

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

MINAS GERAIS DEVELOPMENT PARTNERSHIP PROGRAM III

(BR-L1260)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2124941
2.	Monitoring and evaluation arrangements http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2124928
3.	Procurement plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2134164
4.	Environmental and Social Management Report for the program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2109893
OPTIONAL	
1.	Maps – Minas Gerais SWAp program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2125073
2.	Transport sector budget of the State of Minas Gerais 2008–2011 (PPAG) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2124885
3.	Environmental analysis for the first ProAcesso program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1989661
4.	Strategic environmental assessment of the Minas Gerais Roads Plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1914077
5.	Environmental and Social Management Report for the second ProAcesso program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1992461
6.	Social/environmental assessment of the World Bank SWAp program and resettlement, cultural sites, and indigenous people's plans http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2066251
7.	Financial assessment of the State of Minas Gerais http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1991396
8.	Eligible segments under ProMG, ProAcesso, and ProSeg http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2133836 http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2133924
9.	Policy letter from the Government of the State of Minas Gerais to the Bank http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2125242
10.	Outcomes agreement 2008 signed by the Governor of Minas Gerais, SETOP, DER-MG, and DEOP http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2093160
11.	“Estado para Resultados” program http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2081601
12.	Fiscal performance report for the State of Minas Gerais http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2134094
13.	Midterm evaluation report for the first program under the CCLIP (BR-L1027) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1935772

APPENDICES

Proposed resolution

ABBREVIATIONS

CCLIP	Conditional credit line for investment projects
COFIEIX	Comissão de Financiamentos Externos [External Financing Commission]
DEOP	Public Works Department of Minas Gerais
DER	Roads Department of Minas Gerais
GDP	Gross domestic product
ICB	International competitive bidding
IRR	Internal rate of return
km	Kilometers
LIBOR	London Interbank Offered Rate
PPAG	<i>Plano Plurianual de Ação Governamental</i> [Multiyear Government Action Plan]
PPMR	Project performance monitoring report
ProAcesso	<i>Programa de Pavimentação de Ligações e Acessos Rodoviários aos Municípios de Pequeno Porte</i> [program for paving links and access roads to small municipalities]
ProAcesso-LHDI	Part of the ProAcesso program, financed by the IDB, with priority for municípios with low human development indicators
ProMG	<i>Programa de Recuperação e Manutenção Rodoviária do Estado de Minas Gerais</i> [Minas Gerais State Road Rehabilitation and Maintenance Program]
ProSeg	<i>Programa de Aumento da Capacidade e Segurança dos Corredores de Transporte</i> [Program to Improve Transport Corridor Capacity and Safety]
R\$	Reais
SEA	Strategic environmental assessment
SEF	State Secretariat for Finance
SEMAD	State Secretariat for Environment and Sustainable Development
SEPLAG	State Secretariat for Planning and Management
SETOP	State Secretariat for Transportation and Public Works
SIAFI	Integrated Financial Management System
SWAp	Sector-wide approach
TCE	Tribunal de Contas Estadual [State Audit Office]

PROJECT SUMMARY

BRAZIL MINAS GERAIS DEVELOPMENT PARTNERSHIP PROGRAM III (BR-L1260)

Financial Terms and Conditions				
Borrower: State of Minas Gerais			Amortization period:	25 years
Guarantor: Federative Republic of Brazil			Grace period:	1 year
Executing agency: State of Minas Gerais, through the State Secretariat for Planning and Management (SEPLAG), with the involvement of the State Secretariat for Transportation and Public Works (SETOP) and the State Roads Department (DER)			Disbursement period:	1 year
Source	Amount	%	Interest rate:	LIBOR
IDB (Ordinary Capital)	US\$137 million	100	Inspection and supervision fee:	*
Local	–	0	Credit fee:	*
Total	US\$137 million	100	Currency:	U.S. dollars from the Single Currency Facility
Project at a Glance				
Program objective and description: The objective of the program is to strengthen transportation and logistical infrastructure in Minas Gerais by supporting management of the state road network, thereby contributing to the development of depressed regions and improving the state's competitiveness. The program will finance a portion of eligible expenditures under selected "structural projects" that involve the improvement (paving) of access roads to small municipalities, performance-based rehabilitation and maintenance, and road safety measures.				
Special contractual conditions: 1. Conditions precedent to the first disbursement: The borrower will provide the Bank with evidence of entry into force of (i) the state decree regulating the program implementation arrangements, in terms agreed with the Bank; and (ii) the program Operating Regulations (paragraph 2.11). 2. Fiduciary arrangements: Under the sector-wide approach (SWAp), the borrower's financial management systems will be used. The following requirements will be waived: (i) the requirement to submit expense receipts for reimbursement, subject to the borrower's fulfilling its obligation to keep proper records and documentation, and with the Bank reserving the right to request relevant information (paragraph 2.11); and (ii) the requirement to open a special account, with an existing account of the borrower being used for deposit of the loan proceeds (paragraph 2.11). 3. Procurement: Under the SWAp, some procurement and contracting for the program will be carried out in accordance with World Bank policies, except that program funds will not be used to procure works, goods, or services from countries that are not members of the Bank (paragraph 2.9).				
Exceptions to Bank policies: None.				
Project consistent with country strategy: Yes [X] No []				
Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount []				

* 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 and problem to be addressed

- 1.1 Minas Gerais is the second most populous state in Brazil, with some 19.5 million inhabitants¹ living in 853 municípios. The state economy² is based primarily on services, industry, and agriculture, which account for 60%, 32%, and 8% of the state's gross domestic product, respectively. It is also the second-leading exporting state of Brazil, with exports concentrated mainly (52%) in the mining and metallurgy chain.³
- 1.2 In 2002, the economic and fiscal performance of Minas Gerais was among the worst in Brazil. To correct this situation, the state government launched a broad program of administrative reforms in 2003, referred to as *Choque de Gestão* ("Management Shock"), designed to restore balance to the public finances and reorganize the functioning of the state. Since that time, the state has been building its capacity to make the investments needed to achieve its pledged objectives. To ensure continued progress, the government has reaffirmed its commitment to the efficient conduct of public policies, and in 2007 it launched the "Second Generation of Management Shock," represented in practice by the *Estado para Resultados* ("State for Results") program.
- 1.3 As a result of these strategies, the state has achieved considerable fiscal headroom for making the investments needed to improve quality of life for its residents. State GDP in 2007 was US\$110.2 billion, the third highest in Brazil, accounting for 9.26% of national GDP. Yet despite this positive economic performance and the improvement in living conditions for a portion of the population, the state still faces a number of social challenges. Income per capita is below the Brazilian average, and is only the 10th highest among Brazil's 27 states. Moreover, the regional distribution of wealth is very uneven: 58% of GDP is concentrated in the state's south-central region. In terms of social indicators, Minas Gerais stands 10th according to the Human Development Index (HDI), with a score of 0.799, very close to the score for Brazil as a whole (0.794).
- 1.4 With its commitment to public management based on measurable and quantifiable results, one of the state government's objectives is to make the local economy more competitive. Accordingly, the State for Results strategy focuses intensively on areas identified as crucial for development, such as infrastructure, public services provided by the state (health and security), and economic competitiveness, seeking to optimize the quality of public expenditure.
- 1.5 In recent decades, the need for greater and more effective investment in infrastructure has become increasingly apparent; the deterioration of the state road

¹ Brazilian Institute of Geography and Statistics (IBGE), 2006.

