

**BRAZIL**

**MUNICÍPIO OF CAMPO GRANDE  
INTEGRATED DEVELOPMENT PROGRAM**

**(BR-L1104)**

**LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	FRAME OF REFERENCE .....	1
A.	Município of Campo Grande .....	1
B.	Município of Campo Grande: The urban setting .....	1
C.	Strategy of the Município and the Program strategy .....	5
D.	The Bank's strategy and lessons learned in urban development programs .....	6
II.	THE PROGRAM .....	7
A.	Objective .....	7
B.	Description .....	7
1.	Downtown revitalization component (US\$5 million) .....	7
2.	Urban mobility component (US\$26.2 million) .....	8
3.	Institutional strengthening component (US\$1.4 million) .....	8
C.	Cost and financing .....	9
D.	Financial terms and conditions .....	10
III.	PROGRAM IMPLEMENTATION .....	10
A.	Borrower, guarantor, and executing agency .....	10
B.	Program implementation and administration .....	10
C.	Implementation period and disbursement timetable .....	14
D.	Works maintenance .....	14
E.	Revolving fund and external audits .....	14
F.	Implementation monitoring .....	15
G.	Management and monitoring system .....	15
H.	Midterm review and final evaluation .....	16
IV.	PROGRAM VIABILITY .....	16
A.	Technical viability .....	16
B.	Institutional viability .....	16
C.	Socioeconomic viability .....	17
D.	Beneficiary analysis .....	18
E.	Financial viability .....	18
F.	Environmental and social impacts .....	19
G.	Anticipated outcomes and benefits .....	20
V.	PRINCIPAL RISKS .....	21

## ANNEX

### Annex I      Logical Framework

## APPENDIX

### Proposed resolution

Electronic Links and References	
Basic socioeconomic data, Brazil	<a href="http://www.iadb.org/countries/home.cfm?language=english&amp;id_country=BR">HTTP://WWW.IADB.ORG/COUNTRIES/HOME.CFM?LANGUAGE=ENGLISH&amp;ID_COUNTRY=BR</a>
Status of loans in execution and loans approved	<a href="http://idbdocs/wsdocs/getdocument.aspx?docnum=1212768">HTTP://IDBDOCS/WSDOCS/GETDOCUMENT.ASPX?DOCNUM=1212768</a>
Tentative lending program	<a href="http://opsgs1/abspj/tentativeending.asp?s=BR&amp;l=en">HTTP://OPSGS1/ABSPRJ/TENTATIVELENDING.ASP?S=BR&amp;L=EN</a>
Annex II. Procurement Plan	<a href="http://idbdocs/wsdocs/getdocument.aspx?docnum=1323243">HTTP://IDBDOCS/WSDOCS/GETDOCUMENT.ASPX?DOCNUM=1323243</a>
Information available in the CBRDOCS technical files	<a href="http://cbr-apps-01.reg.iadb.org/wsdocs/getdocument.aspx?docnum=114613">HTTP://CBR-APPS-01.REG.IADB.ORG/WSDOCS/GETDOCUMENT.ASPX?DOCNUM=114613</a>

## ABBREVIATIONS

ADCG	Agência de Desenvolvimento Econômico de Campo Grande (Campo Grande Economic Development Agency)
AGETTRAN	Agência Municipal de Transporte e Trânsito (Municipal Transit and Traffic Agency)
CGMG	Campo Grande Municipal Government
CMDU	Conselho Municipal de Desenvolvimento Urbano (Municipal Urban Development Council)
COFIEIX	Comissão de Financiamentos Externos (External Financing Commission)
EIRR	Economic internal rate of return
FONPLATA	Fund for the Development of the River Plate Basin
FUNDAC	Fundação Municipal de Cultura (Municipal Cultural Foundation)
ICAS	Institutional Capacity Assessment System
IT	Information technology
PLANURB	Instituto Municipal de Planejamento Urbano (Municipal Urban Planning Authority)
PMU	Program Management Unit
PROJU	City Attorney's Office, Município of Campo Grande
PVCG	"Viva Campo Grande" Program
SEMADES	Environment and Sustainable Development Department, Município of Campo Grande
SEMUR	Zoning and Enforcement Department, Município of Campo Grande
SEPLAC	Planning and Controller's Department, Município of Campo Grande
SESOP	Public Works and Utilities Department, Município of Campo Grande

## PROJECT SUMMARY

### BRAZIL MUNICÍPIO OF CAMPO GRANDE INTEGRATED DEVELOPMENT PROGRAM (BR-L1104)

Financial Terms and Conditions <sup>1</sup>					
<b>Borrower:</b> Município of Campo Grande <b>Guarantor:</b> Federative Republic of Brazil <b>Executing agency:</b> Município of Campo Grande			Amortization period:	25 years	
			Grace period:	5 years	
			Disbursement period:	4 years	
Source	Amount	%	Interest rate:	LIBOR	
IDB (Ordinary Capital)	US\$19,382,000	50%	Inspection and supervision fee:	0%	
Local	US\$19,382,000	50%	Credit fee:	0.25%	
Other/Cofinancing	-		Currency:	U.S. dollars	
Total	US\$38,764,000	100%	Conversion to Brazilian reais:	LCF	
Program at a Glance					
<b>Program objective:</b> The goal of this program is to enhance the quality of life of residents of the Município of Campo Grande by implementing urban projects and actions to improve city government workings. Its specific objectives are to: (i) revitalize downtown Campo Grande; (ii) improve mobility across the city, and (iii) increase the administrative efficiency of the Campo Grande city government.					
<b>Special contractual conditions:</b> <u>Conditions precedent to the first disbursement:</u> (i) hiring of six consultants to provide management support for the Program (see paragraph 3.4) and (ii) entry into effect of a municipal order providing for participation of the municipal agencies that will be engaged in the Program's implementation, on terms agreed with the Bank (see paragraph 3.6). <u>Other financial conditions:</u> As provided in document PR-3086-4 (PROCIDADES), in order to give the borrower more finance options, conversions of disbursements and outstanding loan balances into local currency will be subject to two financial conditions in addition to those established in the Local Currency Facility (LCF): (i) flexibility in repayment profiles for disbursements and outstanding balances in local currency, and (ii) pricing based on the Bank's actual financing cost should the Bank source its financing by issuing bonds (see paragraph 2.9).					
<b>Exceptions to Bank policies:</b> Request from the executing agency for recognition of expenditures incurred for the Program as from 4 September 2006, which is before the project entered the Bank's pipeline (see paragraph 3.20). Request for a waiver with respect to application of the clause regarding interruption of Bank access to local currency referred to in paragraph 3.15 of document GN-2365-2 on the Local Currency Facility, as described in document PR-3086-4 (PROCIDADES).					
Project consistent with country strategy:    Yes [X]                      No [ ]					
Project qualifies as:                              SEQ [ ]                      PTI [ ]                      Sector [ ]                      Geographic [ ]                      Headcount [ ]					
Procurement: See paragraph 3.19.					
Verified by CESI on: 24 September 2007.					

