

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

PROCIDADES - CATANDUVA

CATANDUVA INTEGRATED URBAN DEVELOPMENT PROGRAM

(BR-L1171)

LOAN PROPOSAL

This document was prepared by the project team consisting of Márcia Silva Casseb (FMM/CBR), Project Team Leader; Fernanda Magalhães (FMM/CBR), Catalina Gómez (FMM/CBR); Teresa Maurea Faria (LEG/SGO); Diomira Faria, Raúl Cisternas, José de Arimatéa Rodrigues, Bruno Seidler, Marisa Teixeira, Vera Bazzanella, and William Thornhil (consultants); Paula Cabral (CSC/CBR); and Ida M. Fernández (ICF/FMM).

CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problems addressed, and rationale	1
B.	Objectives, components, and costs	3
C.	Results matrix and key indicators	5
II.	FINANCIAL STRUCTURE AND MAIN RISKS	5
A.	Financing instruments	5
B.	Environmental and social risks	6
C.	Fiduciary risk	6
D.	Other special considerations and risks	7
III.	IMPLEMENTATION AND MANAGEMENT PLAN	9
A.	Implementation arrangements	9
B.	Monitoring and evaluation arrangements	11

ANNEXES	
ANNEX I:	Development Effectiveness Matrix (DEM) - Summary
ANNEX II:	Results matrix
ANNEX III:	Procurement plan summary

ELECTRONIC LINKS	
REQUIRED	
1. Annual work plan (AWP)	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487146
2. Program environmental and social management report	Presents a summary of the program's environmental and social management strategies http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482239
3. Program environmental assessment	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482248
4. Monitoring and evaluation arrangements	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482692
5. Procurement plan	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482627
6. Environmental classification and safeguards	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1507262
OPTIONAL	
1. Economic feasibility study	Presents the results for the projects in the representative sample http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482291
2. Institutional and financial analysis	Presents the results of the institutional capacity assessment of the Municipal Government of Catanduva and the fiduciary analysis of the program http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483468
3. Institutional analysis of sanitation	Presents the results of the institutional capacity assessment of the SMSB and the DAE http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482312
4. Institutional arrangements for program implementation	Presents the organization chart for execution and the main responsibilities for effective program implementation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482276

APPENDICES

Proposed resolution

ABBREVIATIONS

AWP	Annual work plan
BNDES	Banco Nacional de Desenvolvimento Econômico e Social [National Economic and Social Development Bank]
BOD	biochemical oxygen demand
CELT	Coordenação Municipal de Esporte, Lazer e Turismo [Municipal Sports, Recreation, and Tourism Coordination Office]
DAE	Departamento Municipal de Água e Esgotos [Municipal Water and Sewerage Division]
ESR	Environmental and Social Review
IBGE	Instituto Brasileiro de Geografia y Estadística [Brazilian Geography and Statistics Institute]
LCF	Local Currency Facility
LRF	Lei de Responsabilidade Fiscal [Fiscal Responsibility Law]
MC	Município of Catanduva
PAC	Programa de Aceleração do Crescimento [Growth Acceleration Program]
PMC	Prefeitura Municipal de Catanduva [Municipal Government of Catanduva]
PMU	program management unit
SAEC	Superintendência de Água e Esgotos de Catanduva [Catanduva Superintendency of Water and Sanitation]
SMA	Secretaria Municipal de Administração [Municipal Administration Department]
SMF	Secretaria Municipal da Fazenda [Municipal Finance Department]
SMMAA	Secretaria Municipal de Meio Ambiente e Agricultura [Municipal Department for the Environment and Agriculture]
SMNJ	Secretaria Municipal dos Negócios Jurídicos [Municipal Legal Affairs Department]
SMOS	Secretaria Municipal de Obras e Serviços [Municipal Works and Services Department]
SMPI	Secretaria Municipal de Planejamento e Informática [Municipal Planning and Information Systems Department]
SMS	Secretaria Municipal de Saúde [Municipal Health Department]
STU	Secretaría Municipal de Trânsito e Transportes Urbanos [Municipal Traffic and Urban Transport Department]

PROJECT SUMMARY

BRAZIL CATANDUVA INTEGRATED URBAN DEVELOPMENT PROGRAM (BR-L1171)