² According to research by Fundação João Pinheiro (2006).

³ Metal ores, primarily iron ore, as extracted and before cleaning.

system burdens users with additional operating costs of as much as 30%.⁴ While Minas Gerais has undertaken ambitious plans for upgrading and paving its roads, 24.7% of the system is still in poor or very poor condition. This undermines the competitiveness of the state economy, which is highly dependent on road transport as by far the preferred mode of transport in the state. Overcoming the bottlenecks in the road system is an essential condition for achieving desirable economic and social conditions. Moreover, given the size of the state (586,825 km²) and its strategic geographic location, linking the South and the Southeast of Brazil with the Northeast and the Center-West, the state road network plays a vital role in national intercommunication and is the main conduit to and from the ports on the Atlantic Ocean.

- 1.6 In addition, road safety is a pressing issue. Although statistics show that Minas Gerais is below the national average, in 2006⁵ it recorded 40.9 accidents with victims for every 10,000 km of state highway. The bulk of these accidents can be blamed on the sharply undulating topography peculiar to a large portion of the state's territory, with winding roads, inadequate safety devices, and low capacity.⁶

B. Rationale for Bank involvement

- 1.7 The proposed SWAp program represents a continuation of Bank support to state programs in the transport sector. The Bank has significant experience in financing infrastructure projects with Minas Gerais. Among other loans,⁷ in 2004 the Bank approved a Multilateral Investment Fund project that financed the state program for public-private partnerships. In 2006 it approved a conditional credit line for investment projects (BR-X1002) and its first operation, loan 1709/OC-BR, to finance improved road access to low-income municípios (ProAcesso-LHDI) (see the midterm evaluation, link 13), now in the final phase of execution, and the second operation approved under loan 2281/OC-BR. Successful experiences with the IDB-financed portion of the ProAcesso program and with the creation of an executive unit for the public-private partnership program have reinforced the state government's interest in pursuing new activities with the Bank in this sector.

⁴ Involving expenditures on fuel and vehicle replacement parts.

⁵ National average: 71.2 accidents with victims for every 10,000 km.

⁶ Military Police of Minas Gerais/National Transit Department, 2007.

⁷ These include: (i) in 1970, loan 252/SF-BR for US\$25.8 million, for 2,212 km of rural access roads under the Regional Development Program for the Northeast of Minas Gerais; (ii) in 1986, loans 204/OC-BR and 789/SF-BR for US\$36 million and US\$18 million, respectively, for 1,117 km of state roads under the highway improvement program in the Jequitinhonha Valley; (iii) in 1989, loans 570/OC-BR and 825/SF-BR for US\$120 million, for 2,400 km of state roads under the Minas Gerais road improvement program; (iv) in 1993 and 1996, loans 767/OC-BR and 975/OC-BR, for modernization and expansion of the Fernão Dias federal highway, stages I and II (US\$265.9 million and US\$265 million, respectively); and (v) in 2006, the program to improve road access to small municipalities in Minas Gerais, loan 1709/OC-BR, first operation under CCLIP BR-X1002, with the second operation, BR-L1231 about to be approved (total US\$100 million).

- 1.8 **The sector-wide approach (SWAp).** The World Bank is supporting the state government, and in particular the State for Results initiative and associated investment plans, with a multisector SWAp loan (7547-BR Second Minas Gerais Development Partnership, approved in 2008⁸), for a total of US\$976 million. The transportation component of that loan is about US\$245 million, which will cover approximately 35% of selected eligible expenses under the “structural” programs ProAcesso (Program for Paving Links and Access Roads to Small Municipalities) and ProMG (Minas Gerais State Road Rehabilitation and Maintenance Program). World Bank support to the sector through its SWAp operation will provide the state with the investment funds needed to achieve the results set by the government in its Integrated Development Plan (*Plano Mineiro de Desenvolvimento Integrado*) for 2007–2023.⁹
- 1.9 **Strategy and investment plan in the transport sector.** The state government's transport policy establishes priorities for short and medium-term interventions, with strategies for rationally selecting projects and works that will have the greatest logistical and socioeconomic impacts and that can be completed in the shortest time. The strategy as reflected in the Integrated Development Plan, the Multiyear Government Action Plan,¹⁰ and the Strategic Plan for Transport Logistics sets the following strategic objectives for coming years: (i) to reduce transport costs and expand access to markets for the state's production via a sufficiently large, safe road system in adequate condition; and (ii) to remove bottlenecks and improve the quality of transportation infrastructure to make the Minas Gerais economy more competitive and to develop the less prosperous regions.
- 1.10 As reflected in the 2009 budget and projections to 2011, the government's transport plan calls for the following ongoing activities, among others: (i) expansion of the paved road network, primarily through the works included in the ProAcesso program; (ii) performance-based rehabilitation and maintenance of the paved state road network through the ProMG¹¹ program; (iii) improved road safety through the Program to Improve Transport Corridor Capacity and Safety (ProSeg); and (iv) strengthening of the state's technical capabilities.
- 1.11 These investment plans, developed under State for Results, are based on a combination of fiscal quality and innovative, efficient management, and they demonstrate the state government's comprehensive, responsible approach to issues of productivity and logistical infrastructure. While current circumstances and the global economic crisis make this more difficult, Minas Gerais is striving to

⁸ The fourth disbursement under the World Bank's SWAp loan was made in September 2009.

⁹ State Law 17,007/2007.

¹⁰ State Law 17,347/2008.

¹¹ A series of actions to maintain service levels of existing infrastructure through performance-based functional rehabilitation and maintenance programs for the paved road network, involving a major funding increase from R\$35.7 million for 2002 to R\$356.5 million in 2008.

maintain the quality and level of service of its basic productive infrastructure and at the same time keep up the necessary levels of public investment.