<sup>1</sup> 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. Município of Campo Grande**

- 1.1 The Município of Campo Grande, capital of the state of Mato Grosso do Sul, is 8,086 square kilometers in size and has a population of 765,247,<sup>1</sup> 32% of the state total. Currently with a 99% urbanization rate, Campo Grande's soaring population numbers in recent decades—a fivefold increase between 1970 and 2000—have made it Brazil's 23<sup>rd</sup> largest city in population terms (city map available in the CBRDocs technical files).
- 1.2 Campo Grande's economic indicators in recent years present patterns typical of sustained growth, the city having reaped the benefits of expanding commercial ventures and service industries. Municipal GDP has risen systematically from R\$3.218 billion in 1999 to R\$6.422 billion in 2006 and today contributes 29.4% of Mato Grosso do Sul state GDP.<sup>2</sup> Thanks to this economic record, average per capita monthly income in Campo Grande climbed from R\$323.10 in 1999 to R\$450.39 in 2006, at which point it was the highest in the state.<sup>3</sup> According to 2006 data, 40% of Campo Grande's economically active population (which is 53% of its total population) are employed in the formal sector.
- 1.3 These economic gains have translated also into significant improvements in residents' living conditions. After years of steady declines the poverty rate now stands at 18%, and other key social indicators have improved as well.<sup>4</sup> The illiteracy rate, for one, fell from 9% to 6% between 1991 and 2000. That same interval saw a 25% reduction in infant mortality rates (from 32.64 per 1,000 live births to 24.44), a 2.39-year increase in life expectancy at birth (to 70.43 in 2000), and an improvement in the Human Development Index (HDI) from 0.770 to 0.814. By that UNDP yardstick Campo Grande ranks among the Brazilian municipalities with the highest human development levels (HDI above 0.8), in 11th place among Brazil's capital cities and 307th among the 5,507 municipalities rated nationwide.

### **B. Município of Campo Grande: The urban setting**

- 1.4 The main reason for Campo Grande's current urban configuration is its flat topography, which generated a scattered spatial occupancy pattern and all-direction radial growth. This land-use pattern has been constrained by some natural obstacles—the Prosa and Segredo river beds (now channeled), and by large facilities like the air base and international airport and winding federal railroad tracks. The sprawling developments that sprang up during the 1960s, mostly for low-income housing, also did much to shape the city's current layout. Access to these suburban developments was along a single avenue, creating the radial pattern

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<sup>1</sup> Instituto Brasileiro de Geografia e Estatística (IBGE), 2006.

<sup>2</sup> Estimates based on IBGE 2000.

<sup>3</sup> Município of Campo Grande, Planning and Controller's Office (SEPLAC), 2007.

<sup>4</sup> IBGE, 2000.

that sees virtually all access streets converge downtown and reinforcing the tendency—which continues to this day—for the center-city to be the Município's commercial and services hub.

- 1.5 **Urban infrastructure.** Thanks to its healthy economy in recent decades the Município has made major strides in utility and housing infrastructure, with the concomitant huge improvements in residents' quality of life. Virtually every dwelling in the Município has public utility services: in 2005, 98% of households had piped water, 99.9% had electricity, and 98.5% had refuse collection service.<sup>5</sup> Fully 95% of city households have adequate sewerage service (non-shared bathroom facilities and septic tanks or hookups to the public sewer system).
- 1.6 However, the city's most impressive accomplishment in recent times is unquestionably the eradication of shack communities (*favelas*). As these substandard settlements began to proliferate in the 1970s, particularly at the bottom of valleys, the city authorities made reurbanization of these occupied areas a policy priority. Along with environmental sanitation interventions and new basic infrastructure and social services the Município adopted strategies to control and discourage informal settlements, including affordable-housing programs for low-income families. The numbers attest to the policy's success: in the mid-1990s Campo Grande counted 140 such settlements; a single one remains today and its rehabilitation is under way. In the process the Município built more than 13,000 housing facilities benefiting more than 55,000 low-income families, using municipal resources and external funding.<sup>6</sup> The effectiveness and quality of these interventions has won Campo Grande national and international recognition.<sup>7</sup> Thanks to these achievements it will in a few years become the first *favela*-free Brazilian state capital.
- 1.7 **City-center issues.** Campo Grande's recent urban problems have not been confined to its makeshift *favelas*. The downtown core, the commercial, residential, and cultural heart of the city and the site of historically important buildings, is deteriorating, compromising the area's economic and social sustainability. In the early 1980s the city center began to lose its use diversity and residential income mix as downtown dwellers and businesses—particularly at the upper end of the income scale—moved out of the city center. The downtown area was the only part of the city to experience a decline in population between 1990 and 2000 (a loss of 10,000). Some prime drivers of this exodus were road system upgrades (notably the extension of Afonso Pena and Mato Grosso avenues into residential districts on the east side), opening of the Campo Grande Shopping Mall, and the move of the

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<sup>5</sup> Data supplied by utility companies.

<sup>6</sup> Funding for this program was provided by FONPLATA (Sóter Project), Habitar Brasil-IDB (Buriti Project), and the Município (Meu Cantinho Project).

<sup>7</sup> Among the honors bestowed on the city are the *Associação Brasileira de COHABs* National Merit Award (2003), Social Management Best Practices Award from *Caixa Econômica Federal* (2005), and an international United Nations award in 2006.

Parque dos Poderes complex (seat of the state government) likewise to the eastern part of the city. Downtown business closures are up since 2001 and fewer new ventures are opening. Street trading increased as well throughout the 1990s. All these processes have eroded the urban fabric in the city center and thus weakened the local economy. Fraying infrastructure has fallen into disuse, public safety conditions are a concern, and buildings (some of them historically important) are decaying and, in some instances, at risk of total loss.

- 1.8 A package of measures launched by the city government in the late 1990s to tackle city-center issues remedied some spot problems but has not constituted a comprehensive approach to downtown concerns. For instance, to curb the proliferation of street trading, in 1998 the Município had an organized street-vendor market built to accommodate all the city's sidewalk traders, which solved this particular problem. In early 2000 the city authorities began partnering with the private sector to rescue buildings of architectural historical importance and attract new business ventures to the downtown core. The open-air market on the railway station esplanade, the Tourist Information Center, and the Craft Center are three successful examples of those partnering initiatives.
- 1.9 To better coordinate such interventions and assure their continuity and impact, Campo Grande's 1995 Official Plan (revised in 2006)<sup>8</sup> makes the city's downtown a Designated Cultural Zone (ZEIC) and contains proposals for a local area development plan in which the priorities are to preserve the downtown's architectural heritage, upgrade selected urban spaces, and revitalize the downtown economy. The Program proposed here will provide financing to develop that plan and priority strategic works to achieve its objectives.
- 1.10 **Urban mobility.** Compounding downtown Campo Grande's problems, and directly related to them, are serious deficiencies in its road system which are making it very difficult to achieve balanced development city-wide. Some unique features of the system significantly limit its effectiveness: at various points high capacity roads—up to five traffic lanes—are punctuated by natural barriers (valley bottoms) and railroad tracks. Though recent works on some streets have improved the situation somewhat, the problems persist. Particularly critical is the connection between the west side of the city and downtown, which is inhibiting optimal development of developable urban space and more profitable and efficient use of urban land in west Campo Grande, and slows travel between those two zones.<sup>9</sup> Because of these traffic bottlenecks (and abetted by the city's flat terrain) many more residents are biking the short commute to work or school; but since the city has no real bikeway infrastructure the number of accidents involving cyclists is rising quickly. In

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<sup>8</sup> Instituted by Supplemental Law 94 of 6 October 2006. The revision exercise included ample civil society participation.

<sup>9</sup> For instance, at peak times, operating speed on the two streets that connect the two zones (Avenida Júlio de Castilho and Via Morena) rarely exceeds 20 km/h. With the projects envisaged, operating speed would increase to 35 km/h.



January 2007 alone at least one accident a day of this type was reported in the area. The shutdown of the railway in the late 1990s and transfer of its right of way to the city in 2001 gave the municipal government the opportunity to reconfigure the road system to improve west side/downtown connectivity, by means of targeted interventions at strategic points like Via Morena, Orla Morena, and Avenida Júlio de Castilho.