Financial Terms and Conditions			
Borrower: Município of Catanduva		Amortization period:	25 years
Guarantor: Federative Republic of Brazil		Grace period:	5 years
Executing agency: Município of Catanduva		Disbursement period:	4 years
Source	Amount	Interest rate:	LIBOR
IDB (Ordinary Capital)	US\$8,439,000	Inspection and supervision fee:	*
Local	US\$8,439,000	Credit fee:	*
Other	US\$0	Currency:	U.S. dollars from the Single Currency Facility of the Ordinary Capital
Total	US\$16,878,000	Conversion to reais:	Local Currency Facility
Project at a glance			
Objective: <p>The program's main objective is to promote improvement in the quality of life of the residents of the município of Catanduva through integrated actions in sanitation, environment, urban development, and institutional strengthening.</p> <p>Special contractual conditions: <u>Conditions precedent to the first disbursement:</u> selection of the management and financial and accounting control system (paragraph 3.13).</p> <p>Other special contractual conditions: (i) signature and entry into force of an agreement between the Município of Catanduva and the Catanduva Superintendency of Water and Sanitation (SAEC), in terms satisfactory to the Bank, will be a condition precedent to the start of execution of Component I (basic and environmental sanitation) and to the respective disbursements (paragraph 3.7); (ii) the executing agency will contract and deploy the management and financing and accounting control system for the program within three months of the signature of the loan contract (paragraph 3.13).</p>			
Project qualifies as: <div style="display: flex; justify-content: space-around; width: 100%;"> SEQ [] PTI [] Sector [] Geographic [] Headcount [] </div>			

* 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 the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee 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. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 **The município.** Catanduva is located in the northwestern part of the state of São Paulo, close to the area's large industrial centers, such as São José do Rio Preto and São Paulo, the state capital. It has a population of 113,578,¹ is 99% urban, and covers an area of 292 km², with a relatively low average population density in the urban area of 388 people per km².
- 1.2 Together with 13 other municípios, Catanduva is part of the Catanduva microregion, which is a major commercial hub that stands out as an industrial zone that is spurring growth in the region. Attesting to this development, municipal gross domestic product (GDP) grew by 48% between 2000 and 2005 (in 2005 GDP was R\$1.551 billion). In addition to having a strong economy, Catanduva has a Municipal Human Development Index of 0.833, which ranks it among the 30 best municípios in the state out of a total of 644.² Moreover, the coverage of basic services is quite high; for example, water supply and sewage and solid waste collection coverage is 100%.
- 1.3 **Main urban problems: emphasis on environmental sanitation.** The urban development process in Catanduva began in the 1960s and has been marked by its speed and relative haphazardness. Evidence of this includes the emergence of a number of subdivisions with inadequate urban infrastructure and the obstruction of the natural drainage patterns of rivers and valley bottoms owing to the construction of roads and buildings.³ Also, unsuitable dumps are being used for the final disposal of municipal solid waste. Taken together, these actions are causing a serious process of degradation of the município's natural resources, primarily its water resources.
- 1.4 Another factor that contributes to the município's urban problems is that it is located in the watersheds of the Onça, Cubatão, and São Domingos Rivers, which are highly polluted. For example, no plant life grows on the banks of the São Domingos River, which is extremely polluted by sewage discharge, making it one of the most contaminated watersheds in the state of São Paulo (estimates suggest that a biochemical oxygen demand (BOD) load of 6,783 kg/day is discharged into the São Domingos River and its tributaries that run through the município, which receive a flow of 302 l/s of raw sewage). To address this situation, the Municipal Government of Catanduva (PMC) has begun a process of environmental cleanup and recovery of the banks of the watercourses, particularly those of the São Domingos River, and the expansion of parks and green areas along the river to contribute to its environmental recovery (paragraphs 1.9 and 1.10).

¹ Instituto Brasileiro de Geografia e Estatística (IBGE), 2004.

² United Nations Development Programme (UNDP), 2000.

³ Catanduva master urban development plan, 2006.

- 1.5 **Status of municipal institutions.** The PMC's structure includes the mayor's office, the deputy mayor's office, and 12 departments. The departments have sufficient trained staff. As for the PMC's institutional capacity, the Bank's diagnostic assessment underlines the need to: (i) improve the integrated financial management systems; (ii) build up the capacity to audit and control public accounts; and (iii) consolidate the instruments to support sector planning and provide the municipal departments with equipment and programs for their operation. To address the first point, the PMC is completing implementation of a program to improve tax administration, financed by the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) for US\$1.9 million.
- 1.6 The present program will complement the activities of the tax administration program, specifically in the second and third points, which are intended to provide the PMC with greater capacity for internal control, tools to support sector planning, and information systems and equipment, with priority given to key sectors that lack up-to-date diagnostic assessments and strategic guidelines, such as the transportation and integrated sanitation sectors.
- 1.7 **Institutional status of the sanitation sector.** Basic sanitation service coverage is quite high and the current municipal administration has been having positive results in sector management and operating efficiency. For example, from 2005 to 2007, estimated losses in the water systems were cut back from 48.9% to 34.1%, which represents considerable progress, although the figure is still high for the system. The nominal readjustment in rates (of about 170% over the period) and implementation of measures to recover overdue accounts (with an increase in collection levels from 82% in 2004 to 94% in 2007), generated a positive and growing annual cash flow. This flow is sufficient to fully cover operating and maintenance costs and the cost of rehabilitating deteriorated systems, and to obtain a surplus, which will be transferred to the município's central administration.
- 1.8 At the same time, the sector diagnostic assessment highlights the need to implement a series of measures for the institutional development of the sanitation management team, in view of a number of weaknesses identified. These include some limitations on the part of the management team's technical and administrative capacity for service operation, administration, and marketing. To address this situation, the program will support the structuring of the Catanduva Superintendency of Water and Sanitation (SAEC), which is a recently created decentralized agency with greater administrative and financial autonomy, which will have the ability to apply a cost-recovery policy through fee collection and rates. The program's institutional strengthening component will support SAEC in establishing an autonomous agency and in contracting specialized consulting services to set it up, design a plan to control water and billing losses, and implement the necessary management systems (paragraph 1.15).
- 1.9 **Municipal strategy.** The município has a series of important planning tools, such as the Catanduva urban development plan, which was drawn up in 2006 to identify strategic areas and structural projects to attain the development objectives. The plan

