

DOCUMENT OF THE INTERAMERICAN DEVELOPMENT BANK



BRAZIL

STRENGTHENING OF THE CAPABILITY OF THE MINISTRY  
OF FOREIGN AFFAIRS IN THE INTERNATIONAL ECONOMIC AREA

BR-0166

PLAN OF OPERATIONS

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## ACRONYMS & ABBREVIATIONS

ABC	Agência Brasileira de Cooperação
CAOPA	Comissão de Aperfeiçoamento da Organização e das Práticas Administrativas do Itamaraty
CE	European Community
DIN	Departamento de Integração Latino-Americana
DMA	Departamento do Meio Ambiente
FUNAG	Fundação Alexandre de Gusmão
GATT	General Agreement on Tariffs and Trade
IRBr	Instituto Rio Branco
LAN	Local Area Network
MERCOSUR	Mercado Común del Sur
MRE	Ministério das Relações Exteriores
NAFTA	North American Free Trade Agreement
OC	Ordinary Capital
RISE	Regimento Interno da Secretaria de Estado das Relações Exteriores
SEAIN	Secretaria de Assuntos Internacionais da Secretaria de Planejamento, Orçamento e Coordenação da Presidência da República
SGIE	Subsecretaria-Geral de Assuntos de Integração, Econômicos e de Comércio Exterior
STN	Secretaria do Tesouro Nacional
UAP	Unidade de Administração de Projetos (at ABC)
UEP	Project Executing Unit
UNDP	United Nations Development Program

BRAZIL

STRENGTHENING OF THE CAPABILITY OF THE MINISTRY  
OF FOREIGN AFFAIRS IN THE INTERNATIONAL ECONOMIC AREA

(BR-0166)

(Reimbursable Technical Cooperation)

EXECUTIVE SUMMARY

**BORROWER:** "Republica Federativa do Brasil"

**EXECUTING AGENCY:** "Ministerio das Relações Exteriores" (MRE)

**AMOUNT AND SOURCE:**

IDB: OC, local currency	US\$10,000,000
Local:	<u>US\$10,000,000</u>
Total:	US\$20,000,000

**TERMS AND FINANCIAL CONDITIONS:**

Repayment period:	20 years
Disbursement period:	4 years
Interest:	4%
Inspection and Supervision:	1%

**OBJECTIVE:** The overall objective of this project is to upgrade the MRE's institutional capability in relation to Brazil's international economic affairs and policies, especially in the area of economic integration.

**DESCRIPTION:** The Project includes the following six components: (a) Strengthening of management and administration; (b) Studies and research in support of the formulation and execution of international economic policies; (c) Human resources development; (d) Installation of information and communications systems; (e) Institutional strengthening in public relations and communications; and (f) Upgrading/expansion of physical infrastructure.

The "Comitê Deliberativo", a mechanism for internal and inter-agency coordination of international economic matters, will be established; it will have responsibility for overall management and decision-making for the Project.

**ENVIRONMENTAL CLASSIFICATION:** At its meeting on April 5, 1994, the Environmental Management Committee (CMA) classified this Project in Category II.

**BENEFITS:**

By virtue of concentrating its activities in the area of international economic affairs, this project will benefit Brazil's economy, particularly through its participation in economic integration arrangements, thereby promoting trade and investment.

The productivity of the MRE's staff will be enhanced through: (a) the installation of modern management, administration, information, and communications systems, together with the appropriate equipment and software; and (b) the training of over 1000 staff members at all levels through the establishment and institutionalization of a comprehensive training program. Through the revamping of the "Instituto Rio Branco's" curriculum, most current and all future diplomats will benefit from courses in areas such as management, negotiation, environment, economic integration, and computer skills. The MRE will have developed a capability for effective communications with the general public in matters related to international economic affairs. Links will have been established with the private sector and the intellectual communities in Brazil and other countries. Finally, this Project may have a demonstration effect by encouraging similar efforts of modernization of the state in Brazil and other countries.

**RISKS:**

The project has been designed considering past problems for the MRE in executing projects. This risk is minimized by the proposed structure for the Project Execution Unit (UEP) and the administrative support to be received from the UNDP.

**THE BANK'S COUNTRY STRATEGY:**

The proposed Project is in line with the country's development plans and strategies and with the operational guidelines of the Bank, since it is directed at improving the efficiency of the public sector and supporting economic integration. The Bank's operational Program for 1994-95 in Brazil assigns priority to social and environmental projects as well as institutional strengthening. Accordingly, this Project was included in the operative program for 1994 as a result of the June 1993 Programming Mission.

**SPECIAL CONTRACTUAL OBLIGATIONS FOR THIS OPERATION:**

It has been agreed with the Brazilian Government that:

- a. as a prior condition for first disbursement, the following will be required: (i) evidence of the establishment of the "Comitê Deliberativo" and the Project Execution Unit (UEP); (ii) agreement signed with the UNDP for its administrative support services; and (iii) a plan for allocation of MRE staff to participate in the project's activities. (See 3.35).

- b. the following will be recognized as local counterpart expenditure prior to the approval date: (i) up to US\$350,000 used in the Physical Infrastructure component; and (ii) up to US\$200,000 used for the establishment of the UEP (See 3.36).
- c. the following reports will be required by the Bank: Initial Report, Progress Reports and Intermediate and "Ex Post" evaluations (see 3.25-3.28).
- d. monthly monitoring meetings will be held between the Executing Agency, a representative of the Bank's Country Office and a representative from the local office of the UNDP (see 3.24).
- e. the auditing of the Project shall be done by the National Treasury Department (see 3.29).
- f. the standard IDB procedures for hiring of consultants and acquisition of goods and services will be applicable in this operation.

NOTE: The draft technical cooperation contract will be available to the members of the Committee of the Whole upon request.

## I. BACKGROUND

### A. General

- 1.1 As a result of the debt crisis of the 1980's, and in response to an international trend toward globalization of economic relations and the liberalization of trade and capital flows, most countries in Latin America have implemented economic and structural reforms characterized by a greater outward orientation, increased reliance on market forces to allocate scarce investment resources, and the competitive insertion of their exports in world markets. At the same time, a critical reassessment of the role of the state, not only in terms of its relationship with the private sector but also in terms of its overall efficiency, has led to increased pressures for public sector reform.
- 1.2 Despite its problems, Brazil is dismantling tariffs, privatizing firms, and attracting foreign investment. External sector reforms, essentially trade liberalization, have paved the way for Brazil's current policy of simultaneously pursuing multilateral trade liberalization --through its participation in GATT-- and joining sub-regional integration schemes: the Southern Common Market (MERCOSUR) and the South American Free Trade Area (ALCSA), which is presently under negotiation.
- 1.3 The capability of the Brazilian government to face the challenges of modernization has been increasingly hampered by many years of deficit spending. Among other effects, this problem has given rise to the growing weakness of many public institutions. Whereas this problem is applicable in general to the Brazilian public sector, it has become a crucial and limiting factor for the MRE, which has to deal with a world scenario that is in the midst of dynamic economic and political transformation. This operation involves the modernization of this ministry.