- 1.11 Deficiencies in Campo Grande's current traffic-light system also are compromising the efficient flow of city traffic. With the current configuration of 256 standalone units and no central control system the road system's physical capacity is not being fully used, slowing both public transit and private vehicles. The effects of this uncoordinated traffic control system are particularly evident in the downtown core where bottlenecks on Avenida Afonso Pena and other streets create very heavy congestion and lengthen travel times.
- 1.12 Planned urban mobility improvements in Campo Grande are being dictated by its current Transportation Master Plan (approved in 1998), which has been key to the success of municipal transportation reforms in recent years.<sup>10</sup> However, the city's population growth and ensuing increase in developed land have pointed up the need to update that blueprint and upgrade technical planning and monitoring tools to ensure that transportation system investments are compatible with sustainable urban development.
- 1.13 **Campo Grande municipal institutions.** The legal structure of the Campo Grande Municipal Government (CGMG), which dates back to 1958, has been reconfigured many times, most recently by means of Law 9.172 of 23 February 2005. At present the municipal government consists of the Office of the Mayor, various councils, boards, and other bodies (22 municipal councils, 8 regional boards, 8 special finance/controller units, Community Assistance Fund, City Attorney's Office) and 11 city government departments and bureaus. There are 12,554 employees at City Hall, making for an average city employees-to-1,000 population ratio of 17, below the Brazilian município average of 25 per 1,000.
- 1.14 The Bank's diagnostic assessment of the CGMG, which included an Institutional Capacity Assessment System (ICAS) analysis, shows the Município to be institutionally sound, a result of revamping efforts and capacity building in recent years.<sup>11</sup> Overall, integrated management systems are being run by qualified personnel and the city government has ample project administration capacity (in the 2001-2006 span it managed programs worth US\$381 million, some of them financed by multilateral agencies). The diagnostic assessment also found some areas in need of improvement to optimize the CGMG's work, notably: (i) extend

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<sup>10</sup> Mass transit reform is a case in point. Successive adjustments since the late 1990s are equipping the transit system to operate with integration terminals and temporal integration using magnetic cards.

<sup>11</sup> As part of the activities funded by Habitar Brasil-IDB and FONPLATA and using the Município's own resources, City Hall offices have undergone a series of institution-strengthening activities, primarily to upgrade management systems in the social-affairs departments, but in other units as well.

the scope of the georeferencing system to create an integrated system usable by all municipal departments; (ii) update some departments' information technology (IT) resources, since communication between certain government work areas is slow and unreliable and communications security needs tightening; and (iii) strengthen the Município's recently created Environment and Sustainable Development Department (SEMADES) which will require specialized equipment and staff training.

- 1.15 The ICAS analysis also identified the need to improve services to the public, which at the moment are centralized and require better facilities. This weakness is being addressed by the Fiscal Management Program for Brazilian Municipalities (PNAFM) for which the Bank is providing US\$16 million in funding. Apart from offering support on that front, the PNAFM operation is helping to improve: (i) public finance and taxation management; (ii) management and planning tools, by means of georeferencing systems and budget, accounting, and financial control system integration; (iii) internal process efficiency and reviews and updates of municipal legislation; (iv) Controller's Office audit and internal control processes; (v) collection of outstanding taxes; and (vi) staff training in a number of city government offices. To date US\$2 million of that IDB loan (approved in January 2006) has been disbursed.

**C. Strategy of the Município and the Program strategy**

- 1.16 Over the past few decades successive Campo Grande city administrations have put urban issues at the top of the municipal agenda, resulting in the effective planning and management processes in place today. Continuing these practices, the present administration is anchoring its urban development policy in participatory governance principles. The 2006 Official Plan is the Município's core development policy tool (see paragraph 1.9) and general roadmap for its work, which includes: (i) identifying, reclaiming, and preserving the city's urban, cultural, natural, and built heritage and (ii) pursuing urban planning actions by means of local area and sectoral plans.
- 1.17 Keeping to the aforementioned development policy and Official Plan, the present city administration launched the "Viva Campo Grande" Program (PVCG) in 2005 as the centerpiece of its pursuit of its development objectives. The purpose of the PVCG is to consolidate the urban programs now under way and address other pressing needs, including: (i) consolidation of integrated urban development processes; (ii) preservation of Campo Grande's urban, cultural, and built heritage; (iii) improving mobility across the city, and (iv) improving city government workings. The projects and measures comprising the PVCG have been devised strategically to achieve its goals, with a structured timetable of activities over the short, medium, and long term as a stable, strategic, and efficient way to address the city's growing demands. The Município has already secured US\$75 million in funding from the federal government and international agencies to finance some

priority projects<sup>12</sup> but additional financing will be needed to implement the PVCG in its entirety.

- 1.18 The strategy of the Program proposed here consists in supporting CGMG to implement its “Viva Campo Grande” Program, to address multiple-sector urban issues that are inhibiting balanced city growth. The proposed loan would finance actions identified as priorities in the PVCG for which no other source of financing is available. Three types of interventions are planned as part of this operation, their aims being to: (i) revitalize downtown Campo Grande; (ii) help remedy the Município’s road system problems, particularly west/downtown connectivity constraints; and (iii) bolster CGMG institutional capacity, particularly to improve delivery of its mandated services. Overall, the operation is expected to bring in comprehensive solutions to top-priority municipal problems, to further the more balanced and equitable development of the city envisaged in the Official Plan.

**D. The Bank’s strategy and lessons learned in urban development programs**

- 1.19 The proposed Program is consistent with the Bank’s strategy with Brazil set out in the country paper (document GN-2327-2), which lays out four priority focuses for Bank support: (i) productivity and infrastructure; (ii) poverty and equity; (iii) living conditions and efficiency in cities, and (iv) modernization of the State. The Program will address at least three of those priority areas, helping to: (i) make cities more habitable and efficient and improve environmental quality; (ii) make the Município of Campo Grande more competitive by expanding its transportation infrastructure so residents can get around the city more quickly and easily, and (iii) build greater institutional capacity in the city government.
- 1.20 The Program proposed here satisfies the conditions and requirements of the PROCIDADES lending facility.<sup>13</sup> It builds on the Bank’s experience in multisector urban development interventions such as those carried out in the Paraná Urban Development Program, stages I (0917/OC-BR) and II (1405/OC-BR). The Program also capitalizes on the Bank’s experience in projects like the Rehabilitation of Quito’s Historic Center (822/OC-EC) and the Curitiba I Urban Transportation Program (873/OC-BR). The following are some of the learnings extracted from those operations: (i) the community should have a prominent role in project determination and execution to ensure that urban improvements will be sustainable; (ii) designs and working drawings should be ready from the program rollout date to avoid delays and cost overruns during execution, and (iii) the technical unit selected

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<sup>12</sup> The Campo Grande Intermodal Freight Terminal will be financed through a US\$20.5 million Transportation Ministry grant. The Imbirussu project (urbanization of valley bottoms) will be funded by a US\$21 million grant from the Ministry for Cities’ Growth Acceleration Program and a US\$34 million FONPLATA loan.

<sup>13</sup> PROCIDADES (BR-L1043) is a lending facility created to finance municipal works and activities to improve municipal government performance in Brazil. It was approved by the Bank’s Board of Executive Directors on 11 October 2006.

to head up program activities plays a key role, so it must be appropriately positioned within the responsible institution and have adequate technical support.

## **II. THE PROGRAM**

### **A. Objective**

- 2.1 The Program's goal is to enhance the quality of life of residents of the Município of Campo Grande by implementing urban projects and actions to improve the workings of city government. Its specific objectives are to: (i) revitalize the downtown core, (ii) improve mobility across the city, and (iii) increase the administrative efficiency of the Campo Grande municipal government.