provides for macro-zoning the município and identifies priority urban interventions, with emphasis on recovery of the São Domingos River watershed. By identifying and mapping the município's risk areas, the urban development plan also established the need to expand the areas set aside as urban parks.

- 1.10 The municipal strategy for addressing the most critical environmental sanitation problems includes opening and expanding urban parks, particularly along the São Domingos River, which is considered the município's main Special Promotion and Environmental Recovery Area. The river's water quality will be improved and the banks will be reclaimed. Furthermore, environmental inspection, monitoring, and educational activities will be stepped up. The spaces will be transformed into recreational and community areas since the city does not currently have this type of urban amenity. The cleanup of this area will be complemented by the treatment of water pollution sources that affect the river. These interventions will be financed by different sources, including the PMC itself, the Growth Acceleration Program (PAC),⁴ and funds from the operation proposed here.
- 1.11 **Rationale.** Given the importance of adopting an integrated approach to the main problems facing Catanduva, the PMC has requested a loan from the Bank for the present operation to cover the priority areas and sectors identified in its urban development plan. This operation is also consistent with the Bank's strategy with Brazil in terms of urban development by local governments, since it seeks to improve the living conditions of the residents of the município through interventions in environmental sanitation and urban revitalization and addresses key aspects related to the institutional strengthening of the PMC. The proposed program complies with the conditions, eligibility criteria, and investment sectors stipulated in the PROCIDADES lending facility.⁵

B. Objectives, components, and costs

- 1.12 **Objectives.** The program's main objective is to promote improvement in the quality of life of the residents of the município of Catanduva through integrated actions in the areas of basic sanitation, environment, urban development, and institutional strengthening.
- 1.13 **Component I. Basic and environmental sanitation (US\$9.9 million).** This component will support actions intended to clean up the São Domingos River. They include the construction of a treatment plant, which will treat residential sewage and liquid waste from industries and the city's future sanitary landfill. The plant will have an average capacity of 380 liters per second and will make it possible to cover approximately 173,000 people. Treatment will involve aerated lagoons (diffusers) and waste lagoons. The materials retained in the intake screens and the sludge from the waste lagoons will be deposited in the sanitary landfill located

⁴ PAC financing will support the building of collector and interceptor sewers.

⁵ PROCIDADES (BR-L1043), a lending facility that finances integrated urban development programs for Brazilian municípios, was approved by the Bank's Board of Executive Directors on 11 October 2006.

- 1 km away from the plant.⁶ This investment will complement the sanitation works being built in the município, particularly the intercepting and collector/trunk sewers to be financed by the PAC (as mentioned in paragraph 1.10).
- 1.14 **Component II. Urban revitalization (US\$3.3 million).** This component will finance green corridors in the São Domingos River valley along the section that runs through the central area of the city. These corridors will consist of a network of open and linear parks covering a total length of about 5.5 km in 37 hectares. The open parks will include wide areas outfitted with recreational equipment such as sports fields, plazas, gardens, and spaces for community and social activities. The linear parks will link the open parks and will contain sidewalks and paths for pedestrians and cyclists. In both cases, the landscape along the banks of the São Domingos River will be restored and large green spaces will be established for the urban revitalization of the município.
- 1.15 **Component III. Institutional strengthening (US\$1.5 million).** This component is structured into four subcomponents. The first, which is linked to improving the operation of the sanitation sector, will finance: (i) support for structuring SAEC, a decentralized water and sewerage services agency; (ii) consulting services retained to formulate a plan to reduce and control water and billing losses; and (iii) the procurement and implementation of management systems for the autonomous agency. The second subcomponent will finance consulting services to develop sector management tools, such as the integrated sanitation plan and the urban mobility plan. The third will finance implementation of the actions included in the program's environmental and social management plan, with a view to strengthening municipal environmental management. The actions include the development of an environmental education program, a quality monitoring program for the treatment station and the receiving body, an inspection and orientation program for users of the sewerage system, a program for the control and preservation of underground aquifers, and a public information program. The fourth subcomponent will finance the procurement of computer hardware and software for the program management unit (PMU) and SAEC and training in the PMC's internal audit area.
- 1.16 **Studies and projects (US\$1 million).** The program will finance development of the studies and projects required to support the actions under the investment components (paragraphs 1.13 and 1.14).
- 1.17 **Program administration (US\$0.9 million).** In addition to the components described, the program will finance: (i) specialized consultants to support management of the operation and supervision of program actions; (ii) the costs associated with the monitoring and evaluation of activities; and (iii) an independent firm of auditors to perform the accounting and financial audits.
- 1.18 **Costs.** The program's costs are summarized in the following table:

