

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**“*FAMÍLIA PARANAENSE*” INTEGRATED SOCIAL INCLUSION AND
URBAN REQUALIFICATION PROGRAM**

(BR-L1372)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan (AWP) (Plan of activities for the first disbursement and the first 18 months of implementation) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37544620
2.	Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37545775
3.	Complete procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37540830
4.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37665888
OPTIONAL	
1.	Family case management http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37545020
2.	Institutional analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37546034
3.	Institutional arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37544466
4.	Description of indicators http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37544441
5.	Economic viability study http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37540701
6.	Municípios designated for neighborhood improvement http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37540630
7.	Família Paranaense involuntary resettlement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37546493
8.	Project risk management http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37705075
9.	Environmental and social safeguard screening form (SSF) for classification of projects http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38179857

ABBREVIATIONS

AWP	Annual work plan
COHAPAR	Companhia de Habitação de Paraná [State of Paraná housing authority]
CRAS	Centro de Referência de Assistência Social [Social assistance referral center]
CREAS	Centro de Referência Especializado de Assistência Social [Specialized social assistance referral center]
EAR	Environmental assessment report
ESMP	Environmental and social management plan
FPP	Família Paranaense program
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
ICB	International competitive bidding
IPARDES	Instituto Paranaense de Desenvolvimento Econômico e Social [Paraná Economic and Social Development Institute]
PAIF	Serviço de Proteção e Atendimento Integral à Família [comprehensive family services and protection service]
PMU	Project management unit
SEAB	Secretaria de Estado da Agricultura e Abastecimento [State Department of Agriculture and Supply]
SEDS	Secretaria de Estado da Família e Desenvolvimento Social [State Department of Family and Social Development]
SEED	Secretaria de Estado da Educação [State Department of Education]
SESA	Secretaria de Estado da Saúde [State Department of Health]
SETS	Secretaria de Estado do Trabalho [State Department of Labor]
SUAS	Sistema Único de Assistência Social [Unified social assistance system]
TCE	Tribunal de Contas do Estado [State Audit Department]
UNDP	United Nations Development Programme
ZEIS	Zona Especial de Interesse Social [Special social interest zone]

PROJECT SUMMARY

BRAZIL

“FAMÍLIA PARANAENSE” INTEGRATED SOCIAL INCLUSION AND URBAN REQUALIFICATION PROGRAM (BR-L1372)

Financial Terms and Conditions			
Borrower: State of Paraná Guarantor: Federative Republic of Brazil Executing agency: State of Paraná through the State Department of Family and Social Development (SEDS)		Flexible Financing Facility*	
		Amortization period:	25 years
		Original weighted average life:	15.25 years
		Disbursement period:	5 years
		Grace period:	5.5 years
Source	Amount	Interest rate:	Based on LIBOR
IDB (Ordinary Capital)	US\$60 million	Inspection and supervision fee:	**
Local	US\$40 million	Credit fee:	**
Total	US\$100 million	Currency:	U.S. dollars
Project at a Glance			
<p>Program objective: The program's general objective is to help improve the quality of life and reduce the social vulnerability of families living in poor households, by harmonizing policies and coordinating services provided by various government agencies. The program takes the view that vulnerability is caused by urban-environmental factors, such as housing and socioeconomic conditions, including income-generating capacity, needs related to the family life cycle, and the years of schooling and health status of household members. Such factors reduce the chances of attaining higher levels of well-being. The <i>Família Paranaense</i> program will carry out interventions in 156 municípios chosen on the basis of three criteria: the Municipal Performance Index published by the Paraná Economic and Social Development Institute (IPARDES); the percentage of extreme poverty; and the lack or irregular status of a social assistance referral center (CRAS).</p> <p>Conditions precedent to the first disbursement: (i) evidence that the project management unit (PMU) has been set up and that its general coordinator and technical coordinators have been appointed; (ii) the Bank's no objection to the terms of reference for hiring the firm to support management of the project's actions; (iii) the Bank's approval of the Operating Manual; (iv) the Bank's no objection to the model terms of participation in the project by the selected municípios and to the terms of technical cooperation between the executing agency and the State of Paraná's Departments of Labor, Employment, and the Solidarity Economy (SETS), Agriculture and Supply (SEAB), Health (SESA), and Education (SEED), and Paraná Edificações, in order to establish their respective competencies and responsibilities for project execution; and (v) the Bank's no objection to the model legal instrument to be signed between the borrower and the State of Paraná housing authority (COHAPAR).</p> <p>Special execution conditions: The following special conditions will be fulfilled prior to the tendering of the works: (i) presentation to the Bank's satisfaction of the documents proving ownership of the land in the name of the borrower, the participating município, or COHAPAR; (ii) declaration of special social interest zone (ZEIS) status by the respective municipality; (iii) presentation to the Bank's satisfaction of the specific resettlement plan for the affected community, pursuant to the Bank's involuntary resettlement policy (OP-710); and (iv) evidence that the legal instrument between the borrower and COHAPAR, under the terms agreed upon with the Bank, has been signed, for the purposes of assuming its obligations, included in Subcomponent 2.1 of the project.</p>			
Exceptions to Bank policies: None			
Project qualifies as: SEQ <input checked="" type="checkbox"/> X] PTI <input type="checkbox"/>] Sector <input type="checkbox"/>] Geographic <input type="checkbox"/>] Headcount <input type="checkbox"/>]			

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

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

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 **Progress and challenges in overcoming poverty.** The southern Brazilian state of Paraná has a population of 10,439,601, according to figures published by the Brazilian Institute of Geography and Statistics (IBGE, 2010). Although it is one of the states with the best social indicators in the country, an estimated 306,638 people are still living below the IBGE poverty line (defined as a per capita income of less than R\$70 or US\$35 per month). On the basis of the federal government's criterion for identifying vulnerable families, set at one half of the monthly minimum wage per person (R\$311), an estimated 975,685 families can be classified as vulnerable in Paraná. The state made excellent progress in reducing poverty over the last decade. According to the IBGE, the number of families living on a monthly per capita income of R\$70 fell by 67% between 2001 and 2009, from 7.1% of families to just 2.3%—better than the average pace of poverty reduction over the same period, both in Brazil as a whole and in the country's southern states. Unemployment also declined, from 7.5% to 6%, and child mortality decreased from 17.5 to 13.2 per thousand live births (2001-2007).
- 1.2 Despite this progress, Paraná still has persistent pockets of poverty. There are 36 municípios in which over 40% of households are poor (IBGE, 2010),¹ well above the statewide average of 18.4%. In Paraná, 33% of the population lives in municípios with development levels below Brazil's average IDH-M (Municipal Human Development Index, UNDP), compared with 10% in both Rio Grande do Sul and Santa Catarina. Three macro-regions account for over half of these families: the Metropolitan Region of Curitiba and the north-central and western regions.
- 1.3 Poverty and vulnerability in Paraná are directly related to precarious housing conditions. There are 3.75 million dwellings in the state and, according to the State Low-income Housing Plan, 204,635 of these are located in unregulated settlements, of which 101,716 are in *favelas*, and 93,219 are in illegal subdivisions. Many of these communities are concentrated in zones that are prone to flooding or landslides or are at risk from pollution, mainly of water.
- 1.4 Precarious housing in Paraná is primarily the result of the rapid urban growth that took place in the cities between 1970 and 2010, from 36.14% to 85.33%. Despite low-income housing projects, the cities were unable to absorb a large part of the rural population that migrated to the urban centers driven by changes in the productive structure, unemployment, and the tenuous supply of public services. Given the lack of access to formal housing, many families decided to occupy illegal or unserviced areas that were often unsuitable for living in. As these are unregulated

¹ The household poverty rate is defined as the percentage of poor households out of the total number of households in the territorial unit in question. The calculation does not include households that do not declare any income.

areas, there is usually no investment in water and sanitation services, lighting, or street paving, which further undermines the quality of life of poor families.