### **B. Description**

- 2.2 The Program is structured in three main components:

#### **1. Downtown revitalization component (US\$5 million)**

- 2.3 This component's activities will support Campo Grande city government efforts to revitalize the downtown core. The interventions slated for funding will make the government's work more efficient and accelerate initiatives to upgrade the urban environment, reclaim and rehabilitate the city's historic heritage resources, and invigorate the local economy. The component will fund activities in two subcomponents: (i) **development of planning and management tools** and (ii) **implementation of strategic projects**. Activities to be funded in the first subcomponent are development of a local area plan for the downtown district, including the requisite operational and legal instruments and identification of strategic projects to make the plan work effectively. Another objective of the local development plan is to heighten private-sector engagement in the business, services, and housing sectors, providing an urban policy roadmap for strategic public and private initiatives and needed infrastructure investments in the downtown core.
- 2.4 The second subcomponent will finance works to rehabilitate a strip of disused railway track bed where it crosses the downtown core, transforming it into a public recreational space and in the process helping to preserve the area's history and enliven business activity there. This project, identified as a priority in public planning forums because of its location and potential public safety concerns, will include construction of public squares, public stairways, gardens, street furniture and public lighting, and accommodations to make facilities user-friendly for people with disabilities. This subcomponent also will fund a second strategic project to be identified in the above-mentioned local area plan. Among the candidate projects are upgrades to Avenida 14 de Julho (the major downtown commercial artery), pilot housing strategy exercises, and economic development hubs. To be selected for funding this second project will have to satisfy the following requirements, at a minimum: (i) it must be a strategic urban development or economic initiative identified as a pilot in the downtown-district local area development plan; (ii) it

must provide incentives for private-sector engagement in the zone; (iii) it must have been approved by the Municipal Urban Development Council, and (iv) its cost must be within the Program budget.

## **2. Urban mobility component (US\$26.2 million)**

- 2.5 The activities selected for funding in this component will upgrade Campo Grande's urban mobility system, seeking specifically to improve road system connectivity, make fuller use of the downtown street network, and enhance urban transportation planning capacity. Its three subcomponents are: (i) **road connectivity improvements**, (ii) **modernization of the traffic light system**, and (iii) **updating of the Transportation Master Plan**. Under the first of those subcomponents the Program will finance the widening of key arteries and upgrades and adjustments to those streets to improve connectivity between west and downtown Campo Grande. The works to be funded include improvements on the following streets: (i) Via Morena, airport/Avenida Júlio de Castilho section (widening of the roadway cross-section, reserving the center lane for public transit and creating a bike lane); (ii) Avenida Júlio de Castilho (cross-section adjustment, changes to public transit boarding/alighting points, creation of a bike lane), and (iii) the "Orla Morena" strip of land on Avenida Noroeste between Avenida Júlio de Castilho and Avenida 14 de Julho (revamping of intersections, new crossings). With funding under the second subcomponent a new traffic light system will be installed to operate at about 180 crossing points, featuring a central control system with traffic-signal activation and monitoring using real-time image transmission. The system also will address pedestrian needs, signaling when it is safe to cross. The third subcomponent will finance consulting services to review and update the Transportation Master Plan, which will use new databases and analysis and assessment techniques.

## **3. Institutional strengthening component (US\$1.4 million)**

- 2.6 This component will fund CGMG institution-strengthening activities to complement initiatives already under way in city government offices and agencies. It consists of two subcomponents: (i) **setup of the municipal IT network** and (ii) **capacity strengthening in municipal government departments**. The first subcomponent will finance the setup of a high-speed municipal IT network to give city government offices fast Internet access. One item to be funded is procurement of six Wi-Fi base stations with 274 municipal connections to link 6,500 computers in city government offices and municipal facilities. The focus of funding support in the second subcomponent is the strengthening of three priority city government departments and agencies that are considered key for the Program's operation and sustainability: Environment and Sustainable Development Department (SEMADES), Public Works and Utilities Department (SESOP), and Municipal Transportation and Traffic Agency (AGETRA). The planned actions to strengthen SEMADES are: (i) computerization of the environmental permitting system; (ii) integration of environmental data into the Município's geographic information system; (iii) supply of IT hardware and other equipment for environmental compliance management, and (iv) consulting services for air and

noise pollution diagnostics. The SESOP capacity-building actions include: (i) equipment procurement for public works management and monitoring; (ii) vehicle purchases to make works and utilities inspection work more effective, and (iii) consulting services to develop and institute a public works management system and develop operations manuals as organized guides to project execution. The funding for AGETTRAN strengthening will pay for: (i) traffic management and inspection equipment; (ii) vehicles to improve traffic management and inspection effectiveness; (iii) road safety education equipment and materials, and (iv) consulting services to develop an AGETTRAN procedures manual.

- 2.7 **Program administration costs:** The Program's administrative and setup costs consist of: (i) Program Management Unit (PMU) logistics costs; (ii) costs associated with hiring external consultants to provide accounting/finance, technical, and socioenvironmental management support; (iii) hiring of a firm for engineering supervision of works, (iv) commissioning of annual external audits, and (v) commissioning of the Program's midterm review and final evaluation.

### C. Cost and financing

- 2.8 The total cost estimate for the Program is US\$38,764,000. The table below gives a breakdown by funding source and expenditure category.

<b>Table 2.1. Program cost and financing (US\$000)</b>				
<b>Expenditure items</b>	<b>IDB/OC</b>	<b>Local</b>	<b>Total</b>	<b>%</b>
<b>I. Program administration</b>	<b>2,014</b>	<b>207</b>	<b>2,222</b>	<b>5.7</b>
1.1 Coordinating Unit	728	65	793	2.0
1.2 Supervision	1,124	125	1,249	3.2
1.4 Monitoring and evaluation	90	10	100	0.3
1.5 Audits	72	8	80	0.2
<b>II. Investment components</b>	<b>16,688</b>	<b>16,001</b>	<b>32,689</b>	<b>84.3</b>
2.1 Downtown revitalization	4,057	955	5,012	12.9
2.2 Urban mobility	11,951	14,291	26,242	67.7
2.3 Institutional strengthening	680	755	1,435	3.7
<b>III. Associated costs</b>	<b>680</b>	<b>3,173</b>	<b>3,853</b>	<b>10.0</b>
3.1 Expropriations	0	1,852	1,852	4.8
3.2 Studies and designs	680	1,321	2,001	5.2
<b>IV. Financial costs *</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>19,382</b>	<b>19,382</b>	<b>38,764</b>	<b>100.0</b>
Percentage	50.0	50.0	100	

\* The borrower will pay the financial costs using own resources, which will not count as additional local counterpart funds.

**D. Financial terms and conditions**

- 2.9 The Campo Grande authorities have asked to use the Bank's Local Currency Facility (LCF). The Município of Campo Grande Integrated Development Program would be carried out using U.S. dollar resources from the Bank's Ordinary Capital Single Currency Facility and will be subject to the Operational Framework for Lending in Local Currency (document GN-2365-2). To be able to minimize the exchange risk the Município would have the right, as provided in the LCF, to have disbursements and outstanding loan balances converted to Brazilian reais. To give the borrower more finance options, such local-currency conversions will be subject to two financial conditions in addition to those established in the LCF: (i) flexibility in repayment profiles and (ii) pricing based on the Bank's actual funding cost, should the Bank source its financing by issuing bonds. These conditions, together with the exception to the LCF with respect to nonapplicability of the currency substitution clause (regarding interruption of Bank access to local currency), are discussed and justified in Annex VIII to document PR-3086-4 and its appendices. In conformity with the PROCIDADES facility, this addresses the Município of Campo Grande's stated need to pursue a public borrowing strategy with increasing local-currency components, using resources of the Bank's Ordinary Capital Single Currency Facility.

**III. PROGRAM IMPLEMENTATION**

**A. Borrower, guarantor, and executing agency**

- 3.1 The borrower will be the Município of Campo Grande. The Federative Republic of Brazil will guarantee the loan. The executing agency will be the Campo Grande Municipal Government acting through the Program Management Unit.