⁶ Catanduva's sanitary landfill has been built. The sludge will only be deposited in the facility four years after the treatment plant comes on line.

Table 1-1. Cost and financing (in thousands of U.S. dollars)*

Category	IDB	Local	Total	%
I. Program administration	854	71	925	5.5
1.1 Support for management	772	0	772	4.6
1.2 Management and monitoring system	0	71	71	0.4
1.3 Auditing	82	0	82	0.5
II. Investment components	7,585	8,368	15,953	94.5
2.1 Basic and environmental sanitation	4,988	4,988	9,976	59.1
2.2 Urban revitalization	1,682	1,684	3,366	20.0
2.2 Institutional strengthening	480	1,097	1,577	9.3
2.3 Studies and projects	435	599	1,034	6.1
Total	8,439	8,439	16,878	100
%	50	50	100	

*The financial costs, interest, and credit fee will be paid from resources outside the program.

C. Results matrix and key indicators

- 1.19 The program's impacts will be measured using the following outcome indicators:⁷ (i) increase in value per square meter of buildings located within the area up to 300 meters from the banks of the São Domingos River; (ii) reduction in average BOD in the São Domingos River; (iii) increase in average dissolved oxygen in the São Domingos River; and (iv) increase in the number of weekend users of the São Domingos park. The indicators and their projected values are presented in detail in the results matrix (Annex I).

II. FINANCIAL STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Program funds and disbursement timetable.** The program will cost a total of US\$16.8 million, with 50% financed by the Bank from the Ordinary Capital and the other 50% provided by the Município of Catanduva. The planned execution period is four years after the loan contract enters into force. The disbursement timetable is presented below:

Table 2-1. Disbursement timetable (in millions of U.S. dollars)

Source of financing/year	1	2	3	4	TOTAL
IDB	0.8	2.0	4.0	1.6	8.4
MC	0.8	2.0	4.0	1.6	8.4
TOTAL	1.6	4.0	8.0	3.2	16.8
%	10	25	45	20	100

⁷ The method used to calculate the indicators and the monitoring points is presented in the electronic link on monitoring and evaluation arrangements ([IDBDOCS1482692](https://www.idbdocs.org/eng/document/2016/01/IDBDOCS1482692)).

- 2.2 **Financial conditions.** The Município of Catanduva has asked the Bank to use the Local Currency Facility (LCF). The present program will be drawn from the Single Currency Facility of the Bank's Ordinary Capital in U.S. dollars and will be subject to the operational framework for lending in local currency (document GN-2365-6). To offer the Município the possibility of minimizing the exchange risk, it will have the right, as established in the LCF, to convert disbursements and outstanding balances into *reais*. Pursuant to the mechanism established in PROCIDADES, this will enable the Município to develop a public borrowing strategy with ever-larger local currency components, using resources from the Single Currency Facility of the Bank's Ordinary Capital.

B. Environmental and social risks

- 2.3 To comply with the Bank's safeguards policy, when the operation was being prepared, an environmental assessment report was produced jointly with the PMC.⁸ The document establishes the environmental procedures that will be taken into account during the operation, including: (i) environmental eligibility criteria; (ii) requirements for processing the environmental licenses for works; (iii) the procedures for designing the routines for environmental supervision, inspection, and monitoring; and (iv) fulfillment of the activities set out in the Environmental and Social Management Plan. The anticipated adverse impacts will be temporary and moderate and will be limited to the works stage. Given these characteristics, the program has been classified under the Bank's environmental policy (OP-703) as a category B operation. It was studied by the Environmental and Social Review (ESR) Committee at its meeting on 2 May 2008 (ESR 17-08) and was approved as presented in the project profile.
- 2.4 Since adjacent communities could be affected by disturbances during the works such as noise, traffic detours, temporary road closures, and local environmental pollution, the following tools have been prepared: (i) a plan for environmental control of the works, including occupational health and safety; (ii) a public information program to inform the public directly affected by the works; and (iii) a specific environmental education program for conservation of the park structures. All these activities are expected to be carried out under the institutional strengthening component (paragraph 1.15).