- 1.5 These families formed the prime target of the National Social Assistance Policy, which is designed as part of the Unified Social Assistance System (SUAS). The latter aims to provide social assistance services and to organize and coordinate a network for supplying them. The services include: (i) basic preventive social protection, provided in the social assistance referral centers (CRASs); and (ii) special social protection aimed at correcting rights violations, provided through specialized social assistance referral centers (CREASs).
- 1.6 The CRASs are the key infrastructure and starting point for social assistance policy. This type of facility steers and defines procedures and flows, fulfilling two basic functions: (i) coordination of the social assistance network, connecting beneficiaries to the other services; and (ii) active search, i.e. identifying, contacting, and connecting users who do not identify themselves through spontaneous demand to request social assistance support.²
- 1.7 Under current regulations, the CRASs offer, at a minimum, the comprehensive family protection and services program (PAIF), which consists of ongoing social work with families to strengthen their psycho-social skills—e.g. improving family and community bonds—and to promote their access to public services. In addition, the CRASs can count on the Social Harmony and Bonding Service, potential benefits—of a temporary nature and related to a birth, death, public disaster, or temporary vulnerability—and interventions related to vocational and productive training.
- 1.8 The CRAS network in Paraná has not expanded homogeneously. Although the process has gathered pace since 2007, some municípios are clearly lagging behind (eight of the state's 399 municípios do not have a CRAS). Many of the disadvantaged municípios report the worst social indicators in Paraná: double the state's illiteracy rate, a secondary school dropout rate that is five percentage points above the state average, and an elementary school age-grade mismatch rate that is five points above the average. Close to 50% of women in these municípios do not have access to scheduled prenatal care, well above the state's 20% average. The state's second-highest cervical cancer mortality rate (45 per 100,000 women) is found in these regions (the metropolitan region of Curitiba has the highest rate). This situation of disadvantage is also reflected in per capita GDP: the Paraná state average is R\$17,778, but is only R\$10,414 in municípios that do not have a CRAS.

² The size of the CRASs—i.e. the staffing of teams assigned to provide services to the population, and allocation of resources to make it possible—depends on the number of families identified as living in areas of vulnerability and risk within its territory: 2,500, 3500, and 5,000 families. An annual service capacity of 500, 750, and 1,000 families is estimated for each group, respectively. Almost 65% of the CRASs in Paraná are medium-sized facilities.

- 1.9 As to the availability of public service employees, critical to operating the CRASs, 7% of them do not have a coordinator, and most of the coordinators that do exist also fulfill other functions. The SUAS census shows that a large proportion of coordinators fulfill technical functions in the CRASs, because of a lack of skilled staff in sufficient numbers to meet demand (IPARDES, 2012).
- 1.10 Despite progress made in expanding the SUAS network and enhancing service quality, many Paraná families are unable to shake off vulnerabilities that require more systematic state intervention. Following the example of Chile and Colombia, in 2007 the Curitiba municipal government decided to implement a case management strategy for vulnerable families, known as *Família Curitibana* [Curitiba Family]. Such case management consisted of an advisory service that sought to change behavior with a view to achieving objectives related to well-being. It required professionals trained to provide psycho-social support and interagency coordination for priority service delivery. The program served about 7,000 families in Curitiba, of whom 64.3% saw a reduction in their vulnerability index, as measured by variables such as precarious housing, low income, lack of vocational training, and others.
- 1.11 **The state's strategy to address the most vulnerable population: target the most critical municípios.** In 2011, when the new state government took office, the State Department of Family and Social Development (SEDS) decided to expand this inter-sector family case management model throughout Paraná, while also drawing on other Brazilian initiatives such as “*BH Cidadania*” and international ones such as “*Chile Solidario*.” Thus, the “*Família Paranaense*” program (FPP) was created, which gives priority to families living in informal neighborhoods, through multisector interventions based on the CRASs and CREASs, in the social assistance, housing, education, health, and employment areas, with the key aim of reducing extreme poverty over the next four years.
- 1.12 The SEDS conducted a study on social assistance in Paraná, whose recommendations formed the basis for expanding the current FPP.³ The difficulties encountered by the study include the imbalance of functions between the three government levels, lack of technical assistance for the municípios, particularly for gaining access to financial resources, and the limited number of CRASs and the fact that they are mainly urban. In terms of organizational structure, in addition to the lack of professional staff and high turnover rates, CRAS coordinators were found to have excessive workloads.
- 1.13 To target the actions of the FPP, the SEDS identified the 156 municípios with the most critical risk and vulnerability indicators, using the municipal performance

³ Mendonça de Gois, Maria José S. *Nota técnica sobre esquemas de apoio aos municípios na implementação do Sistema Único de Assistência Social – SUAS – Programa Família Paranaense* [Technical note on mechanisms for supporting municípios in implementing the unified social assistance system (SUAS) - *Família Paranaense* Program]. IDB. February, 2013.

index, the percentage of extreme poverty, and the lack or irregular status of a CRAS in the município. Although the selected municípios are distributed throughout the state, most are located in the central-south and southeast regions. They display some of the most glaring inequalities in Paraná and generate just 10% of state GDP. The 43,146 families living in extreme poverty in the targeted municípios account for 41.18% of all extremely poor families in the state. The majority of the population in these municípios is rural, with livelihoods based on low-productivity family farming. Other indicators also confirm the relative disadvantage of these municípios: according to the municipal performance index—which measures municipal management capacity in terms of income, employment, health, and education—38 of the priority municípios are at the medium-low performance level.

- 1.14 To select the beneficiaries within the priority municípios, the SEDS developed a Family Vulnerability Index using data from the federal government's unified cadaster. It takes four dimensions into account: housing conditions, family profile and composition, access to employment and income sources, and the levels of schooling of family members. Unregulated settlements were also identified in 10 of the 156 municípios, with a heavy concentration of families living in at-risk areas or in environmental protection areas. The unregulated settlements are *favelas*, with 80 or more dwellings per community; and at least 30% are makeshift dwellings.
- 1.15 **Strengthening the hands-on approach to deal with the conditions of vulnerability of the poorest families.** The family case management modality being proposed is based on experiences showing that the quality of the connection and the close interaction with families are crucial for getting the most out of the services. The main lessons it draws on are the fact that interventions with the family unit may be more cost-effective than work with individuals on an isolated basis. The family and individual life cycle should also be taken into account, in terms of providing more systematic case management mechanisms. The PAIF fits into this tradition and has laid the initial foundation in Brazil for implementing local mechanisms for a hands-on approach with vulnerable families, such as that promoted by the FPP (see [Family case management modalities](#)).
- 1.16 Other family case management programs are showing promising results in spheres related to this service model. The impact evaluation of Colombia's "*Unidos*" program showed that families had greater knowledge of the programs and services available, better chances of gaining access to and remaining in social services, and greater autonomy. When the frequency of family visits was low, there was a reduction in expected impacts.⁴ The evaluation of the Chilean "*Puente - Chile Solidario*" program also showed significant results in terms of the beneficiaries accessing subsidies and using social services, resulting in gains in household well-being. The averages of the effects conceal a number of disparities, such as greater

⁴ National Planning Department of Colombia. *Evaluación de impacto de UNIDOS - Red de Protección Social para la Superación de la Pobreza Extrema* [Impact evaluation of UNIDOS - Social safety net for overcoming extreme poverty], Bogota, 2011.

impact in young and rural families. There was a marked difference in favor of the latter in terms of overcoming poverty.⁵ The evaluation suggests that the level of qualifications of social promoters and the steadfastness with which they apply the methodology largely explain the variations in impact encountered at the household level (World Bank, 2011).