- 1.12 The government has requested technical and financial support from the IDB, to supplement the World Bank loan in the sector. The best tool for responding to that request is a multiple-works investment loan using a SWAp, as this approach will make it possible to support the Integrated Development Plan, the transport sector policy being pursued under State for Results, and its investment plan by financing a large number of activities within the state budget for transport sector investment. The proposed program will continue efforts already under way and will build on the lessons and processes generated during the operation.
- 1.13 **Country strategy.** The program is consistent with the Bank's strategy with Brazil (document GN-2327), which outlines four areas of action: (i) productivity and infrastructure, with emphasis on the use of public-private partnerships for new investments; (ii) poverty, equity, and human capital formation, with a focus on programs for income distribution; (iii) living conditions and efficiency in cities, integrating measures to fight urban poverty with improvements in habitability, efficiency, and environmental quality; and (iv) institutional strengthening and modernization of the State, with emphasis on subnational governments.
- 1.14 The proposed program is consistent with the strategy in that: (i) it will contribute to development of a more efficient state transport system, with roads that are safer and in better condition, thus facilitating access to social services and ensuring the movement of goods and products to and from centers of consumption, production, and export; (ii) greater mobility for passengers and freight will boost the state's competitiveness; and (iii) the program will continue the good road conservation and management practices adopted by the Minas Gerais State Roads Department (DER).

C. Objective, components, and costs

- 1.15 **Objective.** The objective of the program is to support the Government of Minas Gerais in the area of transportation and logistical infrastructure, thereby contributing to the development of depressed regions and improving the state's competitiveness.¹²
- 1.16 The proposed technical and financial support is consistent with the state government's strategy as laid out in the Integrated Development Plan, the Strategic Plan for Transport Logistics, and the Multiyear Government Action Plan, as the program will contribute to implementing the key "structural" programs, with the specific objectives of: (i) providing paved road connections to the major highway networks for 50 municípios, facilitating people's access to essential services while

¹² The state government, with agreement from the federal government, gave the project its name (Minas Gerais Development III), which reflects continuity in the transport and logistical infrastructure component of its "State for Results" policy, as this would be the third program of support for that policy from an international agency.

promoting income-generating activities; (ii) expanding the portion of the road network in good condition, through rehabilitation and maintenance of the network under the state's responsibility; (iii) improving operating conditions for vehicles, with a focus on road safety, through small, low-cost engineering works; and (iv) strengthening the technical and institutional capacity of the State of Minas Gerais to carry out strategic investments and interventions in infrastructure and logistics.

- 1.17 **Component 1:** Road infrastructure development (US\$136.95 million). This component will finance paving, rehabilitation, maintenance, and safety improvements on roads that are part of the state and municipal network and are eligible under this operation. Activities to be financed include:
- 1.18 Subcomponent 1 – Paving of access roads would finance eligible expenditures for activities under ProAcesso for improving accessibility for small, low-income municípios. This will involve paving some 50 segments of municipal access roads to the main highways, with a total length of approximately 1,550 kilometers, and would include works in progress, contracted, or in the bidding phase.
- 1.19 Subcomponent 2 – Rehabilitation and maintenance would finance eligible expenditures for activities under ProMG for the functional rehabilitation and maintenance of the state road system that are contracted through lump-sum maintenance contracts with performance indicators (performance-based maintenance contracts). This subcomponent could include as many as six regional contracts for rehabilitation and maintenance, covering approximately 2,550 kilometers.
- 1.20 Subcomponent 3 – Operational and safety improvements would finance eligible expenditures for activities under ProSeg for improving road safety, including approximately 180 low-cost interventions under the DER's force-account contracts.
- 1.21 **Component 2:** Institution-strengthening (\$50,000). This component will finance improvements in transport infrastructure and logistics in the Belo Horizonte metropolitan region. Support will be provided for carrying out actions including the preparation of diagnostic assessments, guidelines, and proposals for improving and optimizing urban mobility in metropolitan Belo Horizonte, through seminars and/or technical studies.
- 1.22 **Costs.** The total cost of the program is estimated at US\$137 million, all of which will be financed by the IDB. The proceeds will finance up to 65% of total eligible expenditures, for both ProAcesso and ProMG works, with the remaining 35% financed by the World Bank. The IDB will finance up to 100% of expenses for ProSeg and institution-strengthening activities. Because this operation will provide sector support to the State of Minas Gerais, it does not include a counterpart contribution (which is understood to be the state's entire budget for the sector). The table below presents a breakdown of costs.

Table of Costs (in thousands of U.S. dollars)

Components	Bank	Local Counterpart
1. Road infrastructure development	136,950	0
<i>1.1 Paving of access roads</i>	<i>103,735</i>	<i>0</i>
<i>1.2 Road rehabilitation and maintenance</i>	<i>28,815</i>	<i>0</i>
<i>1.3 Road safety improvements</i>	<i>4,400</i>	<i>0</i>
2. Institution-strengthening	50	0
<i>2.1 Seminar on urban mobility in metropolitan Belo Horizonte</i>	<i>50</i>	<i>0</i>
TOTAL	137,000	0

Finance charges will be paid by the borrower from its own funds, outside the program.

D. Results matrix and key indicators

- 1.23 The output and outcome indicators and the targets to be achieved have been agreed with the borrower. As this is a SWAp program, the indicators were selected from among those used in the State for Results program and are considered appropriate for measuring the benefits of this program.¹³
- 1.24 The main direct outcomes expected from the program are summarized below, and discussed in greater detail in the results matrix (Annex II).

Expected outcomes	Indicator
Increase in the paved portion of the state road network, with performance-based rehabilitation and maintenance contracts under ProMG: 2008 baseline	The indicator is the length of the paved state road system under ProMG contracts divided by the fixed denominator equaling the length of the paved state road system in December 2006 (15,697 kilometers).
Increase in the percentage of municípios in Minas Gerais with paved access roads under ProAcesso. 2008 baseline	The indicator is the number of municípios with paved access divided by the fixed denominator equaling the total number of municípios in the state, excluding the 6 municípios whose unpaved access roads are the responsibility of the federal government rather than the DER.

¹³ In traditional investment programs, the indicators measure the direct benefits to users of the roads, referring generally to vehicle operating costs and passenger travel times (Highway Design and Maintenance Standards Model HDM-4). Those indicators have already been fully tested in other Bank-financed road transport operations, including the first ProAcesso operation in Minas Gerais. Given the nature of the SWAp operation, which seeks to measure impacts of a different kind, the use of those indicators was considered neither appropriate nor necessary.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument and contractual conditions

- 2.1 This operation is designed as a road infrastructure program with a sector-wide approach (SWAp), and the lending instrument will be a multiple-works investment loan. The amortization period will be 25 years, and the execution period one year. It is not considered necessary to establish a deadline for commencement of the works, as most of them are already in progress, and disbursements will be in the form of recognition or reimbursement of expenditures.