C. Fiduciary risk

- 2.5 The financial and capital analysis based on the accounting statements for the period 2002-2007 and the financial projections for the next 10 years indicate that the Município of Catanduva will be able to contribute the necessary counterpart funds for the project in the amounts and at the times indicated.
- 2.6 The Fiscal Responsibility Law (LRF) requires compliance with a series of financial indicators as a criterion to determine the eligibility of municípios to contract external debt and to obtain Brazil's sovereign guarantee. The period 2004-2007 has

⁸ Also known as an RAA, the Portuguese-language acronym for Relatório de Avaliação Ambiental.

been analyzed for that purpose and the results are presented in the following table, which confirms that the Município of Catanduva complies with the established limits for all the indicators analyzed.

Table 2-2. Financial situation and external debt capacity (%)

Indicator	Limit	2004	2005	2006	2007
Personnel expenditures/net current revenue (NCR)	54	50.2	48.0	49.6	48.7
Net consolidated debt/NCR	120	22.6	9.1	(1.0)	(9.2)
Total guarantees	22	0	0	0	0
Internal and external credit operations	16	1.4	0	0	1.0

D. Other special considerations and risks

- 2.7 **Socioeconomic viability of the urban revitalization component.** To establish the socioeconomic viability of this component, a cost-benefit analysis was performed comparing the situation with and without the project to establish three parks along the São Domingos River, which is the city's main river. For the analysis, it was necessary to consider the costs and benefits of installing the collector and intercepting sewers, since without those works, the parks could not be built, given the extent of the pollution in the river. The benefits were estimated using willingness to pay on the part of the potential users of the parks and hedonic prices. The increase in the value of properties lying close to the bodies of water where the collector sewers will be installed was determined using an econometric model.
- 2.8 A survey was conducted to find the unit value of willingness to pay, which was determined to be R\$27.11 per family a year, or the equivalent of R\$2.26 a month per family. The population that will benefit directly was defined as people living within a radius of up to 500 meters around the parks, which amounts to 17,000 people and, indirectly, the rest of the city's population. To estimate the increase in land value from the project to build the collector sewers, information from the property records and the property assessment roll was used, which are both official records kept by the PMC. The result was an increase of 15.5% in land values. The costs considered for the evaluation were the incremental investment, and operating and maintenance costs, valued at efficiency prices. The results of the analysis show that the projects are economically feasible with a net present value of R\$1.9 million, a benefit-cost ratio of 1.15, and an internal rate of return of 13.7%. The following table presents the results:

Table 2-3. Economic cost-benefit analysis

Intervention	Net present economic value (R\$ thousands)				IRER*
	Benefit	Investment	Operation and maintenance	Net benefit	
Urban revitalization	15,702	11,601	2,109	1,991	13.7

* Economic internal rate of return

- 2.9 A sensitivity analysis was also performed of the component, simulating changes in the expected benefits and costs incurred. The projects can accept cost increases of up to 17% and a reduction in the expected benefits of up to 12% and still remain economically viable.
- 2.10 **Socioeconomic viability of the basic and environmental sanitation component.** To establish the viability of this component, a least-cost and cost-efficiency analysis was performed. The treatment plant to be financed by the component was subjected to a least-cost alternatives analysis and cost-efficiency indicators were determined for the selected alternative, comparing the results with similar projects already built in other cities. The incremental investment and operating and maintenance costs were considered for the analysis. The most economical alternative was treatment using ponds. The cost-efficiency indicators show that the cost of the Catanduva treatment plant is comparable to sewage treatment in localities of similar size using similar techniques. The following table presents the results:

Table 2-4. Cost-efficiency indicators

Sewage treatment plant	Indicator of reduction in BOD in R\$/kg	Marginal cost (R\$/m ³)
Catanduva	2.10	0.40
Recanto das Emas	3.62	1.23
Gama	1.98	0.93

- 2.11 **Institutional capacity analysis.** The analysis performed using the Project Risk Assessment Tool concluded that the project poses moderate-low risk. The main risk identified is the lack of qualified personnel to implement the program. To mitigate this risk, consultants will be retained to support execution of all the technical, administrative, and financial aspects of the operation (paragraph 3.2).
- 2.12 **Risks.** The main risk for effective execution of the basic and environmental sanitation component is that delays may occur in approval of the PAC financing to support building the collector and intercepting sewers (paragraph 1.13). These works are necessary to complete the sewage collection system and for the treatment plant to be fully operational—both of which are to be financed by the present operation. To mitigate the risk of possible delays in approval of the loan, the PMU will maintain close coordination with the Ministry of Cities, which manages the PAC financing, to ensure the timely transfer of resources to the PMC.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Implementation arrangements