- 1.17 **Strategic nature of the support for expanding the *Família Paranaense* program.** This initiative is strategic for three reasons: (i) the extension of social service coverage and bolstering of state capacities to support the municípios will strengthen the state's role as policy facilitator; (ii) the “*Brasil Sem Miséria*” program, created by the federal government in 2011, attaches priority to beneficiaries gaining access to the CRASs, through home visits and more systematic support for vulnerable families. As has been made clear, the municípios are still a long way from taking on this challenge on their own, so the FPP can help strengthen the model; and (iii) state-município partnerships are the best way to generate local arrangements which, in line with national policy orientations, make it possible to exploit the resources and opportunities at the subnational level for tackling extreme poverty.
- 1.18 **Relationship between the program and the Bank's strategy with the country.** The government asked for Bank support to design, implement, and finance the FPP's expansion phase. The Bank has wide-ranging experience in supporting the consolidation of the SUAS, through operations, technical cooperation programs, and dialogue. The FPP directly complements some of the Bank's other strategic operations in Brazil, such as the Program to Strengthen the Unified Social Assistance System (FORTSUAS) (2723/OC-BR), the Program to Support Social Reforms in Ceará – PROARES II (2230/OC-BR), and the Rio de Janeiro Youth Social Inclusion Program (2762/OC-BR).
- 1.19 The operation responds to the two broad objectives set out in the Bank's Ninth General Increase in Resources (GCI-9) (document AB-2764): reduction of poverty and inequality; and sustainable development, with a special focus on the goals of reducing extreme poverty, reducing the GINI coefficient of per capita household income inequality, increasing the percentage of dwellings with electricity, and increasing the proportion of the urban population living in dwellings with hard floors. The operation is also consistent with four objectives of the 2012-14 country strategy (document GN-2662-1), since it will contribute at the municipal level to: (i) strengthening integration between social assistance services and cash transfer programs; (ii) improving the access, coverage, and quality of mother-child services and reducing regional inequalities; (iii) improving education system coverage and retention; and (iv) promoting productive inclusion of beneficiaries of the Bolsa Família and Plano Brasil sem Miséria programs.

⁵ P. Carneiro, E. Galasso, and R. Ginja, *The impact of providing psycho-social support to indigent families and increasing their access to social services: evaluating 'Chile Solidario'*, World Bank, UCL. 2009.

B. Program objectives and components

- 1.20 The program's general objective is to help improve the quality of life and reduce the social vulnerability of families living in poor households, by harmonizing policies and coordinating services provided by various government agencies. The program takes the view that vulnerability is caused by urban-environmental factors, such as housing and socioeconomic conditions, including income-generating capacity, needs related to the family life cycle, and the years of schooling and health status of household members. The Bank-cofinanced program will pursue the proposed objectives through the following components:
- 1.21 **Component 1: Promotion of the autonomy of families in vulnerable situations (US\$56.3 million).** The objective of this component is to assist some 22,000 highly vulnerable families living in the targeted municípios, through a family case management strategy that identifies problems and needs and proposes alternatives for overcoming them, in a process of gradual connection with service networks. Inasmuch as, generally speaking, the beneficiary municípios have a sufficient supply of the services envisaged,⁶ the program will seek to strengthen the quality and effectiveness of existing local services. The specific objectives are to: (i) improve the effectiveness of the local services system, directing the most vulnerable families to the services based on an intersector plan of action agreed upon with the families; (ii) increase participation by vulnerable families in social programs that are crucial for improving their situation, particularly those involving employment and productive development, education and health services, and cash transfers; (iii) help resolve critical problems faced by the families, such as low levels of schooling, lack of participation in child-care and early education services, education gaps at the primary and secondary school levels, and low income generation. To achieve these objectives, the component will finance the hiring of technical experts to boost local service capacity and actions in the following areas: (i) social assistance: cofinancing social services through a fixed monthly transfer to the municípios of roughly US\$3,100, hiring citizen agents to strengthen the SUAS municipal teams, and contracting regional supervisors to provide backing for the family case management model; (ii) health: case management of patients with chronic conditions, immunization of children up to one year of age, prenatal examinations for pregnant women, and case management of at-risk children up to one year of age; (iii) education: adult and child literacy, skill development for youth at the secondary school level, supply of additional seats for children who are not in school, teacher training, and seats for children and adolescents in an extended schedule program; and (iv) socio-productive inclusion: training in the management of productive rural enterprises and employment in areas in demand by the local economies, structuring of new business enterprises, and technical advisory services. A cash transfer of roughly US\$28 per month will also be made to 22,000 families to

⁶ See Soares, Maria Jose: *Intersetorialidade: O Sistema Único de Assistência Social e o PFP*. See IDBDocs#37558809.

supplement the US\$68 average minimum benefit they currently receive from the *Bolsa Família* cash transfer program.⁷ These families represent roughly 47% of those eligible in the selected municípios. The program's Operating Manual will provide a more in-depth description of the activities to be undertaken in each of these areas, identifying the intended targets in each case.

- 1.22 **Component 2: Integrated neighborhood improvement (US\$34 million).** The main objective of this component is to upgrade urban infrastructure in the priority municípios, to help reduce the vulnerability of the poorest families. It will consist of two main activities:
- 1.23 **Subcomponent 2.1 Promotion of urban and comprehensive neighborhood requalification.** The objectives of the subcomponent are to: (i) provide housing for families who are illegally occupying environmentally protected areas and/or risk areas, and/or areas with little or no access to urban equipment and infrastructure in the intervention areas; (ii) improve the population's access to public services, social facilities, and green areas; and (iii) promote the environmental restoration of vacated areas. The subcomponent will finance ownership legalization, basic urban infrastructure, and the construction of dwellings for 1,774 low-income families living in 11 of the communities identified pursuant to the criteria of the State of Paraná housing authority (COHAPAR).⁸ All resettlement processes will be conducted in accordance with the Bank's OP-710 policy. An involuntary resettlement plan was drawn up identifying the intervention areas, and surveys provided detailed information on water supply, sewerage, energy, road, and education systems, among others. COHAPAR is completing the final studies for each area, which will contain specific resettlement plans for the families. Analyses show that the projects satisfy calculation and sizing criteria and methods, based on internationally accepted engineering standards; and they are technically viable, in that the works designs and construction plans are considered of low complexity.
- 1.24 The preparation strategy for this subcomponent drew on lessons learned in the preparation and implementation of the Manaus Igarapés Environmental Cleanup Program (PROSAMIN), several of the PROCIDADES programs currently being executed, and the three urban development programs for low-income settlements in Rio de Janeiro (*Favela-Bairro*). These programs provide empirical evidence of the success of actions involving integrated neighborhood improvement and the resettlement of families to new dwellings, which result in improving their housing

⁷ *Família Paranaense* does not incorporate new conditionalities for the cash benefit but will maintain those of the *Bolsa Família* program. The objective of this additional cash transfer is to ensure that there are no families living below the extreme poverty line (R\$70 per month), as established by the Federal Government of Brazil in 2011.

⁸ The dwellings financed by *Família Paranaense* will comply with the requirements and costs of those financed by *Minha Casa, Minha Vida*, a program of the Brazilian federal government.

and social situation in general (see [PCR BR-L1085](#), [Obras BR-0250](#) and [PCR BR-0182](#)).