B. Environmental and social risks and mitigation measures

- 2.2 Because the program is designed to use a SWAp, no environmental classification is needed, pursuant to Bank directive B.13 of operational policy OP-703, Environmental and Safeguards Compliance Policy. The individual projects comprising the operation, however, are classified in category “B,” consistent with policy OP-703 and with state environmental legislation. In light of the number and quality of environmental studies of road transport programs performed in recent years, covering the entire state, including transport programs already financed in part by the IDB and by the World Bank, an environmental analysis conducted during preparation of this operation concluded that there was no need for a Strategic Environmental Assessment (SEA). Also, the safeguards from existing reports were reviewed and adjusted. The studies performed in accordance with Bank policy and social safeguards were: (i) in 2005, an SEA for CCLIP BR-X1002 and the first program to improve road access to small municipalities, financed by loan 1709/OC-BR, together with an environmental control report and an environmental control plan for works for each segment of the program; and (ii) in 2008, an environmental analysis for the second program under the CCLIP, loan 2281/OC-BR, an environmental control report and an environmental control plan for each segment of the program, an Environmental and Social Management Report (ESMR), and public consultations. Also in 2008, the State of Minas Gerais conducted an SEA of the Minas Gerais Roads Plan (*Plano Rodoviário de Minas Gerais*) to support the selection of projects, and the World Bank conducted an environmental assessment for the transport projects under its SWAp program for Minas Gerais.
- 2.3 According to the State Council on Environmental Policy, most of the segments included in ProAcesso qualify as class 1 (small size and low to medium impact), corresponding to road segments of 10 to 50 kilometers in length. Class 1 projects do not need a preliminary permit (*licença prévia*), but before works begin they must have a Document of Authorization for Environmental Intervention (DAIA) issued by the State Forestry Institute (IEF), and a permit from the Minas Gerais Water Management Administration (IGAM). Upon completion of the works, the borrower, through the competent state authorities/entities, will issue the environmental operating permit (*autorização ambiental de funcionamento*). As will be reflected in the program’s Operating Regulations, there is also a requirement for

- the contractor and the head of the DER to sign a responsibility agreement, declaring that the engineering works were executed in accordance with the detailed designs and the environmental study. ProMG and ProSeg projects, owing to the nature of the interventions, do not require an environmental permit or license.
- 2.4 The DER's Environmental Management Office (GMA), under the Projects Directorate, is responsible for environmental and social management of road projects. That office, whose capacities have been strengthened during previous operations with the Bank, is performing efficiently and is following procedures given in environmental legislation for issuing environmental permits/licenses for each program segment, as necessary. The DER has a strict set of procedures and cooperates with the State Secretariat for Environment and Sustainable Development (SEMAD). It is also familiar with the applicable Bank policies.
- 2.5 The positive impacts of the program will come primarily during the operating phase, and the benefits will be mainly socioeconomic. They will include: (i) shorter travel times and better access to workplaces and public services (health and education); (ii) fewer road accidents; (iii) better conditions of circulation for pedestrians and cyclists in communities traversed by highways; and (iv) improved roadside air quality. The benefits will also include recovery of critical environmental liabilities along the highways and the creation of jobs during construction, as well as positive impacts on health and education.
- 2.6 Based on the environmental analysis, the works and interventions under the program are not expected to generate any significant adverse impacts, as they will be very small to moderate in scale, fairly conventional from an engineering standpoint, and performed on the existing right-of-way, with no impact on neighboring properties or environmentally sensitive areas. With the exception of geometric corrections at critical points, there will be no major changes to road alignments. No impacts were identified with respect to low-income population groups, and road segments directly affecting fully protected areas or indigenous areas are not eligible. If poor or vulnerable population groups were to be affected, with the need for resettlement or for special social or legal assistance, the DER would prepare and implement a specific program consistent with Bank operational policy OP-710. Funding for resettlement/assistance will come from the State Treasury. The most significant impacts associated with the execution of road works will be mitigated, prevented, and compensated in accordance with the detailed environmental control plans for the ProAcesso segments and the requirements of SEMAD.
- 2.7 If necessary, environmental compensation measures will be the responsibility of the DER. The terms of reference for the engineering designs required the inclusion of environmental protection and mitigation measures, including recovery of environmental liabilities. Efforts will be made to hire local manpower for the paving works. See the ESMR for more details (required link 4).

C. Fiduciary risk

- 2.8 **The fiduciary risk with respect to financial management practices and systems** in Minas Gerais has been assessed as low. The State Secretariat for Finance (SEF) has a financial management system that is considered robust and satisfactory for providing reliable, timely financial information on the status of the project. That system is operational in all state budget execution and management units, which include the State Secretariat for Planning and Management (SEPLAG), the State Secretariat for Transportation and Public Works (SETOP), and the DER, and it has functionalities for contract supervision, cash management, accounting, financial reporting, and tracking sources and uses of funds.
- 2.9 **Procurement.** The state government, through the DER, has already awarded the contracts for the ProAcesso works to be financed by this program. The projects under ProAcesso and ProMG that are considered eligible are the same ones that were eligible for the World Bank SWAp program in Minas Gerais now in progress. Goods, works, and services that were or will be procured using national procedures will be eligible for Bank financing if the transaction value lies below the threshold used by the Bank for international competitive bidding (ICB). Transactions with a value above the ICB threshold will also be eligible if World Bank procedures were or will be used. To ensure that there are no exceptions to the Bank's procurement rules, the State of Minas Gerais and the Bank have agreed that transactions in which the winning firm is from a country that is not a member of the Bank will not be eligible. No firms from nonmember countries have taken part in the bidding thus far, and the experience with other road projects in Brazil has been the same. Procurement will be subject to ex post review, entirely in keeping with document PR-210.
- 2.10 **Retroactive recognition of expenditures.** The program calls for advance contracting and, consequently, retroactive recognition of expenditures, charged against the financing, of up to US\$130 million, corresponding to the first two disbursements. Those funds will be used to finance works performed subsequent to approval of the operation by the External Financing Commission (COFIEX Recommendation 100/09)¹⁴ and entry of the operation into the Bank's pipeline (30 April 2009; date approved by the Operations Policy Committee, 20 October 2009). In addition, the works must be within the 18 months prior to approval of the loan by the Bank's Board of Executive Directors and be consistent with policy OP-504.
- 2.11 **Disbursements.** It was agreed that the operation would have three disbursements, involving recognition of expenditures and reimbursement of eligible expenses agreed in advance with the Bank. Those disbursements will be based on actual eligible expenditures submitted to the Bank. Prior to each disbursement, the Bank will verify physical compliance and quality of the work for which expenses are to

¹⁴ The Bank was initially asked for US\$260 million in financing. The amount was cut in half at the request of the borrower.