- 3.1 The borrower will be the Município of Catanduva. The Federative Republic of Brazil will be the guarantor. The executing agency will be the Município of Catanduva through the program management unit (PMU), which has been established under an official decree linking it directly to the mayor's office.
- 3.2 The PMU will be composed of a basic team consisting of a general coordinator and three managers, one for each component. This staff will be drawn from the PMC's senior technical staff. Also, the PMU will contract consultants, who will support management in the administrative-financial and accounting areas and in the sanitation and urban development sectors. A special bid committee will be established to support the procurement processes, composed of PMU staff and professionals from the PMC's standing bid committee, trained by the Bank in its policies and rules for the procurement of goods and services. The works will be built by private companies, supervised by the PMU and inspected by the Municipal Department of Works and Services (SMOS) and by the Municipal Department for the Environment and Agriculture (SMMAA), and an engineer hired as an independent consultant.
- 3.3 The PMU will be responsible for coordinating and executing the different actions and interventions and for promoting communication and integration among the different agencies involved in the program. It will act as the PMC's chief interlocutor with the Bank. It will also be responsible for financial and accounting management of the operation. The PMU's main functions include: (i) planning the program's investments and budget coordination with the pertinent bodies and entities; (ii) evaluation of the final project designs for the works; (iii) operation of the management and accounting systems necessary to provide physical and financial support; (iv) physical and financial control and preparation of the respective progress reports; (v) preparation and monitoring of the bid processes for the works and procurement of goods and services; (vi) support for the supervision and inspection of the works; (vii) coordination and supervision of social and environmental aspects; (viii) control of accounting and files, presentation of disbursement requests, and presentation of accounts; (ix) coordination of compliance with the contractual clauses established in the loan contract; (x) monitoring and evaluation of the outcomes and of the targets and indicators in the Results Matrix; (xi) preparation of the annual work plans (AWPs); (xii) preparation of the terms of reference for contracting individual consultants and consulting firms; (xiii) preparation of all the technical and administrative documents required for the bidding and contracting processes; and (xiv) preparation of other reports requested by the Bank.
- 3.4 The departments and entities actively involved in program implementation will be the Municipal Departments of: Planning and Information Systems (SMPI), Traffic and Urban Transport (STU), Finance (SMF), Legal Affairs (SMNJ), Administration

- (SMA), Health (SMS), Works and Services (SMOS), and Environment and Agriculture (SMMAA), the Municipal Sports, Recreation, and Tourism Coordination Office (CELT), and SAEC.
- 3.5 To contribute to closer sector coordination in this operation, a program executive committee will be established, chaired by the mayor and composed of the heads of the agencies mentioned. The committee has maximum authority to make decisions related to the program.⁹ It will meet in regular session every three months and at such other times as are necessary to coordinate relevant business, solve any problems, and report to the mayor about key aspects of the operation. The committee will also be responsible for officially approving the AWP and the project progress reports.
- 3.6 **Arrangement for execution of the components.** The PMU will be responsible for general coordination and supervision of program implementation. The component managers will act as liaison between the PMU and each of the entities involved in implementing the respective components.
- 3.7 Execution of the basic and environmental sanitation component will be supervised by the PMU in close coordination with SAEC. The SMMAA and the SMS will be responsible for coordinating the environmental education actions to be carried out under that component. **The signature and entry into force of an agreement between the Município of Catanduva and SAEC, in terms satisfactory to the Bank, will be a condition precedent to the start of execution of Component I (basic and environmental sanitation) and to the respective disbursements**
- 3.8 Execution of the urban revitalization component will be the responsibility of the PMU in close coordination with the SMPI, SMOS, SMMAA, and CELT. Execution of the institutional strengthening component will be supervised by the PMU in coordination with SAEC and the SMA. Development of the master transportation plan will be the responsibility of the STU and development of the comprehensive sanitation plan will be the responsibility of SAEC. Procurement of the computer equipment will be the responsibility of the PMU in coordination with the special bid committee.
- 3.9 **Procurement of works, goods, and services.** The procurement of works, goods, and related services, and the contracting of consulting services will be subject to the Bank's bidding policies and procedures. When the estimated cost of a contract for works is US\$10 million or more and the cost of contracts for goods and services is US\$500,000 or more, the procurement will be subject to international competitive bidding procedures. Contracts for works and for goods costing US\$500,000 or more but under US\$10 million and US\$100,000 or more but under US\$500,000, respectively, will be subject to national competitive bidding procedures. Contracts for works and for goods estimated to cost less than US\$500,000 and US\$100,000,

⁹ The powers and responsibilities of the program's executive committee are set out in the decree establishing it (Articles 1, paragraph 2, of Municipal Decree 5,104/08, altered by Municipal Decree 5,412/09).

respectively, will be subject to price comparison. All consulting contracts for US\$200,000 equivalent or more will require international publicity. For consulting contracts under US\$500,000, the short list may be composed exclusively of national consultants. Works, goods, and services will be contracted following the procurement plan presented in Annex III.