**B. Program implementation and administration**

- 3.2 **Implementation period.** The program will be implemented over a four-year span (see paragraph 3.21).
- 3.3 **Executing unit.** The proposed operation will be executed by means of a Program Management Unit (PMU) reporting directly to the Mayor's Office. In the matrix execution model adopted the PMU's core function will be to coordinate the work of participating city government departments and goods and services providers in the Program activities. The PMU will have primary accountability to the Bank for delivery of the Program.
- 3.4 The PMU will be staffed by the Program Coordinator and coordinators for each of the components, who will be professional staffers of the city government department most closely related to the respective component's activities. The component coordinators will be assigned full-time to the Program to make sure it operates as planned. The PMU will receive financial/administration, accounting, socioenvironmental, and engineering support from six consultants. The Campo Grande City Attorney's Office will advise the PMU on legal issues. A Special

Procurement Committee to be set up in the Municipal Procurement Office—a unit of the city's Administration Department—will be responsible for procurement throughout the operation. Construction work will be done by private companies supervised by a specialized firm and inspected by the Public Works and Utilities Department (SESOP), which is in charge of municipal works supervision and inspection. **Engagement of the six management-support consultants will be a condition precedent to the first disbursement of Program funds.**

- 3.5 The PMU's chief functions will be planning, programming, administration, supervision, compliance tracking, and overall monitoring of the Program. Its specific responsibilities include: (i) secure the participation and coordinate the work of the CGMG departments and agencies in all facets of the Program; (ii) prepare annual work plans that include works and procurement plans for the year, verifying eligibility; (iii) review and approve designs and studies; (iv) supervise works and goods and services delivery and approve progress payments; (v) prepare bid documents and conduct the tender process through to the award stage; (vi) draw up contracts and verify fulfillment of undertakings, outputs, and outcomes; (vii) maintain contract and service administration and payment systems; (viii) maintain accounting and financial systems and the associated internal control structure; (ix) maintain document and records systems, and (x) act as the Bank's interlocutor in Program-related matters, ensuring that information is kept up to date to enable the Bank to perform routine and special reviews.
- 3.6 The Campo Grande city hall units that will participate actively in the Program are the City Clerk's Office (SEGOV), Planning and Controller's Department (SEPLAC), City Attorney's Office (PROJU), Administration Department (SEMAD), Zoning and Enforcement Department (SEMUR), Environment and Sustainable Development Department (SEMADES), and Public Works and Utilities Department (SESOP). The following municipal agencies will take part as well: Municipal Cultural Foundation (FUNDAC), Municipal Information Technology Institute (IMTI), Campo Grande Economic Development Agency (ADCG), Municipal Transportation and Traffic Agency (AGETRA), and Municipal Urban Planning Authority (PLANURB). Each of these departments and agencies, in concert with the PMU Coordinator, will appoint one member of its staff to coordinate the Program activities that fall to it. **The entry into force of the municipal order providing for the selected municipal agencies' participation in the Program, on the terms agreed with the Bank, will be a condition precedent to the first disbursement of Program funds.**
- 3.7 **Component implementation arrangements:** The PMU will have overall coordination responsibility for the Program's execution. The component coordinators will be the liaison between the PMU and each department and agency involved in their respective component.



### **1. Downtown revitalization component**

- 3.8 PLANURB will supervise the technical side of the planning and management tools subcomponent. During preparation of the proposed operation that agency developed technical terms of reference for engagement of a consulting firm to develop the downtown local area development plan. One product of that local plan would be terms of reference for the strategic projects the plan is to identify. Monitoring and checking of all the preparatory work for the plan will be the responsibility of a PLANURB-coordinated technical team from AGETTRAN, SEMUR, SESOP, PROJU, SEPLAC, FUNDAC, ADCG, and the Município's Department for Agribusiness, Industry, Commerce, Tourism, and Science and Technology Development. Once the plan is produced it must be approved by the Municipal Urban Development Council (CMDU).
- 3.9 In the strategic projects subcomponent (the railroad-land strip and project to be defined in the downtown local area plan) PLANURB will be responsible for technical supervision of the project designs, which will be commissioned from specialized firms.

### **2. Urban mobility component**

- 3.10 Technical responsibility for this component's activities will rest with the Municipal Transportation and Traffic Agency (AGETTRAN). Under that agency's supervision the specifications and other elements for the component were devised from the designs and analysis of the representative sample (Via Morena and Avenida Júlio de Castilho), produced using generally accepted transportation industry standards and calculation and scaling methods. Working drawings for the other interventions in the road connectivity improvement subcomponent must conform to the same standards and maintain the same technical rigor used for the sample projects.
- 3.11 AGETTRAN drew up terms of reference for activities in the traffic-light system upgrade and Transportation Master Plan update subcomponents. That agency will be in charge of hiring firms to perform the respective tasks and monitoring their work. The deliverable in the second subcomponent is an updated, CMDU-approved Transportation Master Plan.

### **3. Institutional strengthening component**

- 3.12 Execution of the subcomponent to set up the municipal IT network will be coordinated by the Municipal Information Technology Institute, which will be responsible for the system's installation, operation, and maintenance and for staff training. A private firm will be engaged to deliver the system, including hardware and software.
- 3.13 Implementation of the subcomponent to strengthen Campo Grande city government departments and agencies will be the responsibility of the benefiting units (SEMADES, SESOP, and AGETTRAN), which will coordinate work with the PMU. Each of them will engage consultants for development of programs and manuals, staff training, and equipment and vehicle procurement as applicable.

- 3.14 **Community engagement in the Program.** Campo Grande has opened a number of formal avenues to give the community a say in the life of the city, the primary forum being the Municipal Urban Development Council (CMDU) created in the late 1980s. Each urban district in the Município is represented on this Council by a regional board whose mandate is to elicit civil society input into municipal development policy issues. The sectoral municipal councils that deal with sector-specific issues are another input point. The operation proposed here will form part of the “Viva Campo Grande” Program which was developed through such a participatory planning exercise.
- 3.15 The downtown revitalization and urban mobility components and their specific projects were presented in the CMDU on 8 August 2007. The PMU then conducted surveys to ascertain community expectations and seek residents’ views on the railroad-land strip, Orla Morena, and Avenida Júlio de Castilho plans, which informed design decisions for those interventions. A similar participatory approach will be adopted for future Program-funded projects.
- 3.16 **Environmental considerations.** Environmental specifications and considerations for the Program are defined in the Environmental Assessment Report (environmental report available in the CBRDocs technical files) produced by the Campo Verde municipal government, approved by the Bank and presented at CMDU public meetings on 8 August 2007.<sup>14</sup> The assessment report sets out the environmental protection procedures that the planned PMU socioenvironmental advisor will have to ensure are followed throughout the project cycle. These include: (i) environmental eligibility criteria; (ii) directions for environmental permitting for construction work, and (iii) procedures for development of environmental impact supervision, compliance, and monitoring routines.
- 3.17 SEMADES will be responsible for environmental permits for the Program works. All the projects in the Program sample already have a SEMADES startup permit.
- 3.18 **Operating Regulations.** This Program will be governed by the PROCIDADES General Operating Regulations approved by the Bank (available in the CBRDocs technical files).
- 3.19 **Procurement.** Works, goods and related services, and consulting services will be procured following the Bank’s procurement policies and procedures. International competitive bidding will be required for works contracts with cost estimates of US\$10 million or more and for goods and related services contracts costing US\$500,000 or more. National competitive bidding will be used for contracts for works costing US\$500,000 or more but less than US\$10 million, and for contracts for goods costing US\$100,000 or more but less than US\$500,000. Shopping (price comparison) will be used for works contracts under US\$500,000 and goods

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<sup>14</sup> The final version of the Environmental Assessment Report has been available for public review since 8 August 2007 in the Municipal Urban Planning Authority library and is also available on the Município’s website.

contracts under US\$100,000. All consulting contracts worth US\$200,000 equivalent or more will be subject to international advertising. For consulting contracts below US\$500,000, the shortlist of consultants may consist entirely of national consultants. Works, goods, and services will be procured in accordance with the procurement plan presented in Annex II.

- 3.20 **Recognition of expenditures.** The Campo Grande municipal authorities have asked to Bank to recognize, as a local counterpart contribution to the Program, up to US\$5 million in expenditures the city government has incurred since 4 September 2006—the date the External Financing Commission (COFIEX)<sup>15</sup> gave approval for the loan request—for development of Program-eligible works, projects, and consulting services. The selection and procurement procedures used for eligible expenditure items must have adhered to local laws and must also have satisfied requirements substantially similar to the procurement conditions and eligibility requirements in the contract with the Bank.