be reimbursed, as set out in the program Operating Regulations, now in the final preparation phase. The first and second disbursements are expected to be made in 2010, for a combined total of up to US\$130 million, consisting largely of recognition of expenditures made during the accepted period, consistent with Bank policies, and reimbursement of expenditures made after approval by the Board of Executive Directors. The third disbursement, in the amount of US\$7 million, is slated for the first half of 2011, for a total of US\$137 million of the US\$260 million approved by COFIEX. Disbursements will be made as reimbursements of eligible expenditures. SEPLAG will be responsible for consolidating the information and will coordinate with SEF, which will forward disbursement requests to the Bank. The disbursement will be made upon presentation of the Financial Monitoring Reports called for in the Bank's SWAp policy, the format and content of which will be those already generated by the government's systems. Outlays are already being made in reais and will be converted into U.S. dollars at the closing purchasing exchange rate on the business day immediately preceding the date of the disbursement request, as reported by the Central Bank of Brazil. Disbursements will be paid in U.S. dollars directly into a bank account in the name of the State of Minas Gerais that is used for government transactions involving external credit. That account is part of the government's single account system, and is identifiable in the Integrated Financial Management System (SIAFI). Submittal of receipts to the Bank will not be required, but the state government will keep supporting documentation for expenditures and make it available to the Bank and the auditors. **The entry into force of (i) the state decree regulating the program implementation arrangements, in terms agreed with the Bank, and (ii) the program Operating Regulations will be conditions precedent to the first disbursement.**

D. Other issues and risks

- 2.12 **Road eligibility criteria.** The program will reimburse eligible expenses for paving works, performance-based rehabilitation and maintenance contracts, and safety improvements on eligible ProAcesso, ProMG, and ProSeg program road segments identified in advance. The eligibility criteria for the ProAcesso segments and ProMG groups of segments are that they must have: (i) an economic internal rate of return (IRR) greater than 12%, and (ii) a positive net present value. As to social and environmental concerns, segments will not be eligible if they could have a direct impact on indigenous or protected areas. For ProSeg, because only small works will be financed and their benefits will involve road safety and are difficult to measure in the short term, no economic studies were performed.
- 2.13 **Economic feasibility.** For each segment targeted by ProAcesso, there is an economic evaluation based on specific traffic counts, using demand growth rates for each segment and type of vehicle. In the case of PROMG, the IRR was calculated for all segments of each participating regional office of the DER. The Highway Design and Maintenance Standards Model (HDM-4) is used as the evaluation tool to determine the main economic indicators (IRR) for each

intervention or group of inventions; this is followed by a sensitivity analysis for a 20% cost increase and a similar reduction in benefits. The segments selected exceed the 12% IRR requirement. No substantial risks are anticipated in this respect.

- 2.14 **Financial analyses** of Minas Gerais show that it has been meeting the targets agreed by the state government with the National Treasury, as set annually in the Minas Gerais Fiscal Restructuring and Adjustment Program: Target 1: financial debt/real net revenue; Target 2: primary balance (positive); Target 3: personnel costs (limit of 60% of net current revenue); Target 4: state-sourced revenue collection, with positive, growing rates; Target 5: privatization and concession of public services and administrative and financial reform; and Target 6: investment expenditure/net current revenue, with positive, growing rates. The operation fits within the limit agreed with the federal government for foreign credit operations.
- 2.15 Minas Gerais is adhering to the limits established by Brazil's Fiscal Responsibility Act for the period 2004–2008, as can be seen in the following table:

Legal rule*	Legal limit	Limit Jan-Dec/04	Limit Jan-Dec/05	Limit Jan-Dec/06	Limit Jan-Dec/07	Limit Jan-Dec/08
1 - Payroll/NCR (LRF Art. 19)	60.00%	58.16%	52.24%	53.71%	55.80%	54.32%
2 - TOA/NCR (Art. 7, section I, FSR 43/01)	16.00%	0.06%	0.33%	1.15%	0.82%	1.90%
3 - ADAC/NCR (Art. 7, section II, FSR 43/01)	11.50%	10.81%	10.51%	10.94%	10.93%	10.51%
4 - NCD (Art. 7, section III, FSR 43/01 and Art. 3 FSR 40/01)	200%	224 %	203%	189%	188%	176%

* **Note:** LRF=Fiscal Responsibility Act; TOA=Total operations amount in the fiscal year; NCR=Net current revenue; ADAC=Annual debt amortization and charges; NCD=Net consolidated debt; FSR=Federal Senate Resolution.

- 2.16 State revenues and expenditures during 2004–2008 show results consistent with a growing primary balance, which rose from R\$107.69 million in 2004 to R\$2.971 million in 2008. The financial capacity analysis found that the state has the expenditure capacity to carry out the works called for in this program, and to earmark the required funds for future maintenance of the road network.
- 2.17 **In terms of the institutions involved**, SEPLAG is successfully implementing the SWAp program financed by the World Bank, and has an institutional structure capable of managing the program. The DER is a competent works manager with long experience in working with the Bank, a suitable organizational structure, and ample expertise in contacting works with the private sector. The DER is currently managing and executing all contracts under ProAcesso, ProMG, and ProSeg, with funding from the IDB, the World Bank, and the Japan Bank for International Cooperation, in addition to treasury resources. In technical terms, the institution-strengthening activities already implemented under previous programs have reinforced the DER's organizational structure and management capacity; the planned works are relatively simple; and qualified supervision and construction firms are widely available nationally and internationally. In terms of technical and

operational sustainability, the DER gives priority to maintaining its road network through ProMG and conventional contracts for its regional offices, and has been engaged in ongoing road conservation.

III. IMPLEMENTATION AND MANAGEMENT PLAN

- 3.1 **Borrower, executing agency, and guarantor.** The borrower will be the State of Minas Gerais, which will serve as executing agency through the State Secretariat for Planning and Management (SEPLAG). The State Secretariat for Transportation and Public Works (SETOP) and the State Roads Department (DER) will be coexecuting agencies. The Federative Republic of Brazil will guarantee the financial obligations under the loan.
- 3.2 **Implementation arrangements.** The management model adopted by the state government meets the management needs of the program, both strategically and operationally. A coordination committee will be established to support program execution, comprising the heads of: (i) SEPLAG (President); (ii) the State Secretariat for Finance (SEF); (iii) the State Secretariat for Economic Development (SEDE); (iv) SETOP; (v) DER (Director-General); (vi) State for Results (Executive Coordinator); and (vii) the project coordinator from the State Management Unit (UGE). SEPLAG will be responsible to the Bank for applying technical, administrative, financial and procurement procedures for execution, monitoring, and evaluation of the program through the following functions: (i) overseeing compliance with the conditions set forth in the loan contract; (ii) representing the state government vis-à-vis the Bank; and (iii) maintaining technical, financial, and administrative information systems for the program; and (iv) rendering accounts to the Bank.
- 3.3 SEPLAG is coordinating these tasks with SETOP, which is responsible for technical implementation of the program through the DER,¹⁵ and for achieving the performance indicators. The DER's specific functions in executing the structural project works, as described in the program Operating Regulations, include: (i) executing the works included in the Multiyear Government Action Plan; (ii) preparing and updating the procurement plan; (iii) reviewing bidding documents for the contracting of consulting services, works, and goods, ensuring their conformity with the procurement policies agreed with the Bank; (iv) monitoring progress under consulting, works, and goods contracts; (v) processing the corresponding payments; (vi) assisting in preparation of financial statements and disbursement requests; and (vii) assisting in monitoring and evaluating program execution.