- 3.10 **Revolving fund.** To provide advance funds for activities financed with Bank resources, a revolving fund will be established, limited to 10% of the loan. The executing agency will be responsible for presenting the Bank with semiannual reports on the fund, within 60 calendar days after the close of each six-month period.
- 3.11 **Disbursements.** According to the operating regulations of the PROCIDADES credit facility, this program will be supervised with more flexibility, given the results of the risk analysis (paragraph 2.9), which indicate a moderate-low risk. Supervision for operations involving this degree of risk allows for ex post review of procurement procedures and disbursement, which will be performed directly by the program's external auditors. However, for the purposes of this operation, as a temporary measure, ex ante reviews will be performed of the first procurement of works and goods and the first consulting contract, and of the first disbursement request, to allow the Bank to verify the PMC's capacity in these kinds of procedures and provide guidance. After these initial contracts and disbursements, the Bank may proceed with ex post review for the rest of the operation.
- 3.12 **Audits.** The PMU will present the audited financial statements of the program annually during execution, within 120 days of the end of the fiscal year. The auditors' final reports will be presented within 120 days of the last disbursement.

B. Monitoring and evaluation arrangements

- 3.13 **Monitoring system.** To ensure effective monitoring of actions during the program, the PMU will implement a system for management and financial and accounting control that is compatible with the Bank's systems and makes it possible to monitor the outcome indicators and program outputs. The indicators are presented in the results matrix (Annex II) and include: (i) monitoring physical progress and compliance with the annual targets of the program and the specific components; (ii) evaluation of the outcomes of these actions and projects; and (iii) the efficiency and effectiveness of the program. The management system should have the characteristics and capacity agreed on with the Bank so that information can be shared with the PROCIDADES system to be implemented by the Bank. **Selection of this management and financial and accounting control system will be a condition precedent to the first disbursement of the loan. In addition, the contracting and deployment of that system by the executing agency within three months of the signature of the loan contract will be a special condition of execution.**
- 3.14 **Midterm and final reviews.** The PMU will prepare and send a midterm evaluation report to the Bank within 90 days after 50% of the loan proceeds have been

disbursed or after 30 months of project execution, whichever comes first. It will also prepare and send a final evaluation report to the Bank that will be used as input for the Project Completion Report, within 90 days after 90% of the loan proceeds have been disbursed. These reports will include: (i) the results of financial execution by component; (ii) attainment of the targets for outputs and outcomes and progress in terms of the expected impacts, based on the indicators established in the program's Results Matrix (Annex II); (iii) compliance with the environmental requirements and specifications for the works, as established in the Environmental Assessment Report and the respective licenses; (iv) compliance with the operation and maintenance tasks for the completed works; (v) a summary of the most relevant socioenvironmental impacts; (vi) compliance with the contractual commitments; and (vii) a summary of the results of all the audits performed during the program. Once they are accepted by the Bank, these two evaluation reports will be made available to the public on the PMC's web site. They will be performed by consulting firms to be contracted by the PMU and financed from the loan.

RESULTS MATRIX

General program objective:		The program's main objective is to promote an improvement in the quality of life of the residents of the município of Catanduva through integrated actions in sanitation, environment, urban development, and institutional strengthening.					
Outcome indicators: End of program		Baseline	Target	Comments			
15% increase in property values in the Jardim São Domingos neighborhood, which is directly affected by the program.		R\$127/m²	R\$146/m²	Source: Município's property assessment roll (see properties with the following registration numbers: 712228007501001, 712300006801001 y 712229029501001 and the following numbers in the cadastre: 4617001, 4631301 y 4622201), SMPL.			
90.4% reduction in average BOD in the São Domingos River.		73 mg/liter*	7 mg/liter*	Source: SAEC			
460% rise in the dissolved oxygen index in the São Domingos River.		0.89 mg/liter	5.0 mg/liter	Source: SAEC			
Increase in the number of visitors to São Domingos park.		0	2,000 people each weekend	Source: CELT			
Objective of component 1:		To support the efforts of the PMC to clean up the São Domingos River					
Component 1	Base	Year 1	Year 2	Year 3	Year 4	Goal	Comments
Outputs Treatment plant built.	0	0	0	0	1	1	Source: SAEC
Objective of component 2:		To improve environmental and urban conditions in the município					
Component 2	Base	Year 1	Year 2	Year 3	Year 4	Goal	Comments
Outputs Green corridor installed along the São Domingos River.	0 km	0	2.7 km	2.7 km	0	5.4 km	Source: SMOS
Objective of component 3:		To provide the PMC with tools for sector planning and improve its public management capacity					
Component 3	Base	Year 1	Year 2	Year 3	Year 4	Goal	Comments
Outputs Master urban mobility plan completed.	0	0	1	0	0	1	Source: STU
Integrated municipal basic sanitation plan completed.	0	0	1	0	0	1	Source: SAEC
Water loss control plan completed.	0	1	0	0	0	1	Source: SAEC
Decentralized water and sewerage management agency set up with sufficient staff and operational.	0	0	1	0	0	1	Source: SAEC