### B. The Ministry of Foreign Affairs (MRE)

- 1.4 The MRE is the agency responsible for formulating and executing foreign policy, as well as managing and maintaining relations with foreign governments and international organizations. In order to meet these responsibilities, the MRE must carry out a series of specific functions, including: coordination of, and logistical support for, presentation of the Government's position externally; definition of overall foreign policy goals and participation in and/or coordination of policy formulation in conjunction with other governmental agencies when a particular issue has international implications; representation and negotiation of the Government's position; collection, collation and dissemination of externally and internally-generated information for analysis, policymaking decisions and action; and the provision of consular services.
- 1.5 In the Brazilian public sector, only two ministries --the MRE and the Ministry for Regional Integration (Ministério da Integração Regional)-- have functional responsibilities (international and internal affairs respectively); the remaining 18 ministries have thematic responsibilities (health, education, transportation, etc.). Virtually all thematic areas have international components. However, according to Law No. 8.490 (1992), all international

negotiations or exchanges are the MRE's responsibility; thus the MRE must analyze issues and conduct negotiations based on an inter-ministerial and multi-disciplinary perspective. The quality of this work obviously depends significantly on proper inter-agency coordination, which can only take place under the effective leadership of the MRE.

- 1.6 Over the years, Brazil's MRE has earned a reputation of being a competent foreign ministry. To a large extent this is due to the extremely selective nature of its recruitment process for the diplomatic service, together with the additional formal training received by every diplomat at the "Instituto Rio Branco" (IRBr), which was created in 1945 and is an integral part of the MRE. 1/ Although well-suited to the requirements of a diplomat, this formal training is by its nature general; certain essential skills are either self-taught or never acquired (e.g., management, negotiation, and computer skills).
- 1.7 In recent years it has become more difficult for the MRE to discharge its functions properly due partly to the country's macroeconomic difficulties, and also to the Ministry's tradition-bound methods of operation. Concern on the part of the MRE's higher authorities led to the establishment in November 1992 of a special task force --the "Comissão de Aperfeiçoamento da Organização e das Práticas Administrativas do Itamaraty" (CAOPA)-- to conduct a thorough examination of the MRE's organization and operations. This special task force produced reports in June and September 1993 whose conclusions and recommendations form the basis of many of the corrective actions to be supported by this Project. Moreover, the current focus on international economic affairs in an increasingly competitive environment, including schemes for economic integration (e.g., MERCOSUR, NAFTA), have placed an additional new burden on an already over-extended MRE, particularly its "Subsecretaria-Geral de Assuntos de Integração, Econômicos e de Comércio Exterior" (SGIE). Accordingly, the authorities have placed a very high priority on modernizing and strengthening the MRE in general, and the SGIE in particular.
- 1.8 The ministry's structure is established by law; the most recent law was passed in 1992. Organizational changes are regularized through the "Regimento Interno da Secretaria de Estado das Relações Exteriores" (RISE). The MRE is composed mainly of four central offices, called "Subsecretarias-Gerais," (General Sub-Secretariats) one of which is the SGIE (see Annex I). These General Sub-Secretariats are further subdivided into departments which, in turn, have divisions, where most of the substantive work of the Ministry takes place. All heads of divisions, departments, General Sub-Secretariats, and the Secretary General of the MRE are diplomats.
- 1.9 The major resource available to the Ministry is its human resources. There are currently a total of 866 diplomats and 3444 other staff members; of these, some 291 diplomats and 1498 other civil servants are at headquarters in Brasilia. Given the range of highly technical matters the MRE is expected to address, together with the above-mentioned general nature of the educational background and frequent rotation of the diplomatic staff, it is not feasible to develop within the Ministry a technical capability for every issue. The MRE must therefore rely mainly on the expertise found in other public sector agencies

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1/ Two years of full-time post-graduate studies at the IRBr prior to entry in the diplomatic service is required. This is reinforced by further training and examination when moving from Second Secretary to First Secretary. Promotion from Counselor to Minister rank requires the preparation of an acceptable thesis under the direction of the "Instituto". Virtually all of Brazil's current diplomats are graduates of the IRBr.



and, when unavailable, develop these skills and knowledge on an "as required" basis through special training and outside contracting.

- 1.10 Since a minimum requirement for selection to a position of chancellery officers is a university degree, in principle, they constitute an important support group for the MRE. The allocation of these professional level non-diplomat posts declined significantly during the 1980s, which is one of the current weaknesses of the MRE. During the first semester of 1994, an additional 250 chancellery officers, who have already been selected, will be employed by the MRE. These chancellery officers must be placed within the MRE on the basis of their academic experience and properly trained to be effective members of the Brazilian foreign service.
- 1.11 The SGIE is responsible for managing international economic issues as well as several programs, including export promotion, foreign investment promotion, and the country's international technical cooperation. It currently consists of 57 diplomats and 52 other civil servants. It is expected that approximately 60-70 new chancellery officers will be assigned to SGIE during 1994, 2/ bringing its total staffing to approximately 160-170 persons. This staff is spread throughout 13 divisions, 5 departments and the "Subsecretaria-Geral's" office.
- 1.12 The SGIE's staff has been further complemented by 46 contract persons, most funded through UNDP-financed projects, who provide professional and specialized services, as well as administrative support. The SGIE has supervisory responsibility over the Agência Brasileira de Cooperação (ABC), a semi-autonomous operational agency with responsibility for management and administration of international technical cooperation. ABC's staff currently consists mainly of civil servants on loan from other agencies, together with a relatively large number of personnel contracted through UNDP-financed projects; plans are to increase the number of civil service positions assigned to the ABC.
- 1.13 The SGIE's operational shortcomings --most of which pertain to the MRE as a whole-- include the following:
- 1.14 Organizational and management deficiencies. These include: (a) overlapping competencies among organizational units and lack of clear responsibilities for a given issue/decision; (b) highly personalized management styles, coexistence of hierarchical and decentralized decision-making, and departmental output depending mainly on the personal initiative of directors; (c) rare or ineffectual use of formal management tools --planning, programming, budgeting, performance appraisal, management information, and decision support systems; and (d) under-utilization of the chancellery officers and other professional staff.
- 1.15 Lack of formal mechanisms to achieve effective inter-departmental and inter-agency coordination. Although the MRE is the agency officially responsible for all activities related to MERCOSUR, thus far no inter-agency mechanism has been established to determine the studies and information that are required by the Brazilian negotiating teams participating in each of that pact's subgroups.

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2/ This additional staffing for the SGIE should lead to lower requirements for contract personnel to carry out some of the SGIE's activities, and should be included in the plan for allocation of the MRE staff (see 3.35c) as a prior condition for first disbursement.