¹⁵ The DER is an autonomous agency under the State Secretariat for Transportation and Public Works (SETOP) with its own legal personality and administrative, operational, financial, and legal autonomy.

- 3.4 SEF, together with SEPLAG, will handle the presentation of financial statements and, through the Integrated Financial Management System (SIAFI), will prepare the reports on eligible expenditures agreed with the Bank.
- 3.5 Within DER, program implementation will be supported as follows: (i) for ProAcesso, by the Management Support Unit within the Infrastructure Directorate; and (ii) for ProMG, by the Special Programs Office of the Operations Directorate. Both these units will receive assistance from suitably staffed management firms, whose functions are described in the program Operating Regulations. ProSeg activities are included in the conventional maintenance contracts managed by each of DER's regional offices, which have the necessary qualified staff to supervise and monitor the works without the need to hire a management firm.
- 3.6 The functions of the management firms will include: (i) preparing monitoring reports and analyses; (ii) supporting procurement; (iii) assisting with the supervision of works, projects, and other services (worksite visits, orientation and review of final engineering plans, quality control); (iv) preparing economic feasibility studies; (v) supervising environmental control measures for the works (location of work camps and other support areas, evaluation of works implementation strategies, monitoring activities in coordination with the supervision firms, follow-up on unresolved issues); (vi) supervision of the World Bank environmental programs (ProAcesso); and (vii) monitoring outcome indicators.
- 3.7 **Execution period and disbursement schedule.** The program is expected to be executed within one year after the effective date of the loan contract. The proposed loan will be disbursed over one year, in three disbursements, as indicated in the schedule below (in thousands of U.S. dollars):

Year	2010		2011
Deadline	30 April	30 Sept.	31 Dec.
IDB	120,000	10,000	7,000
Total	120,000	10,000	7,000

- 3.8 **Monitoring and evaluation.** SEPLAG will submit semiannual reports to the Bank indicating progress with each component and with overall performance of the program, based on the agreed indicators in the results matrix. These reports will also include: (i) a description of the activities performed; (ii) updated timetables for physical execution and disbursements; (iii) extent to which agreed execution indicators have been met; (iv) a work plan for the next six months; (v) a summary statement of program financial execution and the projected flow of resources for the next six months; and (vi) a section identifying any developments or events that could jeopardize program execution. In addition, a final program evaluation will be done 90 days after the last disbursement and will include, at minimum: (i) results of financial execution by component; (ii) fulfillment of the established targets, in

accordance with the agreed outcome indicators; and (iii) fulfillment of contractual and other commitments. A special evaluation report must also be presented upon completion of all the ProAcesso works for which expenses were reimbursed by the program, if those works were not completed by the date of the last disbursement. The final evaluation and the special evaluation will be conducted by independent consultants or by the State Audit Office (TCE), provided it has been cleared to do so by the Bank.

- 3.9 **External audit.** During the execution period, the DER will submit audited consolidated program financial statements annually. The external audit will be conducted by a firm of independent auditors acceptable to the Bank, in accordance with the Bank's financial management policy and terms of reference approved in advance by the Bank. The audit firm will be selected following the procedures in the external audit bidding documents. The audit costs will be included in the program costs eligible for reimbursement. In addition to auditing the program financial statements, the firm will audit the program's operating, financial, and systems processes and elements. The program audit may be performed by the TCE, provided it has concluded and implemented the action plan agreed and accepted by the Bank. The Bank will supervise progress with that plan and, together with the TCE, will decide prior to the first disbursement whether it is in a position to audit the operation. If it is the TCE that audits the program, the costs of the external audit will not be reimbursed. Regardless of who conducts the audit, the audit report will be sent to the Bank within 90 days after the first disbursement, and also within 90 days after the second and the last disbursement.

Development Effectiveness Matrix Summary

Indicator	Score	Maximum score
I. Strategic Relevance	Low-High	
1. IDB Strategic Development Objectives	6.9	10
Country Diversification	1.7	2
Corporate Initiatives	2.5	2.5
Harmonization and Alignment	2.7	3.5
Beneficiary Target Population	0.0	2
2. Country Strategy Development Objectives	0.6	10
Country Strategy Sector Diagnosis	0.6	6
Country Strategy sector objective & indicator	0.0	4
II. Development Outcomes - Evaluability	Partially unsatisfactory	
3. Evidence-based Assessment & Solution	1.7	10
4. Evaluation & Monitoring Plan	0.2	10
5. Cost-Benefit or Cost-Effectiveness	7.0	10
6. Risks & Mitigation Monitoring Matrix	7.5	10
III. IDB's Role - Additionality		
7. Additionality	10.0	10
Technical assistance provided prior to the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	4.0	4
Improvements in environmental, health and labor performance	3.0	3

I. Strategic Relevance: This is a transportation operation, using a sector-wide approach (SWAp). that will be executed in Brazil, considered a Group A country. Its objective is consistent with the Bank's infrastructure initiative. The country financial management and monitoring and evaluation systems will be used. The country strategy that would cover the project implementation period has not yet been approved.

II. Evaluability: The problem to be addressed is not clear to the extent that the project does not have a diagnostic assessment based on empirical evidence regarding the magnitude of the problem and the factors that continue to it. Regarding the proposed solutions, the project does not present evidence on the effectiveness of the type of intervention proposed.

The project only establishes output indicators, but does not include quantifiable targets. There are no outcome or impact indicators.

The project does not specify whether it will have a monitoring and evaluation plan. The project includes a cost-benefit analysis of the investment components. Its risk rating is C; the main environmental and social risks have been identified, as have the required mitigation measures, but no indicators have been established that would make it possible to follow up on implementation of those measures.

III. Additionality: This operation will strengthen the executing agency's management systems and its environmental performance.