### C. Implementation period and disbursement timetable

- 3.21 The table below presents the planned disbursement schedule over the Program's four-year implementation span.

Table 3.1. Disbursement timetable (US\$ million)					
Financing source	Year 1	Year 2	Year 3	Year 4	Total
IDB	3.4	6.8	6.9	2.3	19.4
LOCAL	9.0	8.9	0.8	0.7	19.4
TOTAL	12.4	15.7	7.7	3.0	38.8
Percentage	32%	40%	20%	8%	100%

### D. Works maintenance

- 3.22 The borrower agrees to take the necessary measures to ensure that goods acquired and works constructed under this Program are maintained in accordance with generally accepted technical standards, and to provide the Bank with annual maintenance reports during the first quarter of each year for three years running from the final disbursement of the loan. If the reports received or inspection visits by the Bank indicate that maintenance is not up to the required standard, the borrower must take the necessary action to correct the deficiencies found.

### E. Revolving fund and external audits

- 3.23 A revolving fund not to exceed 10% of the Bank's loan will be created to be able to advance resources for the Bank-financed Program activities. The executing agency

<sup>15</sup> COFIEX initially gave approval for the request in its Recommendation No. 881 of 4 September 2006. The terms of approval were amended in Resolution 329 of 12 June 2007 to increase the total Program amount. The borrower is requesting that recognition of expenditures be effective as from the earlier of the two dates. The operation was officially added to the Bank's pipeline on 27 February 2007.

is to submit semiannual reports to the Bank on the revolving fund, within 60 calendar days after the end of each six-month period.

- 3.24 During the life of the Program the PMU will provide the Bank with the Program's annual audited financial statements. The external audits are to be conducted by independent auditors acceptable to the Bank, in accordance with Bank requirements (documents AF-100 and AF-300) and with terms of reference previously approved by the Bank (document AF-400). The audited annual financial statements must be submitted within 120 days after each fiscal year-end. The program's closeout audit report is to be submitted within 120 days following the final disbursement.

**F. Implementation monitoring**

- 3.25 The Bank's Country Office in Brazil will monitor the Program's implementation. To that end, as part of its initial report the PMU will provide the Bank with the final version of the Program's year 1 annual work plan and a detailed implementation schedule. The PMU also will send the Bank semiannual progress reports within 90 days after the end of each six-month period, showing the status of the output indicators specified in the logical framework and annual work plans. To assess the Program's direct effects, comparisons will be done of the intervention areas against control groups selected for the purpose.
- 3.26 In accordance with provisions in the PROCIDADES credit facility document and given the risk analysis findings that rate the proposed Program as low-risk, greater flexibility will be allowed for its supervision. Supervision arrangements for operations with this risk rating provide for post reviews of procurement and disbursement procedures, which in this case will be performed directly by the Program's external auditors. However, a prior review procedure will be adopted temporarily for this operation for the first works and goods procurements, the first consulting contract, and processing of the first disbursement, so the Bank can guide the Campo Grande city government and be assured that it has the capacity to administer this type of procurement. After those first procurements and disbursements the Bank will adopt a post review procedure for the rest of the Program.

**G. Management and monitoring system**

- 3.27 The Campo Grande city government has a management and monitoring system in place with which it is programming and tracking physical progress and financial execution of ongoing projects, including two FONPLATA loans. For the proposed Program the PMU has made the necessary adjustments to that system to be able to promptly furnish information the Bank requests and to: (i) program specific activities; (ii) monitor physical progress on the Program components and their financial execution, and (iii) track and periodically check the operation's interim results.

## **H. Midterm review and final evaluation**

- 3.28 The PMU will conduct a midterm review and deliver its report to the Bank 90 days after the loan is 50% disbursed or 27 months into the Program, whichever occurs earlier. Ninety days after the loan is 90% disbursed the PMU will produce and send to the Bank a final evaluation report which will serve as an input for the project completion report (PCR). These evaluation reports are to include: (i) financial execution status by component; (ii) achievement of output and outcome targets and progress toward the impacts sought, referencing the Program's logical framework indicators (Annex D); (iii) extent of compliance with the environmental specifications and requirements for the works, as stipulated in the Program's environmental impact assessment; (iv) operating and maintenance performance of completed works; (v) a summary of significant social and environmental impacts; (vi) level of compliance with contractual commitments, and (vii) a summary of the findings of all audits conducted over the course of the Program. Once accepted by the Bank the midterm and final evaluation reports will be made available to the public on the Campo Grande city government website. The evaluations are to be performed by external firms hired using Program resources.

## **IV. PROGRAM VIABILITY**

### **A. Technical viability**

- 4.1 The works the Program will be funding are fairly straightforward from an engineering standpoint and present no particular technical difficulties at the construction or operation stage. Conventional technologies will be used for road construction and upgrades and street furniture to help achieve the Program objectives.
- 4.2 A sample of projects worth US\$16.6 million (42% of the Program's total investment cost) was selected and analyzed. It was ascertained that the specific works projects had been prepared in accordance with generally accepted engineering standards and principles and are technically viable alternatives, well proven in similar conditions in Brazil. Qualified specialists reviewed the projects' technical, financial, economic, and environmental dimensions for viability and sustainability. Itemized budgets with appropriate supporting documents are in place as well as bid-ready advanced basic designs or working designs.

### **B. Institutional viability**

- 4.3 An Institutional Capacity Assessment System analysis (available in the CBRDocs technical files) was run of the main aspects of the Campo Grande city government's institutional, technical, administrative, and financial capacity, including operational facets and generation of accounting and financial information. The analysis found some minor shortcomings but since the city executive offices are proposing a sound organizational arrangement for the Program and have an extensive project-delivery track record, including multilaterally funded projects (see paragraph 1.14), no major

difficulties are anticipated for satisfactory delivery of this operation. Moreover, under the Fiscal Management Program for Brazilian Municipalities (PNAFM) the municipal government is bringing in a set of institution-strengthening measures in the fiscal and financial area (see paragraph 1.15) that are actively helping to improve city government efficiency and effectiveness.

**C. Socioeconomic viability**

- 4.4 A socioeconomic assessment was done for all the projects in the program's representative sample (economic report available in the CBRDocs technical files) using alternatives studies and cost-efficiency and cost-benefit criteria depending on the nature of the interventions. The following paragraphs outline the main findings of the cost-benefit analysis done for each project in the sample for the downtown revitalization and urban mobility components and the cost-efficiency assessment of the institutional strengthening component.
- 4.5 **Downtown revitalization component.** The economic appraisal of the proposed railway-strip area interventions, based on an economic cost-benefit comparison, contrasted "without project" and "with project" scenarios. The analysts considered incremental capital, operating, maintenance, and supervision costs valued at efficiency prices. Alternatives studies were done for some cost items and the least-cost alternatives were selected.
- 4.6 To calculate the Program's benefits a contingent valuation survey was done of a sample of 621 city residents (downtown dwellers and people who go downtown daily) to ascertain the target population's willingness to pay (WTP)—in the form of a property tax increase—for creation of a public walk. The WTP came out at R\$11.48 for downtown households and R\$4.40 for non-downtown residents who go into the city center daily. As Table 4.1 shows, the railway-strip area rehabilitation project yielded an economic internal rate of return (EIRR) of 26.82% which, together with the sensitivity analysis findings, confirms that the project is economically viable.
- 4.7 **Urban mobility component:** A cost-benefit assessment was done of the Via Morena and Avenida Júlio de Castilho projects to establish eligibility of investments in this component. Economic costs and benefits were compared in "without project" and "with project" scenarios. Benefits were calculated as transportation cost reductions, travel time savings, and savings on pavement maintenance and rebuilding. For the Via Morena project the analysts considered also the benefit of willingness to pay for the planned park along that street, using findings of a 660-household survey conducted for the purpose in the future park's catchment area. The assumption considered was willingness to pay a higher property tax; the families interviewed were prepared to pay R\$13.41.
- 4.8 A separate cost-benefit analysis was run for each of the projects to be funded. The analysis findings presented in Table 4.1 show the Program to be economically viable, with economic internal rates of return topping 12% and benefit-cost ratios above unity. According to the sensitivity analysis, all projects in this component

could withstand a cost increase of up to 20% or 20% benefit reduction except for the Orla Morena Park project, which could withstand a 10% reduction in benefits and 14% increase in costs.