- 1.16 Lack of training programs. Other than the formal program in international relations provided to diplomats by the IRBr, the MRE has no on-going training programs to provide the skills needed to address the different issues within its purview nor to improve performance at the different levels -management, professional/technical, and administration/support.
- 1.17 Lack of an integrated computerized information system. Considering the current context for the conduct of international affairs, where instantaneous global communications are commonplace, the MRE is startlingly ill-equipped technologically. Although there are approximately 350 personal computers at MRE headquarters, there are no standards for acquisition of equipment and workstations are not appropriately linked to each other. Coordination of inputs within the Ministry and with other agencies is, therefore, time-consuming and difficult. Moreover, the underlying structure for a computerized information system is seriously lacking.
- 1.18 Weakness in the area of public relations and communications with the outside world, both in Brazil and internationally. The movement towards greater democratization requires developing a national dialogue to build public support for the country's foreign policy. One of the MRE's principal shortcomings, identified in the CAOPA reports, is in the area of communications with the public, for which there is no comprehensive strategy nor an organizational capability.
- 1.19 Shortcomings in physical infrastructure. The MRE lacks appropriate meeting facilities in its main building and two annexes, as well as a training area (other than the IRBr). The influx of 250 chancellery officers, presumably to be followed in the next few years by a group of assistant chancellery officers (i.e. junior professionals) further aggravates a space problem that should be addressed within the context of: (a) incorporating the IRBr more fully into the human resources development program; (b) providing the facilities necessary to implement an on-going training program for MRE staff; (c) installing appropriate network information systems throughout the Ministry, including the posts abroad and with links to information sources outside the MRE; and (d) providing the conference space required by the MRE.
- 1.20 The proposed Project focusses on the strengthening of the MRE/SGIE in those areas mentioned above.

C. Request for technical assistance. The Bank's strategy and experience

- 1.21 The Federal Government has given this Project high priority. In January 1993 the Bank received a formal loan request from the SEAIN (Secretaria de Assuntos Internacionais da Secretaria de Planejamento, Orçamento e Coordenação da Presidência da República). The high priority and the need for technical cooperation was further expressed during the Bank's 1993 Programming Mission and, accordingly, this Project was included in the operative program for 1994.
- 1.22 The Bank's participation in this Project is in accordance with its strategy of improving the efficiency of the public sector and supporting economic integration. Along this line, the Bank is encouraging its borrowing countries to focus on modernizing the state, its institutions, management and administrative practices. This Project presents an opportunity to support Brazil in the strengthening of one of its public institutions, one that is responsible for Brazil's external relations and policy and to which has been assigned a lead role in matters related to economic integration.

- 1.23 The Bank's prior experience with the MRE involves two operations: (a) ATN/SF4246-BR, consisting of a short-term mission aimed at carrying out an institutional analysis of the SGIE (the mission was recently completed and the final report was used in the preparation of this Project); and (b) 663/OC-BR, approved in 1990, for the implementation of a system for dissemination and promotion of information on technology and investments through the installation of electronic links between the MRE's headquarters and embassies abroad. The proposed Project will enhance and expand that project.
- 1.24 The execution of project 663/OC-BR suffered serious delays due to bureaucratic constraints and an executing agency inexperienced in the procurement of goods and services. During 1993 the UNDP was contracted by the government as an administrative support agent and the first consultants were hired. The lessons learned have been used in the preparation of the plan for execution of this Project.
- 1.25 In the area of Economic Integration the Bank is financing a project for regional technical assistance for the establishment and operation of MERCOSUR; ATN/SF-4130/RE. The Bank's contribution covers consulting services required for evaluation of different subject areas, most of them dealing with harmonization of macroeconomic and sectorial policies, and support for the negotiation capability of the smaller country members, Uruguay and Paraguay. The proposed Project will aim at formalizing the MRE's role in coordinating Brazil's participation in MERCOSUR.

## II. OBJECTIVES AND EXPECTED RESULTS

- 2.1 The overall objective of this Project is to upgrade the MRE's institutional capability in relation to Brazil's international economic affairs and policies, especially in the area of economic integration.
- 2.2 While the Project's components will be centered on the SGIE, virtually the entire Ministry will participate and benefit from the project's activities, including the IRBr, the MRE's management and administration area (i.e., several departments of the "Subsecretaria-Geral do Serviço Exterior"), the Environmental Department (DMA), and the ABC. The Project will also assist in the establishment and strengthening of an inter-agency mechanism for coordination of Brazil's external affairs in the economic area and will help strengthen linkages with the private sector and the intellectual community, both nationally and internationally.
- 2.3 At the Project's conclusion, it is expected that: (i) management systems will be fully in place and operational within the SGIE, with important spill-over effects to the rest of the MRE; (ii) a program of studies in support of negotiations will have been completed; (iii) on-going training programs will be running to support the management systems and a large number of MRE staff at all levels will have been trained; (iv) the IRBr's curriculum will have been revamped and its services extended to non-diplomat support professionals; (v) the Ministry will have the underlying structure and standards for computerized information systems, together with the basic elements of an information system that should meet its needs into the new century; (vi) an on-going program of communications and media relations, including publications, will be functioning; and (vii) the MRE will have appropriate training areas and meeting facilities to serve its needs.

### III. DESCRIPTION OF THE PROJECT

- 3.1 This Project has been developed following the logical framework approach (see summarized version in Annex II). The logical framework table, which will form part of the Execution Plan (see 3.26) specifies the components and activities to be carried out in this Project, including the estimated budget, expected results, the means for verifying the accomplishments, and the corresponding assumptions (risks). It includes the following six components:

#### A. Components

##### 1. Strengthening of management and administration (US\$830,000)

- 3.2 The objectives of this component include: (a) the establishment of a "Deliberative Committee" (Comitê Deliberativo) through an appropriate ministerial decree, with responsibility for the overall management and decision-making with regard to this Project, and to strengthen inter-departmental cooperation within the SGIE, including the ABC; and (b) the installation of formal management tools and procedures in the SGIE. Once these tools are installed in the SGIE, they will be studied to see which should be installed centrally in the MRE.
- 3.3 This component would be implemented through the use of consultants (80.5 person/months plus 30 person/months for coordination). The contracting of a consulting firm with experience in management is recommended to implement this component. The logical framework table includes specific objectives for each activity. A request for proposal should be prepared on this basis and firms invited to bid.

##### 2. Studies and research (US\$3,565,000)

- 3.4 The objective of this component is to carry out a program of studies and research to provide the basic technical support that will enable the MRE to carry out its mandates in connection with international economic affairs, particularly in the area of economic integration. Specifically, the studies and research projects to be undertaken will assist the MRE in formulating the Brazilian position in international fora as well as providing the technical background required for policymaking.
- 3.5 The "Comitê Deliberativo" mentioned in 3.2 above will include an inter-agency mechanism composed of six Consultative Subcommittees including MRE staff as well as representatives of other government agencies involved in the Technical and Specialized Subgroups established under MERCOSUR and Specialized Conferences in the economic area. These Consultative Subcommittees will determine the priorities identified by government agencies and the private sector, and will advise the "Comitê Deliberativo" regarding approval and appraisal of the programs for the studies and research projects.
- 3.6 In order to maximize the MRE's human resources, the six Consultative Subcommittees have regrouped the 11 technical subgroups, created under MERCOSUR, in the following six subject areas: (a) trade, tariffs, and technical norms; (b) infrastructure, science and technology, technical cooperation, and environment; (c) economic affairs; (d) political, legal, and consular affairs; (e) social affairs, including labor, employment, and women; and (f) sectoral affairs. The terms of reference for 20 studies to be carried out during the first year of project execution are on file, have been reviewed by

the Bank and found to be appropriate. The proposals for studies to be carried out in years 2, 3 and 4 will be presented to the Bank for approval on a semi-annual basis as part of the operational plan (see 3.27).

- 3.7 This component will require a coordinator for 48 months and the studies and research will be carried out through the hiring of consultants, as well as the use of appropriate institutions (universities, foundations, and others).