- 1.25 **Subcomponent 2.2: CRASs and CREASs.** This subcomponent aims to improve the physical structure and expand the network of public social assistance facilities in those priority municípios that do not have CRASs or CREASs or in those where the conditions of the CRASs or CREASs are not suitable for serving the community. The project will finance the construction and equipping of approximately 22 new CRASs and eight CREASs and the procurement of vehicles to support the families. Municípios that currently do not have this type of social service facility, or have irregular facilities (shared or rented), will be prioritized.
- 1.26 **Component 3: Institutional strengthening (US\$4.6 million).** Under this component, actions will be taken to strengthen project management capacity at the state, regional, municipal, and local levels. The objective is to bolster the participating municípios, many of which are among those with the weakest management capacity. These actions, which will be implemented in a structured manner, include: (i) studies and diagnostic assessments, outcome evaluations, monitoring, and impact evaluation; (ii) training of municipal teams; (iii) production and dissemination of educational materials; and (iv) implementation of a management system.
- 1.27 **Component 4: Project administration (US\$5 million).** Lastly, this component will finance: (i) the activities of the project management unit (PMU); (ii) the firm to support project management; and (iii) the external audit, should it prove necessary.
- 1.28 **Cost and financing.** The project's total cost will be US\$100 million, of which US\$60 million (60%) will be financed by the Bank from its Ordinary Capital, and US\$40 million (40%) will be financed by local counterpart funding in cash, as shown in Table I-1.

Cost and Financing- Table I-1

Component	Executing agency	IDB (US\$)	State (US\$)	Total (US\$)
1. Promotion of the autonomy of families in vulnerable situations		21,092,000	35,175,000	56,267,000
2. Neighborhood improvement		29,425,000	4,675,000	34,100,000
2.1 Promotion of urban and comprehensive neighborhood requalification	COHAPAR	24,500,000	0	24,500,000
2.2 CRASs and CREASs	SEDS-Paraná Edificações	4,925,000	4,675,000	9,600,000
3. Institutional strengthening		4,483,000	150,000	4,633,000

Cost and Financing- Table I-1

Component	Executing agency	IDB (US\$)	State (US\$)	Total (US\$)
4. Project administration		5,000,000	0	5,000,000
TOTAL		60,000,000	40,000,000	100,000,000

C. Key indicators of the results matrix

- 1.29 The implementation of case management strategies to reduce family vulnerability and risk is an underexplored field in terms of measurement and evaluation. Accordingly, the matrix indicators that aim to capture the effects of the intervention are pioneering and there are no benchmarks for their external validation; they represent an attempt to innovate in terms of how the results are reported. The matrix includes indicators that can reflect a reduction in family vulnerability, such as improved school attendance among 6-to-14-year-olds, growth of family income, attendance at prenatal checkups by pregnant women and health checkups among patients with chronic conditions, and dwellings made from permanent materials with hard floors. Other matrix indicators measure improvements in the supply of services by the municípios, such as the upgrading of the CRASs to human resource standards and the effectiveness of training for local officials (see [Monitoring and evaluation arrangements](#)).
- 1.30 **Economic analysis.** A study was conducted to determine the economic benefits that a family could obtain, given the program's implementation costs. Considering the multiple actions envisaged in the strategy to improve schooling and training, in Component 1 an estimate was made of the impact of schooling on income, which showed that with one year's additional schooling a beneficiary would gain a 5% increase in earnings. The cost-benefit analysis found that the net present value of Component 1, using a 12% discount rate (as a proxy for the opportunity cost of financial capital in Brazil), would increase society's wealth by R\$16 million. In terms of the viability of Component 2, the minimum cost analysis was estimated in terms of the average cost per land plot (housing unit), including urban development works and public services, the construction of dwellings for the resettled families, and the cost of environmental restoration in the despoiled areas. This analysis was based on the reasonableness of unit prices in relation to representative market prices in Paraná. It found that a price of R\$36,400 per dwelling for a complex intervention and R\$12,000 per dwelling for a simple intervention provide adequate solutions at a reasonable base price for standard social housing for low-income families in Brazil. The analysis also found that the construction of CRASs and CREASs for a maximum amount of R\$550,000 represents the least cost per square meter, compared with other initiatives to build social service facilities in Paraná (see [Economic and financial viability study](#)).

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 The investment loan, using Ordinary Capital resources, will be subject to the following conditions: (i) a LIBOR-based interest rate; (ii) a 25-year amortization period; (iii) a 30-month deadline for the physical start of the works; and (iv) four-year disbursement and grace periods.

B. Environmental and social safeguard risks

- 2.2 The program has been classified as a category B operation under the Bank's Environment and Safeguards Policy (OP-703). To comply with that policy, during the preparation of the operation, the government prepared an environmental assessment report (EAR) through the project unit. This report identified the main impacts and potential environmental risks associated with the urban development and regularization works, together with prevention and mitigation measures additional to the environmental control of these impacts. Pursuant to the Bank's OP-102 policy, the EAR was made available on the SEDS and COHABAR websites for consultation and contributions by the public; and it was presented and discussed at a public meeting organized by the project preparation unit.
- 2.3 According to the EAR, the program will generate: (i) positive impacts that will be directly/indirectly reflected in the municípios participating in the program, particularly in terms of the restoration of areas despoiled by unregulated settlements in environmentally unsuitable areas and better care for the most vulnerable people; and (ii) temporary, small-to-moderate negative impacts, caused by changes in the physical and socioeconomic environments, associated mainly with works construction.
- 2.4 The EAR was used as the basis for producing the Environmental and Social Management Plan (ESMP), which incorporates the following: (i) care and prevention measures and control and monitoring of any negative social and environmental impacts that could occur mainly at the works stage; and (ii) guarantees for the sustainability of the expected positive impacts, as well as procedures, responsibilities, and actions to ensure proper social and environmental management of the program. The ESMP is included in the Environmental and Social Management Report (ESMR), which is attached to this proposal for operation development (POD). As the program involves involuntary family resettlement, an involuntary resettlement plan was prepared, pursuant to OP-710 (see [IRP](#) annex).

C. Fiduciary risks

- 2.5 In terms of fiduciary matters, the following potential risks were identified mainly through the institutional capacity analysis: implementation delays, owing to a lack of knowledge of the Bank's procurement and financial management policies and

procedures, and the possibility of failures to comply with the planned disbursement schedule, owing to difficulties and delays in the process of issuing regulations under the laws allowing for program resources to be transferred to the beneficiary municípios (fund-to-fund and transfers). Mitigation actions: (i) creation of the PMU and appointment of its full-time staff; (ii) contracting of a management firm to support the PMU in program management and administration; (iii) creation of a special bidding commission within the PMU/SEDS; (iv) training for designated members of the implementation team; and (v) testing of the operation of the SIGMA system module to make records and generate the reports required by the Bank.