BRAZIL (BR-L1260)
MINAS GERAIS DEVELOPMENT PARTNERSHIP PROGRAM III

RESULTS FRAMEWORK / MATRIX OF INDICATORS								
Program objective				To strengthen transportation and logistical infrastructure in Minas Gerais, thereby improving the state's fiscal health, spurring the economies of its less prosperous regions, and improving the state's competitiveness.				
Indicator		Formula	Verification	Baseline 2008	Target 2009	Target 2010	Frequency of measurement	Description
1	Percentage of the paved state road network for which performance-based rehabilitation and maintenance contracts are in effect under the ProMG program. ¹	(Length of the paved state road network under ProMG contracts / total length of the paved state road network in December 2006) x 100	DER / SEPLAG	-	31%	42%	Quarterly	The indicator gives the length of the paved state road system under ProMG contracts divided by the overall length of the paved state road system in December 2006 (15,697 km).
2	Percentage of municípios in Minas Gerais with paved access. ²	Municípios with paved access / (Total municípios in the state - 6) x 100	DER / SEPLAG	86.2%	89.9%	93%	Quarterly	The indicator gives the number of municípios with paved access divided by the total number of municípios in the state, excluding the six municipalities with unpaved access roads that are the responsibility of the federal rather than the state government.

¹ The maintenance contract is deemed to run from the day the "Service Order" under the ProMG system is published in the newspaper *Minas Gerais*.

² Refers to any município that has at least one entry/exit access road paved (in concrete or asphalt) from the urban perimeter of its capital city to another município or to a paved state or federal highway. To be considered paved, the access road must be 100% paved along its full length, regardless of whether signage, pavement markings, and other features have been completed. The source of this information will be the GERAES program status report.

		Year 1	
	Base (April 2009)	April 2010	February 2011
Component 1 – Road infrastructure development			
Paving of access roads (km)	2,573	4,080	5,100
Rehabilitation and maintenance works (number of contracts)	10	15	20
Rehabilitation and maintenance works (km)	4,335	6,830	9,340
Road safety improvements (number of interventions)	0	60	120
Component 2 – Institution-strengthening			
Seminar on urban mobility in greater Belo Horizonte (US\$)	0		100

Note: Target values are cumulative.

BRAZIL (BR-L1260)
MINAS GERAIS DEVELOPMENT PARTNERSHIP PROGRAM III
SUMMARY PROCUREMENT TABLE

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre-qualification	Estimated dates	Status
					IDB (%)		Publication of procurement notice	
1. Consulting services								
1. Seminar on urban mobility in metropolitan Belo Horizonte	30,000.00	WB	Ex ante		100%	No	Jan. 2010	Pending

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre- qualification	Estimated dates	Status
					IDB (maximum %)		Publication of procurement notice	
2. Works								
1. Paving works (2 jobs - 33.9 km)	12,704,000.00	NCB	Ex post	12,908,000	65%	No	Mar. 2009	Awarded
2. Paving works (1 job - 30 km)	3,732,000.00	NCB	Ex post	3,793,000	65%	No	Mar. 2009	In execution
3. Paving works (1 job - 28.2 km)	9,906,000.00	NCB	Ex post	9,906,000	65%	No	Mar. 2009	In execution
4. Paving works (1 job - 32.2 km)	7,641,000.00	NCB	Ex post	7,640,000	65%	No	Feb. 2009	In execution
5. Paving works (2 jobs - 33.72 km)	14,020,000.00	NCB	Ex post	14,234,000	65%	No	Mar. 2009	To be procured
6. Paving works (1 job - 23.1 km)	10,734,000.00	NCB	Ex post	10,734,000	65%	No	May 2009	To be procured
7. Paving works (1 job - 26.7 km)	7,690,000.00	NCB	Ex post	7,757,000	65%	No	Dec. 2008	To be procured
8. Paving works (1 job - 20.4 km)	7,300,000.00	NCB	Ex post	7,357,000	65%	No	Jan. 2009	To be procured
9. Paving works (1 job - 18.8 km)	9,805,000.00	NCB	Ex post	9,805,000	65%	No	Jan. 2009	Awarded

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre- qualification	Estimated dates	Status
					IDB (maximum %)		Publication of procurement notice	
2. Works								
10. Paving works (1 job - 19.4 km)	6,449,000.00	NCB	Ex post	6,449,000	65%	No	Jan. 2009	In execution
11. Paving works (1 job - 11.6 km)	5,934,000.00	NCB	Ex post	5,934,000	65%	No	Jan. 2009	In execution
12. Paving works (2 jobs - 170.2 km) - Lot 1	47,735,000.00	ICB	Ex post	46,041,000	65%	No	Mar. 2009	To be procured
13. Paving works (2 jobs - 73.7 km) - Lot 2	19,925,000.00	NCB	Ex post	18,878,000	65%	No	Mar. 2009	To be procured
14. Paving works (4 jobs - 92.2 km) - Lot 3	29,820,000.00	ICB	Ex post	28,347,000	65%	No	Mar. 2009	To be procured
15. Paving works (2 jobs - 186.9 km)	34,053,000.00	ICB	Ex post	34,053,000	65%	No	May. 2009	In process
16. Paving works (1 job - 27.2 km)	4,444,000.00	NCB	Ex post	1,282,000	65%	No	Dec. 2007	In execution
17. Paving works (1 job - 32.6 km)	12,440,000.00	NCB	Ex post	6,354,000	65%	No	Dec. 2007	In execution
18. Paving works (1 job - 14.4 km)	5,730,000.00	NCB	Ex post	1,937,000	65%	No	Dec. 2007	In execution
19. Paving works (2 jobs - 57.6 km)	12,218,000.00	NCB	Ex post	10,337,000	65%	No	Dec. 2007	In execution
20. Paving works (1 job - 41 km)	7,438,000.00	NCB	Ex post	3,332,000	65%	No	Dec. 2008	In execution
21. Paving works (1 job - 23.3 km)	7,497,000.00	NCB	Ex post	3,310,000	65%	No	Dec. 2007	In execution
22. Paving works (1 job - 36.5 km)	9,543,000.00	NCB	Ex post	2,393,000	65%	No	Dec. 2007	In execution
23. Paving works (1 job - 33.72 km)	7,985,000.00	NCB	Ex post	5,409,000	65%	No	Dec. 2007	In execution
24. Paving works (1 job - 18.3 km)	6,610,000.00	NCB	Ex post	3,502,000	65%	No	Dec. 2007	In execution
25. Paving works (1 job - 74.5 km)	18,058,000.00	NCB	Ex post	4,171,000	65%	No	Apr. 2007	In execution
26. Paving works (1 job - 18.8 km)	3,530,000.00	NCB	Ex post	1,357,000	65%	No	May. 2007	In execution
27. Paving works (1 job - 21.7 km)	8,648,000.00	NCB	Ex post	3,084,000	65%	No	May. 2007	In execution
28. Paving works (1 job - 36.5 km)	18,614,000.00	NCB	Ex post	11,696,000	65%	No	Jun. 2007	In execution
29. Paving works (1 job - 34.3 km)	8,223,000.00	NCB	Ex post	1,325,000	65%	No	Aug. 2007	In execution
30. Paving works (1 job - 13 km)	3,439,000.00	NCB	Ex post	1,363,000	65%	No	Aug. 2007	In execution