3. Human resources development (US\$2,075,000)

- 3.8 The objective of this component is to train all SGIE and other staff members of the MRE through: (a) institutionalizing an on-going training program of short-term courses -professional and technical, management and administration, informatics and office technologies, general administration, and foreign languages for support staff; (b) implementing an in-service training fellowships program; and (c) reviewing and strengthening the IRBr's curricula and extending its training program to non-diplomat professional staff.

- 3.9 This component will be carried out mainly through the hiring of consultants (52.5 person/months plus a coordinator of training for 30 months) and the financing of in-service training fellowships in support of activities in foreign trade and integration (EC, GATT, MERCOSUR, NAFTA, etc.).

4. Installation of information and communications systems (US\$3,180,000)

- 3.10 The objective of this component is to install a complete infrastructure for information and communications systems for the MRE, including providing a local area network (LAN) capable of meeting present and future needs of the Ministry, and installing PC-based workstations for the SGIE (including the ABC), the Division of Personnel, the Division of Human Resources, the "Instituto Rio Branco," and the MRE's library, together with the appropriate basic and specialized software. Six data banks will be set up to support the activities of the SGIE and the library will be automated. The communications system of the MRE will be rationalized and modernized, concentrating on a total of 25 posts abroad.

- 3.11 This component will be executed through a combination of consultants (106.5 person/months plus a technical coordinator to manage the activities for 40 months), the contracting of firms to carry out the work on the electrical infrastructure and to install the LAN, and the purchase of equipment and software. Acquisition of goods and services for amounts over US\$250,000 will be carried out through public bidding that could be restricted locally using local currency.

5. Institutional strengthening in public relations and communications (US\$3,700,000)

- 3.12 The objectives of this component are to strengthen the MRE's capability in media relations, including the development of strategies and techniques for communicating effectively with the general public; to assist in the design and implementation of strategies for reaching out to the private sector and intellectual communities in Brazil and other countries; and to develop a capability for generating programs and materials to support this effort.

- 3.13 The principal activities under this component consist of: (a) implementation of a training program to develop in-house capability in writing and preparing materials for mass media and the general public, including desktop publishing;

(b) design and implementation of a program of seminars and workshops on economic integration, trade and investment, focussed on the private sector and the intellectual community in Brazil; (c) design and implementation of a series of national and international expositions for promotion of trade and investments; (d) a "Rio Branco Fellowships" program for Brazilians and students from other member countries of the Bank to support the preparation of postgraduate theses and dissertations on integration-related subjects; (e) partial endowment of a "Rio Branco Professorship" in economic integration at a leading national or foreign university; and (f) design and implementation of a publications program, including audio-visual materials.

- 3.14 This component will be executed through the hiring of consultants (23.5 person/months plus a coordinator for 48 months), and the financing of participation in expositions, and fellowships (40 for Brazilians and 56 for researchers from other countries).

6. Upgrading/expansion of physical infrastructure (US\$2,470,000)

- 3.15 This component, which will be financed entirely by the local counterpart, supports the execution of the other project components by: (a) remodelling space within Itamaraty's existing facilities to house a training center for the short-term courses; (b) building a new facility to house the "Instituto Rio Branco," thereby freeing up necessary space in Itamaraty, as well as to host meetings, seminars and workshops; and (c) to remodel the facilities of the Brazilian Cooperation Agency (ABC) in order to make possible the transfer of its Project Administration Unit (UAP) from its current site at the United Nations building to Annex 1 of Itamaraty. A coordinator (30 person/months) will be financed to manage the execution of this component. Construction contracts should contain requirements regarding fulfillment of environmental impact relief.
- 3.16 The new facility for the IRBr and meetings center consists of 2,700 m<sup>2</sup> to be constructed on land owned by the MRE. The construction, amounting to US\$1,350,000, will be carried out through public bidding limited to local companies. As this subcomponent has to be completed during the first half of the execution period to provide room for the training activities at the MRE, some administrative/engineering work will be undertaken prior to the approval of the Project, to facilitate the construction procedures. The Bank has agreed to recognize these costs as local contribution in accordance with Bank policy (see 3.36).
- 3.17 To prepare for the transfer of the UAP (see 3.15) and to provide necessary space for the UEP and incoming chancellery officers assigned to the Project, the remodelling of the ABC's facilities will start before the approval of the Project. The Bank has agreed to recognize these costs as local contribution in accordance with Bank policy (see 3.36).

B. Organization and execution of the Project

- 3.18 The MRE will be responsible for the execution of the Project through its "Subsecretaria-Geral de Assuntos de Integração, Econômicos e de Comercio Exterior" (SGIE). Since the Project goes to the very essence of the SGIE's mandates and activities, the "Comitê Deliberativo" (see 3.2) will have responsibility for overall management and decision-making for the Project. A special Project Executing Unit (UEP) will be set up exclusively to serve as an executing arm of the "Comitê Deliberativo".

- 3.19 The "Comité Deliberativo" will be formally established through issuance of an appropriate decree ("Portaria Ministerial") prior to the first disbursement (see 3.35). It will be chaired by the "Subsecretario Geral" of SGIE and composed of the department directors and the National Director of the Project (see 3.20). The "Comité Deliberativo" will also have an inter-agency mechanism consisting of six Consultative Subcommittees, including Brazil's representatives in the MERCOSUR Subgroups and in other international economic fora. The function of these Consultative Subcommittees will be to advise and assist the "Comité Deliberativo" in the determination and review of the programs for studies and research to be carried out as part of the Project (see 3.5).
- 3.20 The UEP will be composed of the National Director (a diplomat to be assigned by the SGIE) and the following members to be contracted under the Project and financed by the local counterpart: (i) one Executive Coordinator; (ii) one General Administrator; (iii) one Specialist/Assistant (specialist in acquisitions); and (iv) a pool of three secretaries and one office assistant. In addition, the six coordinators to be hired under the respective components will form part of the UEP. To prepare for the execution of the Project, part of the UEP members will be hired and necessary equipment purchased prior to the start of the Project. The Bank has agreed to recognize these costs as local contribution in accordance with Bank policy (see 3.36).
- 3.21 Financed by the local counterpart, the UNDP and the ABC's Project Administration Unit (UAP) will provide support for the UEP in the financial execution, accounting and administration of the project. The support of UNDP in this Project is part of UNDP's role as a support agency for Brazil in the formulation and implementation of all technical cooperation projects.
- 3.22 For this purpose, an agreement will be concluded between the Government of Brazil and the UNDP, describing the responsibilities of the UNDP in providing technical support for the execution of the Project and in managing the Project's resources. The agreement shall also indicate that in the selection and hiring of consultants and the procurement of goods and services, IDB procedures shall apply.

