a specialized agency by participating states. States participating in the program may hire a specialized agency to provide technical support in goods procurement and contracting of consulting services, provided that: (i) the model contract to be signed with the agency in question has been previously approved by the Bank; (ii) the contract signed with the agency includes, at least, commitment to abide by Bank policies and procedures on procurement and contracting; to allow the Bank's representatives and the program auditors access to procurement and contracting documentation and to transfer full ownership to the participating state of the goods and products of the services contracted; and (iii) the contracts entered into do not involve routine program execution activities. In the event of failure to fulfill the provisions of this clause, expenses incurred in goods procurement and provision of services contracted through the specialized agency cannot be financed with proceeds of the loan or local counterpart. The loan resources may not be used to pay for services provided by the specialized agency.

4. Other special selection arrangements: Retroactive financing is not provided for in the loan contract.

5. Consulting activities indicating selection methods and scheduling

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 |
|----------|--|---------------------|----------------|------------------|------------------|--------------------------|--------------------------------|---|
| Ref. No. | Description of activities | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Selection method | Bank review (prior/post) | Estimated date of announcement | Comments |
| 00.01 | Support for cooperation in management | 300,000.00 | | 300,000.00 | QCBS | Prior | February 2006 | Ministry of Planning |
| 00.02 | Caixa Econômica Federal | 37,200.00 | | 37,200.00 | SSS | Prior | February 2006 | Ministry of Planning |
| 00.03 | Specialized agency | 500,000.00 | | 500,000.00 | SSS | Prior | February 2006 | Decentralized execution by the 26 states and DF |
| 01.01 | Implementation of information technology network | 184,830.48 | 110,898.29 | 73,932.19 | QCBS | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 01.02 | Activities involving adaptation, management, development, training, evaluation, and promotion of human resources | 302,560.00 | 181,536.00 | 121,024.00 | LCS | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 01.03 | Studies | 348,194.04 | 208,916.42 | 139,277.61 | LCS | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 01.04 | Implementation of information technology network | 204,882.48 | 122,929.49 | 81,952.99 | LCS | Prior | March 2006 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 |
|----------|---|---------------------|----------------|------------------|------------------|--------------------------|--------------------------------|---|
| Ref. No. | Description of activities | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Selection method | Bank review (prior/post) | Estimated date of announcement | Comments |
| 01.05 | Activities involving adaptation, management, development, training, evaluation, and promotion of human resources | 950,921.55 | 570,552.93 | 380,368.62 | LCS | Prior | March 2006 | Decentralized execution by the 26 states and DF |
| 01.06 | Implementation of information technology network | 554,011.86 | 332,407.12 | 221,604.74 | LCS | Prior | April 2006 | Decentralized execution by the 26 states and DF |
| 01.07 | Management model | 196,531.03 | 117,918.62 | 78,612.41 | QBS | Prior | May 2006 | Decentralized execution by the 26 states and DF |
| 01.08 | Implementation of information technology network | 321,003.03 | 192,601.82 | 128,401.21 | QBS | Prior | June 2006 | Decentralized execution by the 26 states and DF |
| 01.09 | Implementation of information technology network | 388,301.31 | 232,980.79 | 155,320.52 | QBS | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 01.10 | Development and implementation of tools | 287,126.90 | 172,276.14 | 114,850.76 | QBS | Prior | July 2006 | Decentralized execution by the 26 states and DF |
| 01.11 | Implementation of information technology network | 213,689.51 | 128,213.71 | 85,475.80 | QBS | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 01.12 | Implementation of information technology network | 203,698.28 | 122,218.97 | 81,479.31 | QBS | Prior | August 2006 | Decentralized execution by the 26 states and DF |
| 01.13 | Implementation of information technology network | 613,579.31 | 368,147.59 | 245,431.72 | QBS | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 01.14 | Activities involving adaptation, management, development, training, evaluation, and promotion of human resources | 530,567.15 | 318,340.29 | 212,226.86 | QBS | Prior | September 2006 | Decentralized execution by the 26 states and DF |
| 01.15 | Seminars | 252,499.31 | 151,499.59 | 100,999.72 | QBS | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 01.16 | Implementation of information technology network | 417,158.62 | 250,295.17 | 166,863.45 | QBS | Prior | October 2006 | Decentralized execution by the 26 states and DF |
| 01.17 | Activities involving adaptation, management, development, training, evaluation, and promotion of human resources | 319,903.45 | 191,942.07 | 127,961.38 | QBS | Prior | November 2006 | Decentralized execution by the 26 states and DF |
| 01.18 | Definition, review, simplification, consolidation, development, and implementation of methodologies, standards, processes, systems, models, applications, and plans | 685,468.97 | 411,281.38 | 274,187.59 | LCS | Prior | November 2006 | Decentralized execution by the 26 states and DF |
| 01.19 | Implementation of information technology network | 631,782.76 | 379,069.66 | 252,713.10 | LCS | Prior | December 2006 | Decentralized execution by the 26 states and DF |
| 01.20 | Technical reports | 218,510.34 | 131,106.21 | 87,404.14 | LCS | Prior | December 2006 | Decentralized execution by the 26 states and DF |