<b>Table 4.1. Economic (cost-benefit) analysis</b> <b>Downtown revitalization and urban mobility components (amounts in R\$000)</b>						
	<b>Benefit</b>	<b>Capital cost</b>	<b>Operation and maintenance</b>	<b>Net benefit</b>	<b>EIRR</b>	<b>B/C ratio</b>
Via Morena	22.2	11.6	1.1	11.8	20.5%	1.92
Ave. Júlio de Castilho	15.4	8.2	0.8	8.0	19.8%	1.87
Traffic light system	40.7	11.8	10.7	39.6	30.5%	3.44
Railway-strip area	11.1	5.0	0.4	5.6	26.8%	2.04
Orla Morena Park	9.2	6.9	0.8	1.4	14.5%	1.18

4.9 **Institutional strengthening:** A cost-efficiency assessment was done for the high-speed municipal IT network project that will give municipal government offices and facilities, including schools and health posts, online connectivity.

4.10 The prime benefit of this element of the Program will be a lowering of Campo Grande city government communication costs. At present the telecommunications providers on which the government relies are costing it R\$5.5 million a year; the project investments are expected to generate a monthly saving of R\$250,000. According to the analysis of annual costs and anticipated savings, over a five-year span the Município stands to save R\$2.50 for every R\$1.00 invested, in present value terms.

#### **D. Beneficiary analysis**

4.11 This operation does not qualify as a poverty targeted investment (PTI) project. Though it does not qualify as social equity enhancing (SEQ), the Program will benefit Campo Grande's low-income population by revitalizing decaying parts of the city center, creating more public spaces for sports and recreation, and improving the Município's road system.

#### **E. Financial viability**

4.12 According to the financial analysis performed with 2001-2006 data and expenditure forecasts for the next 10 years, the Campo Grande Municipal Government could furnish, on schedule, the requisite counterpart funding for the Program. Furthermore, some programs already under way (see paragraphs 1.14-1.15) have improved the city government's fiscal and financial management, which will mean increased tax revenue collection and greater savings for the Município. Consequently, the city government will be able to fulfill its commitments under this Program as well as Fiscal Responsibility Law requirements. The table below

presents CGMG funds flows from 2001 to 2006 and projections for 2007-2016. The complete financial analysis report is available in the CBRDocs technical files.

<b>Table 4.2. Funds flow 2001-2006 and forecasts for 2007-2016 (US\$ million)</b>												
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 to 2016
<b>Revenue (1)</b>	314.7	265.5	269.1	292.9	324.6	367.2	374.5	382.5	391.8	402.7	414.0	2,257.7
<b>Expenditure (2)</b>	260.9	224.4	221.2	245.2	257.0	300.4	312.5	323.9	333.8	342.1	350.1	1,871.1
<b>Saving (3=1-2)</b>	53.8	41.1	47.9	47.7	67.6	66.8	62.0	58.6	58.0	60.6	63.9	386.6
<b>Amortizations (4)</b>	2.9	3.1	3.4	4.9	6.1	6.6	11.1	7.7	8.0	8.0	8.9	27.9
<b>Net saving (5=3-4)</b>	50.9	38.0	44.5	42.8	61.5	60.2	50.9	51.0	50.0	52.6	55.0	358.7
<b>Capital revenue (6)</b>	25.9	42.6	19.9	12.3	4.1	13.9	31.9	17.1	13.9	7.2	3.9	13.9
<b>Capital expenditure (7)</b>	63.5	98.3	56.1	60.9	38.4	58.7	61.2	64.4	54.1	43.0	37.2	175.0
<b>Budget result (8=5+6-7)</b>	13.3	(17.7)	8.3	(5.8)	27.2	15.4	21.6	3.7	9.9	16.8	21.6	197.5

- 4.13 One important consideration on the matter of Fiscal Responsibility Law requirements is that this statute requires municipalities to keep certain financial ratios below prescribed ceilings as a condition for external borrowing. Consequently, an analysis was done for the 2004-2007 period, summarized in the table below, which confirms that the Campo Grande Municipal Government's financial situation is within the mandated limits for all the indicators examined.

<b>Table 4.3. Campo Grande Municipal Government: Financial situation and external borrowing capacity (%)</b>					
<b>Indicators</b>	<b>Statutory ceiling</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>
Personnel expenditure/Net current revenues	54	34.18	32.37	34.44	37.35
Net consolidated debt /Net current revenues	120	25.27	19.82	16.34	16.03
Total guarantees	22	0	0	0	0
Domestic and external borrowings	16	1.38	0.01	0.03	0.56
Revenue anticipation operations	7	0	0	0	0

\* Data for second four-month period.

## **F. Environmental and social impacts**

- 4.14 Given the nature of the planned interventions, the proposed Program will have no significant adverse environmental or social implications. It is classed in Safeguards Screening Category B.<sup>16</sup> An environmental assessment report was produced for the Program (available in the CBRDocs technical files) to: (i) ascertain the operation's

<sup>16</sup> Safeguard Policy Filter and Safeguard Screening Form.



- main environmental and social impacts, (ii) identify environmental permitting procedures for significant-impact projects, and (iii) establish criteria and procedures to assure the environmental viability and sustainability of Program-funded works.
- 4.15 The analysis findings indicate that the proposed interventions conform to Brazilian federal, state, and municipal environmental and social legislation and policies governing urban areas. The adverse impacts the Program works are expected to produce will be temporary, moderate, and confined to the construction stage. The Program does not call for any population resettlement.
- 4.16 The Program's environmental viability has been assured by building the environmental dimension into the project development and execution cycle, using a set of environmental eligibility criteria which must be satisfied for a project to qualify for Program funding. These criteria are the centerpiece of the Program's environmental operational procedures. Following indications in the environmental assessment report, Campo Grande's Environment and Sustainable Development Department (SEMADES) will help the Program Management Unit supervise the environmental dimension of the Program's implementation. The planned SEMADES capacity strengthening activities will better equip that city department for its mandated activities.

#### **G. Anticipated outcomes and benefits**

- 4.17 The Program beneficiaries will be Campo Grande residents generally and, in particular, people living in the west and downtown districts of the city. The following are the benefits expected from each component: (i) the **downtown revitalization component** will benefit 101,980 people in all (downtown residents plus people for whom the city center is a commercial, social, and cultural base). The rehabilitation and enlivening of downtown spaces also will help preserve local history and architectural and cultural resources and reinvigorate business activity in this zone. These improvements should show up in an appreciation in average residential property values and more business licenses granted for new shops and services in the target zone, among other outcomes; (ii) the **urban mobility component** will improve connections between west Campo Grande and the city center and make fuller use of downtown street capacity, directly benefiting 188,000 public transit riders and private vehicle users. These benefits will translate into shorter travel times and lower travel costs in the different modes of transport between the two zones, and faster travel within and across the city center; and (iii) important benefits of the **institutional strengthening component** will be closer integration of Campo Grande municipal offices and facilities and rationalization of city government communication costs. Specific benefits include faster processing of SEMADES environmental permits and tighter inspection of construction work by SESOP and of traffic by AGETTRAN.