#### C. Monitoring and reports

- 3.23 The execution of the Project will be followed up by the UEP and by ABC/UAP, which has the support of the UNDP, through the preparation of semi-annual reports on the physical and financial execution. Such reports will present evidence for evaluation of the performance and for eventual corrections. In addition, the UEP will be using special software for management of the Project, which should be of assistance in carrying out the activities.
- 3.24 From the date of first disbursement under the Project, monthly monitoring meetings will be held between the Executing Agency, a representative of the Bank's Country Office and a representative from the local office of the UNDP.
- 3.25 The agreement to be entered into between the Bank and the Government of Brazil will stipulate that the executing agency must prepare certain reports and submit them to the country office in Brazil, which will have the primary responsibility for monitoring the Project. The following reports, of which copies will be forwarded to the supporting units at Headquarters, will be required:

1. Initial report

- 3.26 An initial report (Execution Plan) containing the timetable and workplan for the Project's components and activities must be submitted within 60 days after the signing of the contract. The Execution Plan should contain a description of all the activities, including indicators, means of verification for each activity and assumptions made in each case, together with a timetable in the form of a GANTT chart identifying the unit of MRE involved in each activity. A description of the mechanisms for coordination and execution must be included.

2. Progress reports

- 3.27 Throughout the execution period, a progress report on each six-month period must be submitted within 30 days after the end of the period. The report must include a description of the progress made relative to the Execution Plan, deviations, and the operational plan for the next six-month period. The operational plan shall include the proposals for studies to be carried out for approval by the Bank (see 3.6).

3. Intermediate and "ex post" evaluation

- 3.28 Within 6 months after the end of the second year of execution, an intermediate evaluation will be carried out, and within 12 months after the last disbursement, a final "ex post" evaluation will be completed, both evaluations to be done by independent institutions. Evaluations should be carried out using the indicators and means for verifying accomplishments described in the Execution Plan.
- 3.29 Within 90 days following the close of each calendar year during the period of execution of the Project and on the date of the last disbursement, the executing unit must submit financial statements on the use made of the Bank's resources and of the local counterpart contribution. All financial reports must be audited by the National Treasury Department (STN). Since the UNDP will be responsible for the administration of the loan, the agreement between the Government of Brazil and the UNDP shall establish the obligations of the latter to submit timely financial statements to the Executing Agency.

4. Exception reports

- 3.30 In addition to the reports required above, the UEP should prepare and present exception reports to the "Comitê Deliberativo", with a copy to the Bank, when the situation so warrants. These exception reports are generated by the Project's Executive Coordinator to alert management when an activity has not been completed or is in danger of not being completed on schedule or in terms of quantity or quality. They should be very brief and include problem identification, an assessment of its impact on the project, alternatives for resolving it, the actions the Executive Coordinator is already taking, and those requested.

D. Cost of the operation

- 3.31 The total cost of the operation has been estimated at the equivalent of US\$ 20 million. The Bank's contribution will amount to the equivalent of US\$10 million in local currency, and that of the Government the equivalent of US\$10 million, as shown in the following summary:



ESTIMATED BUDGET BY PROJECT ACTIVITIES  
(In thousands of US\$)

COMPONENTS	IDB	LOCAL	TOTAL
1. Project Execution Unit (UEP), including UNDP	0	1,400	1,400
2. Components:			
2.1. Strengthening of Management & Administration	830	0	830
2.2. Studies and Research	2,570	995	3,565
2.3. Human Resources Development	1,660	415	2,075
2.4. Installation Information and Communication Systems	3,010	170	3,180
2.5. Inst. Strength. in Public Relations & Communications	1,730	1,970	3,700
2.6. Upgrading/Expansion of Physical Infrastructure	0	2,470	2,470
3. Contingencies	200	1,460	1,660
4. Evaluations	0	220	220
5. Financial Expenditures:			
5.1. Interest	0	800	800
5.2. Inspection & Supervision	0	100	100
<b>TOTAL</b>	<b>10,000</b>	<b>10,000</b>	<b>20,000</b>

- 3.32 The Bank's contribution will be used mainly to finance individual consultants, consulting firms, training programs, studies, fellowships, computer equipment, software, and other equipment, all in accordance with the Bank's general rules on the use of resources.
- 3.33 The contribution of the Government of Brazil will be used to finance 100% of the UEP, the UNDP service fee, construction costs, equipment/furniture for the physical infrastructure, remunerations/fees and travel expenses of local officials engaged in the project execution, and other costs that cannot be financed by the Bank's contribution. In addition, the counterpart's resources will be used for financing part of the activities described in paragraph 3.32. For the year 1994, US\$1,5 million is reserved in the MRE's budget for this Project.
- 3.34 The Bank's contribution will be drawn from the ordinary capital resources in local currency. In accordance with current regulations, the terms of this operation will be as follows:
- a. **Amount and currency:** The equivalent of up to US\$10 million in the currency of Brazil.
  - b. **Amortization and grace period:** The Borrower will amortize the loan in a period of 20 years from the date of the contract by means of semi-annual installments, the first of which is to be paid six months after the date of the last disbursement.

- c. **Interest:** Interest will be paid semi-annually on the daily balances of the loan. The first payment will be made six months after the date of the contract. The interest rate will be 4 percent.
- d. **Fee for inspection and supervision** will be 1 percent.
- e. **Disbursement:** The term for disbursement of the loan proceeds will expire 4 years after the effective date of the contract.

1. Special conditions

3.35 It has been agreed with the Government of Brazil that, as a prior condition for first disbursement, the following is required:

- a. evidence, through the appropriate formal documents, of the establishment of the "Comitê Deliberativo" and the creation of the UEP through the hiring/assignment of appropriate personnel;
- b. the agreement signed with the UNDP for its administrative support services for the execution of the Project, in accordance with the draft previously discussed with the Bank; and
- c. a plan for allocation of MRE staff to participate in the Project's activities to ensure its sustainability.

2. Recognition of expenditures

3.36 It is anticipated that prior to the Bank's approval of the Project, the MRE will begin activities at a total cost of up to the equivalent of US\$550,000. Accordingly the MRE has requested the Bank to recognize as part of counterpart contribution, expenditures up to the equivalent of: (a) US\$200,000 used for the establishment of the UEP and preparation of the Project; (see 3.20) and (b) US\$350,000 used for administration/engineering and refurbishment (see 3.16-17). Such costs will be accounted for in accordance with the Bank's rules for this type of expenditures. The Bank has reviewed and found the proposed activities allowable for recognition of costs.