D. Other risks

- 2.6 **Interagency coordination.** The framework on which this program is based involves intensive coordination between different state departments, and close coordination between them and the municípios. As the latter are autonomous entities, much of the coordination work needs to focus on enlisting the support of the municipal governments. The PMU team, along with those of the participating departments and municípios, will be strengthened to ensure coordination between sectors. Performance agreements are also being drawn up to strengthen the commitments of each sector; and performance instruments are being restructured between the SEDS and the municípios, thereby strengthening performance guarantees.
- 2.7 **Family case management model.** As the family case management model is a major innovation in social programs in Brazil, it will need to be implemented gradually, and this will affect the initial pace of execution. The SEDS will provide support in the form of resources and technical training, particularly through the regional committees, for the case management work undertaken by the municípios.
- 2.8 **CRAS management capacity.** Although strengthening the CRAS teams is a priority for the program, the process will be gradual and the teams will need to reassess and upgrade their internal organization structures. The extra demand that the FPP is expected to generate for the CRASs could impinge on their basic obligations toward other programs targeting priority families. To avoid the risk of coverage being switched between programs, support actions and technical assistance need to be strengthened to enable the teams to perform efficiently.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The program's executing agency will be the State of Paraná acting through the SEDS with collaboration from the State Department of Labor (SETS), the State Department of Agriculture and Supply (SEAB), and Paraná Edificações, as established in the respective terms of technical cooperation. The

- State Department of Health (SESA) and State Department of Education (SEED) will execute the local counterpart resources provided by the borrower. A PMU will be created, reporting directly to the SEDS secretary, with the following responsibilities: (i) conduct dialogue with the Bank on the implementation of actions financed by the program; (ii) coordinate, plan, execute, and provide technical support for the execution of interventions by the other participating state entities; and (iii) monitor and evaluate the program's progress, including the production of semiannual status reports and consolidated annual reports.
- 3.2 The PMU will be created through a state decree, and will be responsible for program coordination and execution, serving as a liaison between the SEDS, the Bank, and other public agencies. The PMU will consist of SEDS staff and professionals hired through a management firm, who will provide support in the accounting, financial, technical, and contracting areas. Strategic coordination of the program will be undertaken by the State Management Unit, which is the inter-sector referral mechanism for regional and municipal teams. This unit has representatives from the departments and is required to meet periodically to foster internal institutional coordination, support execution, and monitor and evaluate results. The Paraná State Audit Office, or an independent auditing firm approved by the Bank, will perform the program's independent external audit, pursuant to the Bank's rules and procedures.
- 3.3 **Implementation arrangements:** Component 1 implementation will be coordinated and executed mainly by the SEDS, which will be responsible for implementing the family case management model and for providing technical and financial support to the municípios. SETS and SEAB will provide training, socio-productive inclusion projects, and technical advice; while SESA and SEED will implement actions to monitor and support patients with chronic conditions and pregnant women and child, youth, and adult literacy efforts. Cash transfers to families will be made directly by the state to each beneficiary, using the payments system of the *Bolsa Família* program, subject to the eligibility criteria set out in the program's Operating Manual, and pursuant to the terms of the state law on the subject and its specific regulations. Subexecution agreements will be signed between the SEDS and the participating municípios, specifically defining the activities to be implemented by them. The model agreement will be sent to the Bank for its no objection before signing. Lastly, before starting their participation, the families that meet the eligibility criteria set out in the Operating Manual will sign a form indicating their agreement with the program's rules. The model for this form will also be submitted to the Bank for analysis and its prior no objection.
- 3.4 In the case of Subcomponent 2.1, a subexecution agreement will be signed between the SEDS and COHAPAR, to specify the fulfillment of all subcomponent activities. This agreement will be sent to the Bank for analysis and no objection prior to signing. For Subcomponent 2.2, an agreement will be signed between the SEDS and Paraná Edificações, which will be responsible for implementing some of the

- subcomponent's activities. Component 3 will be implemented directly by the SEDS, supported, in some cases, by other institutions to conduct studies and hold training events, and to implement the management information system.
- 3.5 Before the start of program execution, a detailed Operating Manual will be produced, to define planning and management criteria for proper implementation of the activities planned in the program and achievement of the targets included in the Results Matrix. The Operating Manual will specifically: (i) explain the program's organizational context and structure; (ii) provide exhaustive details of each execution process; (iii) specify the functions and responsibilities of each executing and subexecuting agency and the corresponding coordination mechanisms; and (iv) present the PMU organizational structure. The main objective is to ensure that the various program activities are properly executed.
- 3.6 **The following will be conditions precedent to the first disbursement; (i) evidence that the project management unit (PMU) has been formally set up and that its general coordinator and technical coordinators have been appointed; (ii) the Bank's no objection to the terms of reference for hiring the firm to support management of the project's actions; (iii) the Bank's approval of the Operating Manual; (iv) the Bank's no objection to the model terms of participation in the project by the selected municípios and to the terms of technical cooperation between the executing agency and SETS, SEAB, SESA, SEED, and Paraná Edificações, in order to establish their respective competencies and responsibilities for project execution; and (v) the Bank's no objection to the model legal instrument to be signed between the borrower and COHAPAR.** The following will be conditions precedent to the tendering of the works: (i) presentation, to the Bank's satisfaction, of the documents proving ownership of the land by the borrower, the participating município, or COHAPAR; (ii) declaration of special social interest zone (ZEIS) status by the respective municipality; (iii) presentation to the Bank's satisfaction of the resettlement plan for each community selected for intervention, pursuant to the Bank's OP-710 policy; and (iv) evidence that the legal instrument between the borrower and COHAPAR, under the terms agreed upon with the Bank, has been signed, for the purposes of assuming its obligations, included in Subcomponent 2.1 of the project.
- 3.7 **Procurement.** The procurement of goods and contracting of works and consulting services will be done according to the Policies for the procurement of works and goods financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9). In keeping with the analysis of the executing agency's capacity, the processes indicated in the procurement plan financed in whole or in part by the Bank will be reviewed ex ante, as will all procurement processes with an estimated cost above the thresholds for international competitive bidding (ICB) and all direct contracting.

- 3.8 Pursuant to the Bank's procurement policies, and specifically paragraph 3.10 (a) of document GN-2350-9, on services that represent a natural continuation of previous work carried out by the same firm; and paragraph 3.10 (d), when only one firm is qualified or has experience of exceptional worth for providing the service, the following institutions may be directly contracted for some of the actions specified in Components 2 and 3: the Foundation of the Federal University of Paraná (FUNPAR) and Universities of Paraná. These institutions may provide training for the municipal and regional teams and conduct studies and evaluations. Direct contracting is justified in this case by the specific nature of the actions envisaged and the experience of the institution in question.
- 3.9 **Advances of funds.** Program disbursements may be made in the form of advances of funds based on the financial programming planned by the executing agency and presented to the Bank. The PMU will submit the disbursement request to the Bank, together with a financial plan of expenses for each activity in the annual work plan (AWP) and the cash flow projection for the 180 days following each calendar six-month period.
- 3.10 **Retroactive recognition of expenses and advance contracting against the financing.** The Bank will recognize eligible expenditures incurred during the 18 months prior to the loan approval date but after 27 December 2012 (the project profile approval date), as a charge against the financing and local counterpart funding. In the case of expenses charged against the loan, recognition will be limited to US\$2 million, 3% of the loan amount. For expenses covered by local counterpart funding, the recognition limit will be US\$4 million, roughly 10% of the total local counterpart. Expenditures will be made in accordance with Bank procurement policies or substantially similar procedures.

B. Summary of results monitoring arrangements

- 3.11 The PMU will prepare semiannual status reports reflecting the achievement of the targets set for each component and subcomponent and reflected in the AWP and in the Results Matrix. Special attention will be given to the monitoring of activities to be implemented by the departments and associated organizations that have an impact on the fulfillment of the plans of action negotiated with the families. The management system being designed by the program will include the following modules: (i) base for social programs; (ii) administrative, financial, and budget management system; (iii) family case management; (iv) cash transfers; and (v) socio-territorial support and monitoring.
- 3.12 **Evaluation:** This will focus on key processes and outcomes of the service model, for which three essential dimensions have been chosen as a proxy for determining the program's final outcomes in relation to the families: (i) access to and use of services; (ii) functional autonomy (conditions for developing own initiatives); and (iii) psycho-social dimensions (autonomy, effectiveness, and self-efficacy). See [Monitoring and evaluation arrangements](#).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	i) Lending for poverty reduction and equity enhancement.		
Regional Development Goals	i) Extreme poverty rate, ii) Gini coefficient of per capita household income inequality, iii) Percent of households with electricity, and iv) Proportion of urban population living in dwellings with hard floor.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Students benefited by education projects, ii) Individuals benefited from programs to promote higher labor market productivity, iii) Households with new or upgraded water supply, iv) Households with new or upgraded sanitary connections, v) Number of households with new or upgraded dwellings, vi) Micro/small/medium productive enterprises financed, vii) Municipal or other sub-national governments supported, and viii) Farmers given access to improved agricultural services and investments.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2662-1	i) Strengthen integration between social welfare services and cash transfer programs, ii) Improve the access, coverage, and quality of mother-child services and reduce regional inequalities, iii) Improve coverage and retention in the education system, and iv) Promote productive inclusion of beneficiaries of the Bolsa Família and Plano Brasil sem Miséria programs.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	7.4		10
3. Evidence-based Assessment & Solution	6.7	33.33%	10
4. Ex ante Economic Analysis	5.5	33.33%	10
5. Monitoring and Evaluation	10.0	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	All Financial management and Procurement systems.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Two studies were carried out to: i) make a diagnosis of the current status of the SUAS system in Parana; and ii) analyze existing family mentoring schemes in the region and their applicability to Parana state. A strategic management workshop was also implemented in preparation for future implementation challenges.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The impact evaluation will determine the effect of the family mentoring model together with the increased access to social and housing services in household welfare and autonomy.	