PROCUREMENT PLAN SUMMARY TABLE

Ref. No.	Category, description, and estimated cost	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
				IDB %	Local %		Publication of specific notice	Completion of contract
GOODS								
01	Purchase of information system materials and licenses Estimated cost = US\$38,100	PC	Ex ante	50	50	No	2nd quarter 2010	4th quarter 2010
02	Purchase of goods for operation of the PMU Estimated cost = US\$64,200	PC	Ex post	50	50	No	2nd quarter 2010	4th quarter 2010
03	Procurement of sand traps and screens for preliminary treatment Estimated cost = US\$1,541,100	NCB	Ex ante	50	50	No	1st quarter 2011	4th quarter 2011
04	Procurement of aerators Estimated cost = US\$2,322,400	NCB	Ex post	50	50	No	1st quarter 2011	4th quarter 2011
05	External, process, and auxiliary pipes Estimated cost = US\$401,900	NCB	Ex post	50	50	No	1st quarter 2011	4th quarter 2012
WORKS								
01	Construction of the treatment plant and lifts Estimated cost = US\$4,711,100	NCB	Ex ante	50	50	No	1st quarter 2011	2nd quarter 2012
02	Establishment of open parks Estimated cost = US\$1,352,700	NCB	Ex post	50	50	No	1st quarter 2011	2nd quarter 2012
03	Establishment of the linear park Estimated cost = US\$2,010,740	NCB	Ex post	50	50	No	1st quarter 2012	2nd quarter 2013

Ref. No.	Category, description, and estimated cost	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
				IDB %	Local %		Publication of specific notice	Completion of contract
CONSULTING SERVICES								
01	Training in audits Estimated cost = US\$29,400	QCBS	Ex ante	50	50	No	3rd quarter 2010	4th quarter 2010
02	Urban mobility plan Estimated cost = US\$283,300	QCBS	Ex ante	50	50	No	1st quarter 2011	2nd quarter 2012
03	Plan for water loss control and reduction Estimated cost = US\$234,400	QCBS	Ex ante	50	50	No	3rd quarter 2010	4th quarter 2010
04	Structural plan for the DAE Estimated cost = US\$175,400	QCBS	Ex post	50	50	No	2nd quarter 2010	4th quarter 2010
05	Support for program management Estimated cost = US\$772,000	CI	Ex ante	100	0	No	1st quarter 2010	4th quarter 2013
06	Public information program Estimated cost = US\$22,500	QBS	Ex ante	50	50	No	2nd quarter 2010	3rd quarter 2013
07	Environmental education program Estimated cost = US\$94,800	QBS	Ex post	50	50	No	2nd quarter 2010	3rd quarter 2013
08	Aquifer control program Estimated cost = US\$160,000	QCBS	Ex post	50	50	No	2nd quarter 2010	4th quarter 2011
09	Audits Estimated cost = US\$82,300	AF-200(*)	Ex ante	50	50	No	2nd quarter 2010	4th quarter 2013
10	Management systems Estimated cost = US\$71,800	SSS***	Ex ante	50	50	No	1st quarter 2010	4th quarter 2013

Ref. No.	Category, description, and estimated cost	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
				IDB %	Local %		Publication of specific notice	Completion of contract
SERVICES OTHER THAN CONSULTING SERVICES								
1	Procurement of a GIS and training Estimated cost = US\$165,800	QBS	Ex post	50	50	No	2nd quarter 2010	4th quarter 2010

* Request for roster of proposals/selection of external auditors of projects

** Five specialists will be hired to support the program management unit. The costs include reimbursable expenses.

*** Single source procurement (SSS) is justified because a Bank-subsidized system is involved, which is already being implemented in other PROCIDADES programs.

GOODS AND SERVICES

PC = price comparison. Value < US\$100,000

PREGÃO = reverse auction

NCB = national competitive bidding. Value < US\$5 million and > = US\$100,000

ICB = international competitive bidding. Value < = US\$5 million

GENERIC GOODS AND SERVICES

PREGÃO = Pregão eletrônico [e-reverse auction]. Value < US\$5 million

REGISTRO = Price list. Value < US\$5 million

PREGÃO = Pregão presencial [reverse auction]. Value < US\$100,000

WORKS

PC = price comparison. Value < = US\$ 500,000

NCB = national competitive bidding. Value < US\$500,000 and > = US\$25 million

ICB = international competitive bidding. Value > = US\$25 million

CONSULTING SERVICES

CQS = selection based on the consultants' qualifications

FBS = Selection under a fixed budget

IC = individual consultant

LCS = least-cost selection

QCBS = quality- and cost-based selection

QBS = quality-based selection

SSS = single source selection

TECHNICAL SERVICES

PC = price comparison

NCB = national competitive bidding