## **V. PRINCIPAL RISKS**

- 5.1 The risk analysis showed the Program's implementation risk to be low. The chief risk factor identified has to do with possible turnover in the city administration following the 2008 elections. Mitigating against any risk in that regard is civil society's deep engagement in the workings of the city, including active input into the Official Plan and municipal development policy approval exercise and decisions on public projects through the regional boards on the Municipal Urban Development Council. The Campo Grande city government's tradition of stability and continuity from one administration to another and the constancy of its planning tools further lessen the implementation risk. Given the municipal government's extensive track record in preparing and delivering programs funded by international organizations and its work with federal programs, no implementation problems are anticipated in this Program.

**MUNICÍPIO OF CAMPO GRANDE  
INTEGRATED DEVELOPMENT PROGRAM  
(BR-L1104)  
LOGICAL FRAMEWORK**

<b>Narrative summary of objectives</b>	<b>Indicators</b>	<b>Baseline situation</b>	<b>Means of verification</b>	<b>Assumptions</b>
<b>Goal</b> Help enhance quality of life of Município of Campo Grande residents	<ul style="list-style-type: none"> <li>Public satisfaction rating<sup>1</sup> (transit riders and private vehicle users) of the city's transportation system<sup>2</sup> goes up 20%.</li> </ul>	<ul style="list-style-type: none"> <li>Satisfaction ratings: 41% for public transit riders, 48.5% for private automobile users</li> </ul>	<ul style="list-style-type: none"> <li>Opinion survey in diagnostic assessment for Transportation Master Plan update, AGETTRAN</li> </ul>	<ul style="list-style-type: none"> <li>The country's macroeconomy remains stable.</li> </ul>
<b>Purpose</b> 1. Provide support for urban space transformation and economic revitalization of downtown Campo Grande	<b>Direct Effects</b> At Program end: <ul style="list-style-type: none"> <li>Downtown residential property values (specifically in the Esplanada area—north part of railway-strip land) have appreciated 30% on average.</li> <li>Number of operating licenses granted for downtown commercial and service establishments increases 10% annually.</li> </ul>	<ul style="list-style-type: none"> <li>R\$75.12 per m2 in 2007</li> <li>172 licenses granted in 2006</li> </ul>	<ul style="list-style-type: none"> <li>Campo Grande Municipal Government (CGMG) technical cadastre and final Program evaluation report</li> <li>Municipal Finance Department annual municipal business registry</li> </ul>	<ul style="list-style-type: none"> <li>The political will to continue the Program is maintained following the 2008 elections.</li> <li>Interagency coordination between municipal departments and agencies involved in the Program continues.</li> </ul>
2. Improve mobility conditions in the city	<ul style="list-style-type: none"> <li>Travel times of public transit riders and private vehicle users between west and downtown Campo Grande are cut by 25%:</li> </ul>	<ul style="list-style-type: none"> <li>Average trip time (2007):</li> </ul>	<ul style="list-style-type: none"> <li>Speed delay survey</li> </ul>	

<sup>1</sup> Perceptions of trip times and road quality.

<sup>2</sup> Since the urban mobility component accounts for 80% of the Program's investment costs, improvements to the city's transportation system are considered an appropriate gauge of Program outcomes at the Goal level.

Narrative summary of objectives	Indicators	Baseline situation	Means of verification	Assumptions
	<p>a. Airport–Praça Newton Cavallieri</p> <p>b. Júlio de Castilho Terminal–Avenida Tamandaré</p> <ul style="list-style-type: none"> <li>Travel times of public transit riders and private automobile users in the center-city, Avenida Afonso Pena, are cut by 25%:</li> </ul> <p>a. Rua Presidente Ernesto Geisel–Rua 25 de Dezembro</p>	<p>a. Public transit: 8.25 minutes; private vehicles: 9.32 minutes</p> <p>b. Public transit: 10.38 minutes; private vehicles: 14.30 minutes</p> <ul style="list-style-type: none"> <li>Average trip time (2007):</li> </ul> <p>a. Public transit: 7.20 minutes; private vehicles: 8.15 minutes</p>	<ul style="list-style-type: none"> <li>Speed delay survey</li> </ul>	
3. Enhance Campo Grande city government administrative efficiency	<ul style="list-style-type: none"> <li>City government communication costs drop 50%, including telephone, data, and voice (Internet and Intranet networks) and corporate data.</li> <li>Environmental permit processing time is 20% faster.</li> </ul>	<ul style="list-style-type: none"> <li>2007: US\$2.7 million annual communications expenditure</li> <li>2007: Environmental permit processing time 120 days</li> </ul>	<ul style="list-style-type: none"> <li>Município of Campo Grande annual financial report</li> <li>SEMADES annual report and final Program evaluation report</li> </ul>	
<b>Components</b>				
<p><b>1. Downtown revitalization</b></p> <p>Development of planning and management tools</p> <p>Implementation of strategic projects</p>	<p>At end of year 1:</p> <ul style="list-style-type: none"> <li>Local Area Plan for downtown Campo Grande developed and approved by Municipal Urban Development Council (CMDU)</li> </ul> <p>At Program end:</p> <ul style="list-style-type: none"> <li>19,000 m<sup>2</sup> of public space rehabilitated and enlivened (with street furniture, landscaping, paving)</li> </ul> <p>A strategic project identified as a pilot in the Downtown Local Area Plan has been developed and implemented.</p>	<ul style="list-style-type: none"> <li>0 in 2007</li> <li>0 in 2007</li> <li>0 in 2007</li> </ul>	<ul style="list-style-type: none"> <li>Final Program evaluation report</li> <li>Final Program evaluation report</li> <li>Final Program evaluation report</li> </ul>	<ul style="list-style-type: none"> <li>The firms engaged perform their contracts on schedule.</li> </ul>

Narrative summary of objectives	Indicators	Baseline situation	Means of verification	Assumptions
<b>2. Road system configuration and mobility</b> Improvement of road system connectivity  Traffic-light system upgrading  Update of Transportation Master Plan	At Program end:  <ul style="list-style-type: none"> <li>13 km of general traffic lanes created</li> <li>13 km of bikeways created</li> <li>1 centrally controlled traffic-light system operating at 180 signalized intersections</li> <li>Transportation Master Plan updated, approved, and authorized by CMDU</li> </ul>	<ul style="list-style-type: none"> <li>0 in 2007</li> <li>0 in 2007</li> <li>0 in 2007</li> <li>0 in 2007</li> </ul>	<ul style="list-style-type: none"> <li>Final Program evaluation report</li> <li>Final Program evaluation report</li> <li>Final Program evaluation report</li> <li>Final Program evaluation report</li> </ul>	
<b>3. Institutional strengthening</b> Setup of municipal IT network	At end of year 1: <ul style="list-style-type: none"> <li>Municipal IT network set up and operating, with six base stations and 274 municipal client link points</li> </ul> At end of year 2: <ul style="list-style-type: none"> <li>6,500 computers in municipal offices and facilities linked via municipal IT network</li> </ul>	<ul style="list-style-type: none"> <li>0 in 2007</li> <li>0 in 2007</li> </ul>	<ul style="list-style-type: none"> <li>Program annual report</li> <li>Program annual report</li> </ul>	
Strengthening of municipal government departments	At end of year 2: <ul style="list-style-type: none"> <li>Equipment for AGETTRAN traffic compliance work acquired and in use</li> </ul> At end of year 3: <ul style="list-style-type: none"> <li>Environmental permitting system set up and operating</li> <li>Environmental data integrated into the Município's geographic information system</li> <li>SESOP works administration and inspection system set up and operating</li> </ul>	<ul style="list-style-type: none"> <li>0 in 2007</li> <li>0 in 2007</li> <li>0 in 2007</li> <li>0 in 2007</li> </ul>	<ul style="list-style-type: none"> <li>Program annual report</li> <li>Publication of map with location of activities granted permits, SEMADES</li> <li>Program annual report</li> <li>Program annual report</li> </ul>	