3. Sustainability

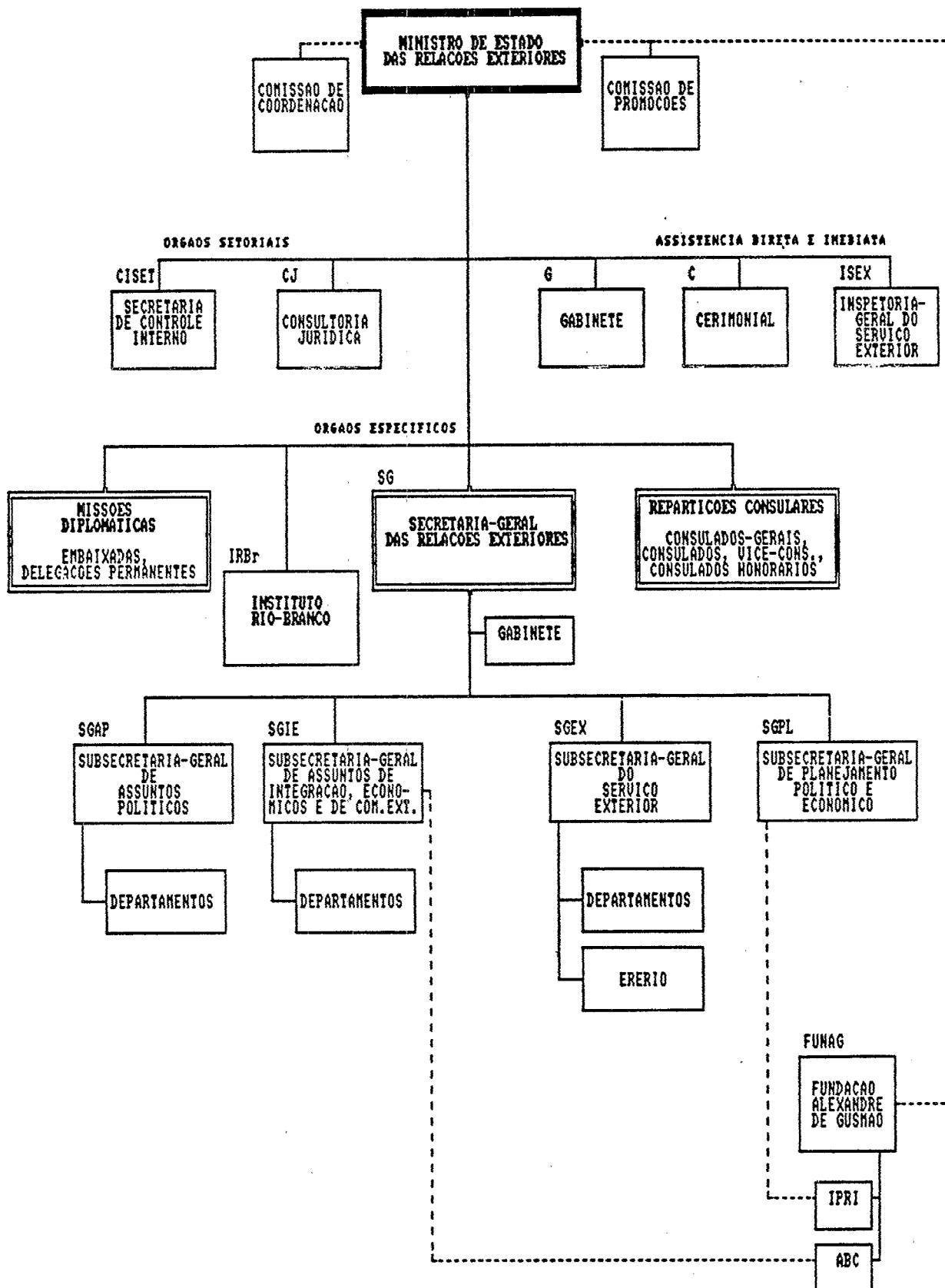
3.37 Several elements will contribute to the sustainability of this project's benefits once the execution phase is completed. First, the overall management of the project will be the responsibility of the Comitê Deliberativo, whose members are MRE diplomats, rather than contract staff. The project's coordinators are phased out as the components are completed. Secondly, the project focusses on the development and installation of appropriate systems within MRE, including planning/programming/resource allocation. This is supported by comprehensive and on-going training of a very significant number of MRE staff at all levels. Activities focussed on the Instituto Rio Branco will benefit all future and most current Brazilian diplomats. Finally, greater sustainability will require budgetary allocations of approximately US\$1.8 million per year to continue the programs and for proper replacement of the equipment.

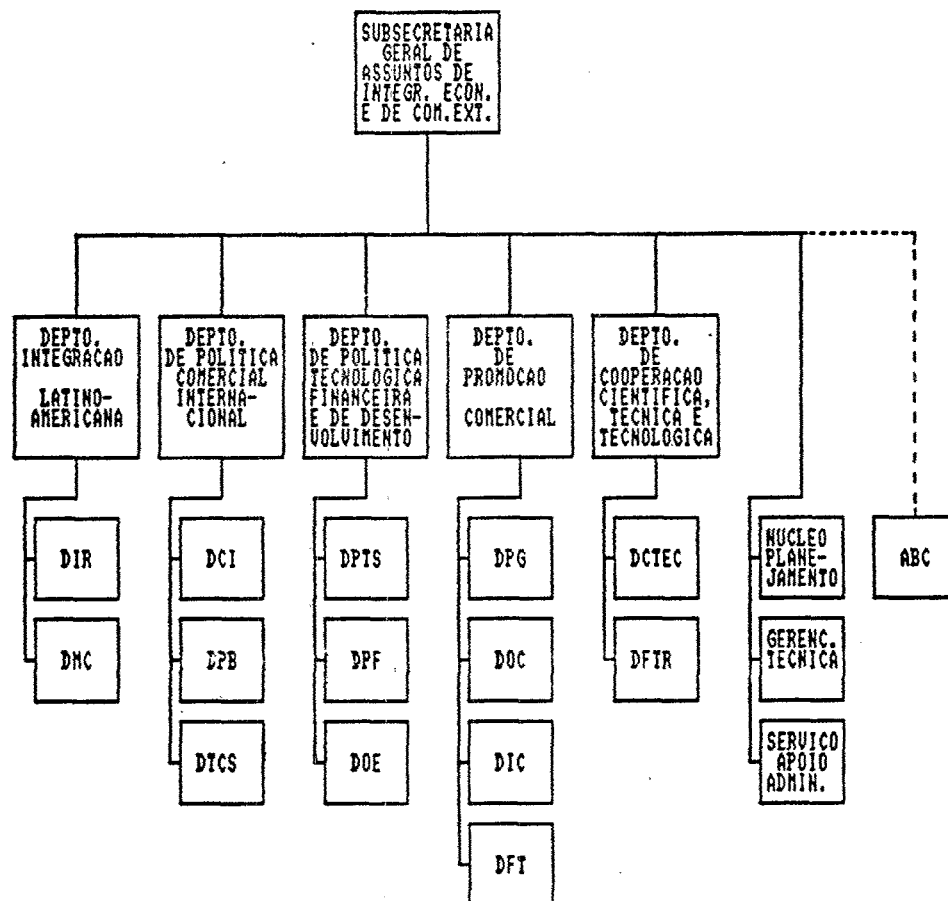
#### IV. BENEFITS AND RISKS

- 4.1 By virtue of concentrating its activities in the area of international economic affairs, this project will benefit Brazil's economy, particularly through its participation in economic integration arrangements, thereby promoting trade and investment.
- 4.2 The productivity of the MRE's staff will be enhanced through: (a) the installation of modern management, administration, information, and communications systems, together with the appropriate equipment and software; and (b) the training of over 1000 staff members at all levels through the establishment and institutionalization of a comprehensive training program. Through the revamping of the "Instituto Rio Branco's" curriculum, most current and all future diplomats will benefit from courses in areas such as management, negotiation, environment, economic integration, and computer skills. The MRE will have developed a capability for effective communications with the general public in matters related to international economic affairs. Links will have been established with the private sector and the intellectual communities in Brazil and other countries. Finally, this Project may have a demonstration effect by encouraging similar efforts of modernization of the state in Brazil and other countries.
- 4.3 This Project has been designed considering past problems for the MRE in executing projects. This risk is minimized by the proposed structure for the UEP and the administrative support to be received from the UNDP.
- 4.4 The table in Annex II ("supuestos") identifies the assumptions (risks), in general and for each component.