The Project is an investment loan to Parana state, with the sovereign guarantee of the Republic of Brazil, for US\$ 100 million, to be financed by the Bank's Ordinary Capital (US\$ 60 million) and the local counterpart (US\$ 40 million).

The Project aims to reduce social vulnerability among the poorest families in Paraná state, by articulating public policies and services offered by the local government. The proposal adequately identifies the problem to be addressed by the project, presenting empirical evidence on the prevailing high poverty levels of certain municipalities in Paraná state. The document argues that the causal factors of this problem are socioeconomic and urban conditions, but the analysis of such factors is limited, as well as the evidence presented to support it. The document presents an acceptable vertical logic to the extent that the proposed interventions are related to the causal factors identified; however, it is not clear what the advantages of having the social protection and slum upgrading components together in a same project are. The results matrix follows an acceptable vertical logic with clear impacts, outcomes, outputs, and SMART indicators for outcomes and outputs.

Monitoring and evaluation mechanisms have been adequately planned and budgeted. The evaluation plan includes a study with experimental and quasi-experimental designs that will allow measuring the effectiveness of the interventions financed by the project. An ex-ante economic analysis of the social protection component was carried out.

The risk matrix identifies and rates project's risks, proposes mitigation measures and indicators to follow their implementation.

RESULTS MATRIX

Project objective	The <i>Família Paranaense</i> program's general objective is to help improve the quality of life and reduce the social vulnerability of families living in poor households in 156 municípios in the state of Paraná, by harmonizing policies and coordinating services provided by various government units.
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Impact indicators¹	Baseline	Target	Source
<i>Percentage of families with improved access to and use of education, health, and socio-productive development services</i>	0	30 percentage-point increase	<i>Program information system</i>
<i>Percentage of families that have improved their psycho-social empowerment index</i>	0 ²	20 percentage-point increase ³	<i>Surveys conducted as part of the program's impact evaluation</i>
<i>Percentage of families covered by the program who are developing social empowerment initiatives on their own account, after 24 months of case management</i>	0	30% increase	<i>Surveys of intermediate results (second round) with source of verification in the final survey</i>
Final outcome indicators	Baseline	Target	Source
<i>Percentage of families covered by Subcomponent 2.1 who are living in dwellings made from permanent materials with hard floors</i>	30%	100%	<i>Semiannual program report</i>
<i>Percentage of Subcomponent 2.1 beneficiary families with piped water in their dwelling</i>	50%	100%	<i>Semiannual program report</i>
<i>Percentage of Subcomponent 2.1 beneficiary families with wastewater disposal services</i>	0%	100%	<i>Semiannual program report</i>

¹ For a detailed description of the indicators, refer to the descriptive annex

² The baseline for this indicator and the following one will be determined from an initial survey of beneficiary families.

³ Percentage estimated on the basis of the self-efficacy scale of program BR-L1287.

Impact indicators¹	Baseline	Target	Source
<i>Percentage of families who have completed at least 60% of the items in the plan of action after two years of case management</i>	<i>0</i>	<i>60%</i>	<i>Program information system</i>
<i>Percentage of children 6 to 14 years of age, not attending school, who were enrolled and remained in school after two years of case management</i>	<i>0</i>	<i>50%</i>	<i>Program information system</i>
<i>Percentage of women and men participating in enterprises who increase their income</i>	<i>0</i>	<i>70%</i>	<i>Program information system</i>
<i>Variation in the percentage of participating municipios with CRASs that meet human resource standards by the end of the program</i>	<i>N/A⁴</i>	<i>30%</i>	<i>Program information system</i>
<i>Percentage of people participating in training on the program's methodology who score at least 60% on the knowledge test</i>	<i>0</i>	<i>90%</i>	<i>Knowledge tests</i>
Intermediate outcome indicators	Baseline	Target	Source
<i>Percentage of families who have completed at least 35% of the actions of the plan of action, after one year of case management</i>	<i>0</i>	<i>60%</i>	<i>Program information system</i>
<i>Percentage of women participating in the program who are up-to-date with their cervical-uterine and breast cancer checkups, in accordance with health-care protocols</i>	<i>0</i>	<i>60%</i>	<i>Program information system</i>
<i>Percentage of patients with chronic conditions in participating families being case managed by the health service according to the protocols</i>	<i>0</i>	<i>70%</i>	<i>Program information system</i>
<i>Percentage of pregnant women covered by the program who receive compulsory prenatal checkups</i>	<i>0</i>	<i>80%</i>	<i>Program information system</i>

⁴ N/A: Value to be determined before the start of program execution.

Component 1	Unit of measurement	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Family action plans prepared and agreed upon with the beneficiary family	#	0 (2012)	4,571	3,720	4,320	4,320	4,320	22,051	
People with the FPP profile trained and certified (SETS) ⁵	#	0 (2012)	540	720	720	630	450	3,060	
Number of rural family productive projects implemented (SEAB)	#	0 (2012)	0	639	729	729	729	2,826	
Number of families participating in new socio-productive inclusion projects that are already operating (cooperative associations) ⁶	#	0 (2012)	180	180	180	0	0	540	

Component 2	Unit of measurement	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Families who receive new dwellings ⁷	#	0	25	75	150	200	100	500	
Lots recorded and titled	#	0	0	150	190	300	238	878	
CRASs built and in operation	#	0	0	6	10	6	0	22	
CREASs built and in operation	#	0	0	3	2	2	1	8	

⁵ Truancy of 30% to 40 % in courses provided to FPP profile families.

⁶ 15 projects per year, with 15 FPP profile families on average. Each enterprise is monitored by the SETS for roughly two years.

⁷ Families to be resettled who illegally occupy land and/or lack basic services in the program's intervention area.

Component 3	Unit of measurement	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Research and studies undertaken	#	0	1 ⁸	0	2 ⁹	1	2 ¹⁰	6	
Number of participants in the program's training activities ¹¹	#	0	2,460	2,460	2,460	2,460	2,460	12,300	
Management information system module designed and operating	#	0	2 ¹²	2 ¹³	1 ¹⁴	0	0	4	

⁸ Study on productive inclusion.

⁹ First round of the midterm evaluation and impact evaluation.

¹⁰ Final program evaluation and second round of the impact evaluation.

¹¹ Introductory training module continued (100 people per year), regional training actions (23 regions, 80 people per year), macroregional training actions (four per year, 120 people per region), state committees (40 people, once a year). A student is deemed to have completed the course with attendance of at least 75% of the total number of hours scheduled.

¹² Module 1 (beneficiaries database) and administrative module (SIGMA PP).