| 1 | 2 | 3 | 3a/ | 3b | 4 | 5 | 6 | 7 |
|----------|---|---------------------|----------------|------------------|------------------|--------------------------|--------------------------------|---|
| Ref. No. | Description of activities | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Selection method | Bank review (prior/post) | Estimated date of announcement | Comments |
| 01.21 | Definition, review, simplification, consolidation, development, and implementation of methodologies, standards, processes, systems, models, applications, and plans | 139,227.59 | 83,536.55 | 55,691.03 | LCS | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 01.12 | Technical reports | 175,444.48 | 105,266.69 | 70,177.79 | LCS | Post | January 2007 | Decentralized execution by the 26 states and DF |
| 01.23 | Information systems | 589,831.72 | 353,899.03 | 235,932.69 | LCS | Prior | February 2007 | Decentralized execution by the 26 states and DF |
| 01.24 | Activities involving adaptation, management, development, training, evaluation, and promotion of human resources | 473,643.03 | 284,185.82 | 189,457.21 | QBS | Prior | February 2007 | Decentralized execution by the 26 states and DF |
| 01.25 | Information systems | 157,462.07 | 94,477.24 | 62,984.83 | QBS | Post | March 2007 | Decentralized execution by the 26 states and DF |
| 01.26 | Studies | 293,157.92 | 175,894.75 | 117,263.17 | QBS | Prior | April 2007 | Decentralized execution by the 26 states and DF |
| 01.27 | Definition, review, simplification, consolidation, development, and implementation of methodologies, standards, processes, systems, models, applications, and plans | 178,931.03 | 107,358.62 | 71,572.41 | QBS | Post | April 2007 | Decentralized execution by the 26 states and DF |
| 02.01 | Holding of program integration events | 100,000.00 | 60,000.00 | 40,000.00 | LCS | Prior | March 2007 | Ministry of Planning |
| 02.02 | Studies to share solutions | 100,000.00 | 60,000.00 | 40,000.00 | QBS | Prior | April 2006 | Ministry of Planning |

IV. TRAINING ACTIVITIES FOR EXECUTING AGENCIES INDICATING TIMETABLE

| 1 | 2 | 3 | 3a | 3b | 4 | 6 | 7 |
|----------|---|---------------------|----------------|------------------|--------------------|------------------------------|---|
| Ref. No. | Expected outcome/description of activity | Estimated cost US\$ | Financing US\$ | Counterpart US\$ | Estimated duration | Start date | Comments |
| 01.01 | Bank procurement procedures | 200,000.00 | 120,000.00 | 80,000.00 | 40 hours | January and June 2006 | Decentralized execution by the 26 states and DF |
| | Redesign of monitoring procedures, emphasizing Bank procurement procedures. | 200,000.00 | 120,000.00 | 80,000.00 | 40 hours | December 2006 and April 2007 | Decentralized execution by the 26 states and DF |
| 01.01 | Bank procurement procedures | 20,000.00 | 12,000.00 | 8,000.00 | 40 hours | January and June 2006 | Ministry of Planning |
| | Redesign of monitoring procedures, emphasizing Bank procurement procedures. | 20,000.00 | 12,000.00 | 8,000.00 | 40 hours | December 2006 and April 2007 | Ministry of Planning |