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre- qualification	Estimated dates	Status
					IDB (maximum %)		Publication of procurement notice	
2. Works								
31. Paving works (1 job - 37 km)	19,294,000.00	NCB	Ex post	18,874,000	65%	No	Sep. 2008	In execution
32. Paving works (1 job - 16 km)	2,834,000.00	NCB	Ex post	2,586,000	65%	No	Oct. 2008	In execution
33. Paving works (2 jobs - 27.4 km)	9,601,000.00	NCB	Ex post	9,603,000	65%	No	Jan. 2009	In execution
34. Paving works (3 jobs - 76.2 km)	15,819,000.00	NCB	Ex post	15,819,000	65%	No	Jan. 2009	In execution
35. Paving works (1 job - 20.1 km)	7,965,000.00	NCB	Ex post	7,965,000	65%	No	Jan. 2009	In execution
36. Paving works (1 job - 27.6 km)	12,325,000.00	NCB	Ex post	12,325,000	65%	No	Jan. 2009	In execution
37. Paving works (1 job - 57.8 km)	19,319,000.00	NCB	Ex post	19,319,000	65%	No	Feb. 2009	In execution
38. Road rehabilitation and maintenance works in region 4 (567.06 km)	47,500,000.00	ICB	Ex post	47,500,000	65%	No	Jul. 2009	To be procured
39. Road rehabilitation and maintenance works in region 12 (333.7 km)	34,500,000.00	ICB	Ex post	34,500,000	65%	No	Sep. 2009	To be procured
40. Road rehabilitation and maintenance works in region 17 (567.27 km)	57,500,000.00	ICB	Ex post	57,500,000	65%	No	Aug. 2009	To be procured
41. Road rehabilitation and maintenance works in region 23 (323.7 km)	31,500,000.00	ICB	Ex post	31,500,000	65%	No	Aug. 2009	To be procured
42. Road rehabilitation and maintenance works in region 29 (492.1 km)	46,500,000.00	ICB	Ex post	46,500,000	65%	No	Aug. 2009	To be procured
43. Road rehabilitation and maintenance works in region 40 (327.5 km)	40,500,000.00	ICB	Ex post	40,500,000	65%	No	Sep. 2009	To be procured
44. Road operation and safety improvement works in region 29—MANHUMIRIM— 56 interventions	1,209,000.00	NCB	Ex post	1,209,000	100%	No	Oct. 2007	In execution
45. Road operation and safety improvement works in region 15—POÇOS DE CALDAS—18 interventions	487,000.00	NCB	Ex post	487,000	100%	No	Oct. 2009	To be procured

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre- qualification	Estimated dates	Status
					IDB (maximum %)		Publication of procurement notice	
2. Works								
46. Road operation and safety improvement works in region 1—BELO HORIZONTE—18 interventions	468,000.00	NCB	Ex post	468,000	100%	No	Oct. 2009	To be procured
47. Road operation and safety improvement works in region 12—ITABIRA —8 interventions	251,000.00	NCB	Ex post	251,000	100%	No	Oct. 2007	In execution
48. Road operation and safety improvement works in region 8—DIAMANTINA—1 intervention	125,000.00	NCB	Ex post	125,000	100%	No	Dec. 2006	In execution
49. Road operation and safety improvement works in region 3—PARÁ DE MINAS—7 interventions	120,000.00	NCB	Ex post	120,000	100%	No	Oct. 2009	To be procured
50. Road operation and safety improvement works in region 2—GUANHÃES—7 interventions	119,000.00	NCB	Ex post	119,000	100%	No	Oct. 2007	In execution
51. Road operation and safety improvement works in region 16—OLIVEIRA—3 interventions	38,000.00	NCB	Ex post	38,000	100%	No	Oct. 2009	To be procured
52. Road operation and safety improvement works in region 30—JUIZ DE FORA—12 interventions	421,000.00	NCB	Ex post	421,000	100%	No	Oct. 2009	To be procured
53. Road operation and safety improvement works in region 10—VARGINHA—18 interventions	395,000.00	NCB	Ex post	395,000	100%	No	Oct. 2009	To be procured
54. Road operation and safety improvement works in region 19—ITAJUBÁ—17 interventions	373,000.00	NCB	Ex post	373,000	100%	No	Oct. 2009	To be procured
55. Road operation and safety improvement works in region 40—CEL. FABRICIANO—4 interventions	87,000.00	NCB	Ex post	87,000	100%	No	Aug. 2005	In execution

Description	Total estimated cost (US\$)	Procurement method	Review	Eligible expenses as of 1 May 2009	Source of financing	Pre-qualification	Estimated dates	Status
					IDB (maximum %)		Publication of procurement notice	
2. Works								
56. Road operation and safety improvement works in region 20—FORMIGA—5 interventions	85,000.00	NCB	Ex post	85,000	100%	No	Oct. 2009	To be procured
57. Road operation and safety improvement works in region 24—PASSOS—6 interventions	81,000.00	NCB	Ex post	81,000	100%	No	Oct. 2009	To be procured

ICB: International competitive bidding; LIB: Limited international bidding; NCB: National competitive bidding; S: Shopping; DC: Direct contracting; FA: Force account; PSA: Procurement through specialized agencies; PA: Procurement agents; IA: Inspection agents; PLFI: Procurement in loans to financial intermediaries; BOO/BOT/BOOT: Build, own, operate / Build, operate, transfer / Build, own, operate, transfer; PBP: Performance-based procurement; PLGB: Procurement under loans guaranteed by the Bank; CPP: Community participation procurement. Consulting firms: QCBS: Quality- and cost-based selection; QBS: Quality-based selection; FBS: Fixed budget selection; LCS: Least-cost selection; CQS: Selection based on the consultants' qualifications; SSS: Single-source selection. EA: Electronic reverse auction; WB: Waiver of bidding. In execution: Contract being performed; In process: From publication of bidding documents to award to the winning firm; To be procured: Call for bids, award, and signature of contract.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/10

Brazil. Loan ___/OC-BR to the State of Minas Gerais
Minas Gerais Development Partnership Program III

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the State of Minas Gerais, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Minas Gerais Development Partnership Program III. Such financing will be for an amount of up to US\$137,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.