¹³ Module 2 (cash transfer) and module 3 (ongoing support).

¹⁴ Monitoring module.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil

Project number: BR-L1372

Name: “*Família Paranaense*” Integrated Social Inclusion and Urban Requalification Program

Prepared by: Mônica Merlo (Financial Management Specialist)
Marília Santos (Procurement Specialist)

I. EXECUTIVE SUMMARY

Fiduciary management was evaluated on the basis of meetings held with the Bank’s project team and the executing agency and the institutional capacity assessment (ICAS) of the executing agency in February 2013. Consideration was also given to the operation’s preparation documents, the discussions and outcomes of the analysis mission, and the Bank’s experience working with similar projects at the federal, state, and municipal government levels.

Taking into account the institutional and risk evaluation performed on the executing agency, fiduciary agreements have been prepared for both procurement and financial administration and management, to be applied for program implementation.

II. FIDUCIARY CONTEXT OF THE COUNTRY

The Bank’s fiduciary strategy for Brazil continues to aim at strengthening external control systems; by the end of 2012, there were five State Audit Departments authorized to audit programs partly funded by the Bank, and a further seven are in the process of gaining authorization. This is possible because Brazil has sound country fiduciary systems, which allow for and facilitate effective management of administrative, financial, control, and procurement processes, upholding principles of transparency, economy, and efficiency. The Bank has been working with the three levels of government to ensure that existing management tools are used, with the aim of continuing the process of strengthening public institutions while simultaneously reducing transaction costs.

Lastly, the Bank has substantially increased the use of country public procurement systems, mainly COMPRASNET (the electronic reverse auction system administered by the federal government), Banco do Brasil’s e-procurement system, the state e-procurement systems of the State of São Paulo (BEC) and the State of Rio de Janeiro (SIGA), and the procurement portal of the State of de Minas Gerais.

III. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

The program's executing agency will be the State of Paraná's Family and Social Development Department (SEDS), which will set up a program management unit (PMU) to coordinate, plan, monitor, and implement activities related to the projects and actions financed with Bank resources. It will serve as the state government's interlocutor with the other government departments (Education, Health, Labor, and Agriculture) and agencies (the *Companhia de Habitação de Paraná* and *Paraná Edificações*) directly involved in implementing the actions provided for in the program's components.

As this is a state project, it is governed by national laws on public administration, including the Fiscal Responsibility Law and Law 8,666/93 on procurement.

As the SEDS will have to comply with the Bank's policies in implementing the program's procurement processes, it was agreed that a special bidding commission would be formed for this purpose within the PMU, which will conduct the direct execution processes that are under SEDS responsibility. To implement those actions, and taking account of the decentralized execution of actions in other departments and state agencies, the team needs to be strengthened and receive training in the Bank's fiduciary policies, rules, and procedures.

In relation to the computerized system needed to maintain accounting, financial, and procedural records and generate the reports requested by the Bank, it was reported that the intention is to use the SIGMA. This system will also be used by the *Paraná Seguro* program (BR-L1331), for which a module was expected to be developed by the state's technology company (CELEPAR).

The executing agency, acting through PMU/SEDS, will liaise with the other departments and agencies involved in program implementation, and for fiduciary and operational administration, including formulation of the budget and the processing of expense authorization and recognition, and respective payments.

IV. EVALUATION OF FIDUCIARY RISK AND MITIGATING ACTIONS

As a consequence of the exercise to evaluate the risks inherent in program implementation, and considering the outcome of the institutional fiduciary capacity analysis, the following risks were identified: implementation delays owing to a lack of knowledge of the Bank's procurement and financial management policies and procedures, and a potential failure to fulfill the planned disbursement schedule owing to difficulties and delays in implementing the laws allowing for the transfer of program resources to the beneficiary municípios (fund-to-fund and transfers). Mitigation actions: (i) creation of the PMU and appointment of its full-time staff; (ii) contracting of the firm to support the PMU in program management and administration; (iii) creation of a special bidding commission within the PMU/SEDS; (iv) training events for designated members of the implementation team; (v) approval, publication, and implementation of the fund-to-fund and transfers laws; (vi) verification of the operation of the SIGMA module that maintains records and generates the reports required by the Bank.

Bearing in mind that, under Component 1, the SEDS is expected to transfer resources to the municípios, a process that needs to be implemented effectively, the PMU will need to take into account the relevant accounting mechanism and regulations, including the requirement to justify 80% of expenses against the advances of funds before a new advance can be made. This will be done through plans of action to be agreed upon with the respective executing agents.

V. CONSIDERATIONS FOR THE SPECIAL CONTRACTUAL CLAUSES

Conditions precedent to the first disbursement: (i) evidence that the PMU has been formally set up and that its general coordinator and technical coordinators have been appointed; (ii) the Bank's no objection to the terms of reference for hiring the firm to support management of the project's actions; (iii) the Bank's approval of the Operating Manual; (iv) the Bank's no objection to the model terms of participation in the project by the selected municípios and to the terms of technical cooperation between the executing agency and the State Department of Labor, Employment, and Cooperative Association (SETS), the State Department of Agriculture and Supply (SEAB), the State Department of Health (SESA), the State Department of Education (SEED), and Paraná Edificações, in order to establish their respective competencies and responsibilities for project execution; and the Bank's no objection to the model legal instrument to be signed between the borrower and COHAPAR.

Special execution conditions: The following will be special conditions precedent to the tendering of works: (i) presentation to the Bank's satisfaction of the documents proving ownership of the land by the borrower, the participating município, or COHAPAR; (ii) declaration of special social interest zone (ZEIS) status by the respective municipality; (iii) presentation to the Bank's satisfaction of the specific resettlement plan for each community selected for intervention, pursuant to the Bank's OP-710 policy; and (iv) evidence that the legal instrument between the borrower and COHAPAR, under the terms agreed upon with the Bank, has been signed, for the purposes of assuming its obligations, included in Subcomponent 2.1 of the project.

Audited financial statements: Since the Paraná State Audit Office (TCE/PR) is eligible to audit Bank-funded programs, it is proposed that it serve as the program's external auditor.

Other financial management requirements: Documentation in support of expenses incurred will be reviewed ex post by the TCE/PR and by a consultant appointed by the Bank.

Exchange rate to be used: The executing agency has indicated that the exchange rate prevailing on the expense payment date will be used.

VI. PROCUREMENT AGREEMENTS AND REQUIREMENTS

1. Procurement implementation

The fiduciary agreements and requirements for procurement establish the provisions to be applied and observed in implementing all procurement processes envisaged for the program:

- a. **Procurement of works, goods, and nonconsulting services.** Works, goods, and services financed in whole or in part with IDB loan proceeds will be procured pursuant to the Policies for the procurement of goods and contracting of works financed by the IDB (document GN-2349-9) of March 2011.

The Bank may recognize the modalities provided for in Law 10,520/2002 (the electronic auction law) in procurement with an estimated cost below the threshold defined for international competitive bidding (ICB), per contract, provided the requirements specified in the Bank's procurement policies are respected, particularly in relation to: (i) the origin of the goods; (ii) the nationality of the suppliers; (iii) the alteration of purchase orders; (iv) prohibition of price bands; and (v) publication in a national newspaper.

Application of the provisions of Law 10,520/2002 will be subject to the following thresholds: (i) electronic auction, using systems approved by the Bank for the procurement of off-the-shelf goods and services, with an estimated cost equal to or less than US\$5 million; (ii) price list for the procurement of off-the-shelf goods with an estimated cost equal to or less than US\$5 million, with prior Bank authorization of such list; and (iii) in-person auction, for the procurement of off-the-shelf goods and services with an estimated cost equal to or less than US\$100,000. The Bank may eliminate the use of one or more of the modalities described in this paragraph at any time during the program execution period.