#### V. EVALUATION

- 5.1 Evaluation of this Project will be an on-going process through the reports described in section III.C, to be prepared by the Executing Agency and forwarded to the Bank. In addition, the Country Office in Brazil will have basic responsibility for administration of the Project and will conduct periodic inspections. During execution of the Project, the Bank will also use missions scheduled for other purposes to perform technical supervision.





- DIN - DEPARTAMENTO DE INTEGRACAO LATINO-AMERICANA  
 DPC - DEPARTAMENTO DE POLITICA COMERCIAL INTERNACIONAL  
 DPD - DEPARTAMENTO DE POLITICA TECNOLÓGICA, FINANCEIRA E DE DESENVOLVIMENTO  
 DPR - DEPARTAMENTO DE PROMOCAO COMERCIAL  
 DCT - DEPARTAMENTO DE COOPERACAO CIENTIFICA, TECNICA E TECNOLÓGICA  
 DIR - DIVISAO DE INTEGRACAO REGIONAL  
 DNC - DIVISAO DO MERCADO COMUN DO SUL  
 DCI - DIVISAO DE COMERCIO INTERNACIONAL E DE MANUFATURAS  
 DPB - DIVISAO DE AGRICULTURA E PRODUTOS DE BASE  
 DTCS - DIVISAO DE TRANSPORTES, COMUNICACOES E SERVICOS  
 DPTS - DIVISAO DE PROPRIEDADE INTELECTUAL E TECNOLOGIAS SENSIVEIS  
 DPF - DIVISAO DE POLITICA FINANCEIRA  
 DOE - DIVISAO DE ORGANISMOS ECONOMICOS PARA O-DESENVOLVIMENTO  
 DPG - DIVISAO DE PROGRAMAS DE PROMOCAO COMERCIAL  
 DPC - DIVISAO DE PLANEJAMENTO E PROGRAMACAO  
 DOC - DIVISAO DE OPERACOES DE PROMOCAO COMERCIAL  
 DPEx - DIVISAO DE PROMOCAO DA EXPORTACAO  
 DIC - DIVISAO DE INFORMACAO COMERCIAL  
 DINv - DIVISAO DE PROMOCAO DE INVESTIMENTOS E APOIO 'A IMPORTACAO  
 DFT - DIVISAO DE FEIRAS E TURISMO  
 DPT - DIVISAO DE APOIO PROMOCIONAL E TECNICO  
 DCTEC - DIVISAO DE CIENCIA E TECNOLOGIA