- b. **Selection and contracting of consulting services.** Consulting services for the program, financed in whole or in part with IDB loan proceeds, will be selected and contracted in accordance with the Policies for the selection and contracting of consulting services financed by the IDB (document GN-2350-9) of March 2011.

Consulting firms will be selected and contracted pursuant to the methods set out in Sections II (Quality- and cost-based selection – QCBS) and III (Other selection methods) of document GN 2350-9, with the processes being structured on the basis of the directives and standards described in Section II (Quality- and cost-based selection – QCBS).

In the contracting processes, the executing agency will draw up shortlists of six selected firms that have fulfilled the technical requirements specified in the call for expressions of interest.

Irrespective of the selection method used, when the estimated cost of the procurement is US\$200,000 or more per contract, the call for expressions of interest will be published in UNDB online (international advertising).

Individual consultants financed in whole or in part with IDB loan proceeds will be selected and contracted pursuant to the provisions contained in Section V (Selection and contracting of individual consultants) of document GN-2350-9.

For some of the actions included in Components 2 and 3, pursuant to the Bank's procurement policies, specifically paragraph 3.10(a) of document GN-2350-9, for services that represent a natural continuation of previous work carried out by

the same firm, and paragraph 3.10(d), when only one firm is qualified or has experience of exceptional worth for providing the service, direct contracting of the following institutions will be possible: Foundation of the Federal University of Paraná (FUNPAR) and Universities of Paraná. These institutions may be given responsibility for training the municipal and regional teams and for conducting studies and evaluations. This provision reflects the specific nature of the actions envisaged in these components, and the experience of the aforementioned institutions.

- c. **Retroactive financing and recognition of expenses.** The Bank will recognize eligible expenses as a charge against the financing and local counterpart funding, incurred during the 18 months prior to the loan approval date but after 27 December 2012 (project profile approval date). In the case of expenses charged against the loan, recognition will be limited to US\$2 million, 3% of the loan amount. For expenses related to local counterpart funding, the recognition limit will be US\$4 million, roughly 10% of the local counterpart. Expenditures will be made in accordance with Bank procurement policies or substantially similar procedures.

- d. **Domestic preference.** No domestic preference margins will apply.

2. Thresholds for Brazil (in US\$)

International competitive bidding (ICB) will be used for the procurement of works with an estimated value above US\$25 million and for the procurement of goods and nonconsulting services with a value above US\$5 million. If the Bank raises the threshold that determines the use of international competitive bidding, as established by the Bank on the www.iadb.org/procurement website, the borrower may choose to adopt the new threshold. For amounts below that threshold, the selection method to be used will depend on the complexity and characteristics of the procurement, as reflected in the procurement plan approved by the Bank. The threshold for including international consultants on the shortlist will be US\$1 million. For amounts below that threshold, the shortlist may consist entirely of national consultants.

3. Main procurement processes

Activity	Type of bidding	Estimated date	Estimated amount US\$
CONSULTING SERVICES			
Contracting of final project designs	QCBS	Aug - 2013	750,000
Contracting of the impact evaluation survey	DC	Aug - 2013	500,000
Contracting of support for program management	QCBS	Aug - 2013	5,081,140
TRAINING			
Contracting of postgraduate course for technical staff of the municípios and committees	DC	Aug - 2013	275,000
Contracting of training courses for management committees	DC	Aug - 2013	875,000
WORKS			
Construction of 8 CRASs	NCB	Aug-2013	2,200,000
Construction of 4 CREASs	NCB	Jul-2013	4,109,606

4. Supervision of procurement processes

In agreement with the team, it was decided that processes indicated in the procurement plan financed in whole or in part by the Bank will be reviewed ex ante, along with all processes with an estimated cost above the ICB thresholds and all direct contracting.

5. Special provisions

- Procurement plan: The PMU will submit any procurement plan updates for the following 18 months for review and approval by the Bank, either annually or as needed.
- The procurement of goods and nonconsulting services based on Law 10,520/2002 (Electronic Auction Law) will be processed in systems recognized by the Bank for that purpose.

6. Records and files

The program's records and files will satisfy the following conditions, at a minimum:

- Records/processes will contain original documentation filed in chronological order;
- Records/files will be stored in a suitable environment intended for that purpose, with restricted access and security guaranteed by preventive measures, such as no smoking on site, access to authorized personnel only, etc.;
- A record will be kept of all documentation on file.

VII. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

1. Budget

As is the case with any state government agency, the SEDS uses planning instruments such as the multiyear plan and the Annual Budget Law. The budget assigned to program activities forms part of the Annual Budget Law.

The 2013 Budget Law will include the funds needed to execute both the external loan and the local counterpart.

The Bank will recognize eligible project expenses according to established and executed line items and considered eligible under its OP-540 policy.

2. Treasury

The State of Paraná, which uses the Integrated Financial Administration System (SIAF), follows the expenditure payment practices imposed by this system. This starts with the entry of a request, followed by verification of the existence of the line item in the budget, approval of the expense, and payment.

3. Accounting and information system

The SEDS does not have an accounting and financial information system that is automated and integrated with the entity's general accounting, which would make it possible to identify program transactions, by funding source and investment category. That makes it impossible to generate the basic reports requested by the Bank. The indicated system (SIGMA) does not meet the Bank's requirements.

4. Disbursements and cash flow

The program will operate with funds advanced by the Bank to satisfy the project's real liquidity needs, pursuant to Bank procedures.

Supporting documentation for expenses incurred will be reviewed ex post by the TCE/PR and by a consultant appointed by the Bank.

For the purposes of accounting for the loan proceeds and local counterpart funding, the executing agency has yet to indicate which of the two conversion rules it intends to use, namely: (i) the same exchange rate used at the time of payment of the expense, for Bank resources; and (ii) the rate in force on the day prior to the date on which the disbursement request is presented to the Bank, for the reimbursement of expenses charged against the loan and recognition of expenses charged against local counterpart funding.

Expenses considered ineligible by the Bank will be reimbursed from the local counterpart funding or other resources, at the borrower's discretion, depending on the nature of the ineligibility.

To verify the activities and respective disbursements relating to transfers to the municípios under Component 1, the Bank may consider using the transfer documents produced for the municípios, provided the fund-to-fund transfer law is approved. Otherwise, each of the municípios will need to show that they have a system in place that can produce accounting

reports to be sent to the SEDS, which will consolidate all program expenses. Similarly, the other participating agencies will submit accounting reports to the SEDS through the SIAF system.

5. Internal control and internal audit

Internal control will be performed by the state's Internal Control Department and by the Office of the State Attorney General.

6. External control and reporting

External control will be maintained by the TCE/PR.

In this regard, the SEDS will file financial statements duly audited by the TCE/PR, within 120 days following the end of each fiscal year.

The contents of the reports and opinions to be issued will abide by the terms of reference prepared by the executing agency and accepted by the Bank, in line with current international auditing standards and other regulations and procedures observed by the Bank.

7. Financial supervision plan (see annex)

8. Implementation mechanism

The model proposed for program implementation would include the following:

Strategic level: Through a Strategic Coordination Committee with participation by representatives of the SEDS, other departments and agencies that comprise the implementation model, the Planning and Budget Department, and the Finance Department. The purpose of this committee is to establish the program's priority definitions and interactions with other agents participating in the program, to specify the main activities to be included in the program's annual work plans.

Executive and operational level: Under the responsibility of the PMU, within the SEDS, to: (i) plan and execute the program, based on the contractual frameworks specified in the loan contract signed with the Bank; and (ii) manage, monitor, and evaluate the achievement of the program's targets and actions, among other things.