**STRENGTHENING OF THE CAPABILITY OF THE MINISTRY OF FOREIGN AFFAIRS  
IN THE INTERNATIONAL ECONOMIC AREA - Summary Logical Framework Table (BR-0166)**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Purpose</b> To improve public sector capability to formulate and manage international economic policy.	Ministerial and inter-ministerial agreements and/or decisions on international economic affairs based on the formal mechanism in place.	Minutes, executive orders, and ministerial and inter-ministerial decisions.	<ul style="list-style-type: none"> <li>• Commitment by govt. authorities to coordinate, formulate, and implement internt. economic policy.</li> <li>• Budgetary allocations to permit a continuation of activities.</li> </ul>
<b>Object</b> To strengthen the MRE's operational capabilities in international economic affairs.	Changes in organizational structure and in allocation of human and financial resources within the MRE. Institutionalization of management and admin. systems, study programs, training and communications and information activities.	MRE budget; amendments to Secretariat of Foreign Affairs' Internal Regulations (RISE)	<ul style="list-style-type: none"> <li>• High degree of commitment to change.</li> <li>• Continuation of MRE's formal mandates.</li> </ul>
<b>Components</b> <b>1. Strengthening of management and administration</b> <ul style="list-style-type: none"> <li>• Establishment of (MRE) interdepartmental Deliberative Committee.</li> <li>• Management and administrative systems and procedures within the SGIE and the MRE.</li> </ul> <b>2. Studies and research</b> <ul style="list-style-type: none"> <li>• Establishment of the Deliberative Comm.'s Consultative Subcommittees.</li> <li>• Studies and research in support of negotiations.</li> </ul> <b>3. Human resources development</b> <ul style="list-style-type: none"> <li>• Training for all SGIE officials and officials from other branches of the MRE in management, technical aspects, and administration.</li> <li>• Review of IRBr's curricula.</li> </ul> <b>4. Installation of information and communications systems</b> <ul style="list-style-type: none"> <li>• Infrastructure for modern information and communications systems installed.</li> <li>• Installation of systems within the SGIE and other MRE branches.</li> <li>• Establishment of data banks within the SGIE and ABC.</li> <li>• Design and initial installation of central communications system.</li> <li>• Automation of the MRE's library.</li> </ul> <b>5. Institutional strengthening in public relations and communications</b> <ul style="list-style-type: none"> <li>• Program of seminars, workshops, and expositions on trade and investment.</li> <li>• Postgraduate fellowships in international economic affairs.</li> <li>• Publications program.</li> </ul> <b>6. Upgrading/expansion of physical infrastructure</b> <ul style="list-style-type: none"> <li>• Remodeling of ABC installations.</li> <li>• Construction of training and meeting center (IRBr).</li> <li>• Remodeling for installation of training center offering short courses at Itamaraty.</li> </ul>	<b>1.</b> Regular meetings of the Deliberative Committee over 4-year period. <ul style="list-style-type: none"> <li>- Functional description of SGIE units (month 12).</li> <li>- Institutionalization of MIS-supported PPB systems 21 months after start-up and human resources mgmt. system 16 months after start-up.</li> <li>- Transfer of systems to other branches of MRE before completion.</li> </ul> <b>2.</b> 20 studies identified by the Subcommittees for year 1, approximately 30-35 studies for remaining years. <b>3.</b> 170-200 officials of SGIE and more than 1,000 from MRE attend courses. <ul style="list-style-type: none"> <li>- Changes in IRBr's curriculum (by end of year 2).</li> </ul> <b>4.</b> Reduced damage to MRE's computer equipment as of month 12. <ul style="list-style-type: none"> <li>- Increased efficiency and productivity of SGIE staff as of month 12.</li> <li>- Faster external communications with automated data base as of month 18.</li> </ul> <b>5.</b> Increased materials for the media as of month 12. <ul style="list-style-type: none"> <li>- 24 seminars on intntl. economic topics.</li> <li>- 21 trade and investment expos: 15 international and 6 national.</li> <li>- 96 Rio Branco postgraduate fellowships.</li> <li>- 2 periodic bulletins; 3-4 audiovisual programs.</li> </ul> <b>6.</b> Remodeling of ABC (prior) and Itamaraty training center (month 18). <ul style="list-style-type: none"> <li>- Construction of new IRBr (2,700 m<sup>2</sup> and meeting center (by month 18).</li> </ul>	<b>1.</b> Interministerial decree, minutes of the Deliberative Committee. <ul style="list-style-type: none"> <li>- Amendments to RISE.</li> </ul> - MRE budget.  - MRE budget.  <b>2.</b> Studies delivered to Bank.  <b>3.</b> Course guidelines; reports together with number of staff trained in each activity and results of tests. <ul style="list-style-type: none"> <li>- IRBr bulletin.</li> </ul> <b>4.</b> CPD reports with number of equipment repaired. <ul style="list-style-type: none"> <li>- UEP reports on time taken to prepare/file documentation.</li> <li>- Reports on time taken to place calls, telephone accounts.</li> </ul> <b>5.</b> UEP reports, together with public documents. <ul style="list-style-type: none"> <li>- Documentation and final report on each seminar.</li> <li>- Documentation and report on each exposition.</li> <li>- Announcements of fellowships; copies of completed theses.</li> <li>- Copies of bulletins.</li> <li>- Copies of audiovisual materials.</li> </ul> <b>6.</b> Occupancy permits.	<b>1.</b> Little resistance to change, particularly from diplomats. <ul style="list-style-type: none"> <li>- Completion of consulting work in integrated fashion (specialized firm).</li> </ul> <b>2.</b> The Consultative Subcommittees prevent duplication of efforts and use studies to assist with negotiations <ul style="list-style-type: none"> <li>- Availability of qualified consultants as planned.</li> </ul> <b>3.</b> Completion on time of components 1 and 6 as scheduled. <ul style="list-style-type: none"> <li>- Eligibility for training will be determined by needs and background of staff.</li> <li>- Officials will be allowed to dedicate time to training.</li> </ul> <b>4.</b> Proper maintenance of equipment and infrastructure. <ul style="list-style-type: none"> <li>- Increased number of CPD and DCO technical staff.</li> <li>- Contracting of specialized firms.</li> </ul> <b>5.</b> The MRE will adopt a more formal and active public relations policy. <ul style="list-style-type: none"> <li>- Criterion for participation in the programs will be excellence.</li> </ul> <b>6.</b> Minimal delays in the bidding processing. <ul style="list-style-type: none"> <li>- Permits obtained in timely fashion.</li> <li>- Cash flow will not be disrupted.</li> <li>- No protests will be filed by companies disqualified from bidding.</li> </ul>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Activities</b>			
<b>1. Administrative and managerial modernization</b>	Local consultants 76.5 months 558.4 International consultants 4.0 months 72.0 Coordinating consultant 30.0 months 120.0 Other items: 75.0 <b>Subtotal Component 1:</b> 825.4		General: Competent coordinators and consultants of recognized standing hired according to plan.
a. Establishment of Deliberative Committee			
b. Defining areas of authority, duties, and responsibilities (SGIE and ABC)			1. Diplomats in SGIE have managerial skills and will make effective use of systems. - The self-evaluation system will avoid any resistance
c. Installation of management and administrative systems and methods (SGIE, ABC, and IRBr)		B	- 60 to 70 chancellery officers will join SGIE and more than 10 will join ABC.
d. Development of human resources management systems (SGIE, ABC, and IRBr - in final stage at MRE headquarters)	Studies year 1 1,271.5 Studies years 2, 3, and 4 2,100.0 Consultant for coordination 48.0 months 192.0 <b>Subtotal component 2:</b> 3,563.5	U D G E T	- Interdepartmental coordination through Deliberative Committee will continue even if SGIE is split up.
e. Recruitment and placement of new diplomatic personnel			
<b>2. Studies and research</b>			
a. Functioning of consultative subcommittees			2. Regular meetings of Subcommittees with full attendance. - Careful review of studies by specialists.
b. Studies and research			
<b>3. Human resources development</b>	Local consultants 47.5 months 346.8 International consultants 5.0 months 90.0 Consultant for coordination 30.0 months 120.0 Other items 1,519.9 <b>Subtotal Component 3:</b> 2,076.7	E X E C U T I O N	3. Change to new human resources management practices that favor training. - Commitment to change by IRBr authorities.
a. Short courses			
b. In-service training program			
c. Review and incorporation of IRBr into human resources development program			
<b>4. Information and communications systems</b>			
a. Installation of electrical infrastructure for (MRE) systems			
b. Installation of LAN computer network within MRE	International consultants 3.0 months 54.0 Local consultants 103.5 months 755.5 Consultant for coordination 40.0 months 160.0 Other items 2,207.5 <b>Subtotal Component 4:</b> 3,176.5		4. Favorable attitude toward care and maintenance of equipment.
c. Installation of PC work stations (SGIE, ABC, DP, DRH, IRBr, Library, 25 embassies)			
d. Installation of basic and specialized software, establishment of data banks			
e. Modernization of MRE communications center			
f. Development of end-user technical support capabilities			
<b>5. Strengthening of MRE external relations</b>			
a. Strengthening capabilities for preparing materials for information media.	Local consultants 18.5 months 135.8 International consultants 5.0 months 90.0 Consultant for coordination 48.0 months 192.0 Other items 3,279.2 <b>Subtotal component 5:</b> 3,696.2		5. Proper distribution of materials to information media and the private sector in Brazil and abroad. - Effective demand for postgraduate fellowships; impartial selection based on achievement. - Proper use and distribution of videos.
b. Program of seminars, workshops, and fairs to develop critical mass locally and internationally.			
c. Rio Branco study grant program			
d. Program for preparation and publication of audiovisual materials	Consultant for coordination 30.0 months 120.0 Other items 2,350.0 <b>Subtotal Component 6:</b> 2,470.0		6. The need for a training center in Itamaraty itself will be an incentive for staff to take courses and for their supervisors to allow them.
<b>6. Infrastructure</b>			

STRENGTHENING OF THE CAPABILITY OF THE MINISTRY  
OF FOREIGN AFFAIRS IN THE INTERNATIONAL ECONOMIC AREA

BR-0166

TOTAL INPUTS TO PROJECT PREPARATION 1/

<u>Consultant</u>	<u>Weeks</u>
Specialist in Inst. Strengthening	12
<u>Staff</u>	
Specialist in Economic Integration	6
Specialist in Informatics	5
Lawyer	6
Operations Officer	<u>15</u>
TOTAL	44 2/

ESTIMATED ANNUAL INPUT TO EXECUTION

<u>Staff</u>	<u>Weeks</u>
Field Office	<u>12</u> (plus an additional 6 weeks in year 1 including supervision by Headquarter Staff) 3/
TOTAL	12

- 
- 1/ Includes 2 Identification and 1 Analysis Mission, a 2-week mission by the MRE to IDB Headquarters, the preparation and follow-up of these missions and the preparation of the Plan of Operations.
- 2/ It is estimated that another 6 staff/consultant weeks will be needed for the negotiation and preparation of documentation for the final approval by the Bank.
- 3/ Including the follow-up on fulfillment of conditions prior to first disbursement.



PROPOSED RESOLUTION

BRAZIL. REIMBURSABLE TECHNICAL COOPERATION FOR THE STRENGTHENING OF THE CAPABILITY OF THE MINISTRY OF FOREIGN AFFAIRS IN THE INTERNATIONAL ECONOMIC AREA.

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is hereby authorized, in the name and on behalf of the Bank to enter into such agreements as may be necessary with the Federative Republic of Brazil and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document \_\_\_\_\_ with respect to the technical cooperation for the execution of a project for the strengthening of the capability of the Ministry of the Foreign Affairs in the international economic area.

2. That up to the equivalent of US\$10,000,000, is authorized for the purposes of this resolution, chargeable to the resources of the Ordinary Capital.

3. That the above mentioned sum is to be provided in the currency of legal tender in the Federative Republic of Brazil on a reimbursable basis, in accordance with the relevant conditions specified in the Technical Cooperation Agreement.