

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

SÃO PAULO PLUS DIGITAL

(BR-L1591)

**FIFTH INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP) FOR THE
“BRAZIL PLUS DIGITAL” PROGRAM**

(BR-O0010)

LOAN PROPOSAL

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ABBREVIATIONS	
ABEP	Associação Brasileira de Empresas de Pesquisa [Brazilian Association of Research Companies]
CCLIP	Conditional credit line for investment projects
CETIC	Centro Regional de Estudos para o Desenvolvimento da Sociedade da Informação [Regional Center for Studies on the Development of the Information Society]
CDESP	Central de Dados do Estado de São Paulo [State of São Paulo Data Center]
IFD/ICS	Innovation in Citizen Services Division
ICT	Information and communication technologies
PMU	Program management unit
PROADESS	Projeto de Avaliação do Desempenho do Sistema de Saúde [Health System Performance Assessment Project]
PRODESP	Companhia de Processamento de Dados do Estado de São Paulo [Data Processing Company of the State of São Paulo]
PROFISCO	Programa de Apoio à Gestão e Integração dos Fiscos no Brasil [Program to Support the Management and Integration of Finance Administrations in Brazil]
SAIN	Secretaria de Assuntos Internacionais [International Affairs Department], Ministry of Economy
SEGOB	Secretaria de Governo do Estado de São Paulo [State of São Paulo Department of the Interior]
SES	Secretaria de Estado da Saúde de São Paulo [State of São Paulo Health Department]
SIAFEM	Sistema Integrado de Administração Financeira de Estados e Municípios [Integrated Financial Management System for States and Municípios]
SIGEO	Sistema de Informações Gerenciais da Execução Orçamentária [Budget Execution Management Information System]
SOG	Secretaria de Orçamento e Gestão do Estado de São Paulo [State of São Paulo Budget and Management Department]
SSCTI	Subsecretaria de Serviços ao Cidadão, Tecnologia e Inovação [Office of the Deputy Secretary of Citizen Services, Technology, and Innovation]

PROJECT SUMMARY

BRAZIL SÃO PAULO PLUS DIGITAL (BR-L1591)

FIFTH INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE “BRAZIL PLUS DIGITAL” PROGRAM (BR-O0010)

Financial Terms and Conditions				
Borrower:		Flexible Financing Facility^(a)		
State of São Paulo		Amortization period:	24.5 years	
Guarantor:		Disbursement period:	5 years	
Federative Republic of Brazil		Grace period:	6 years ^(b)	
Executing agency:		Interest rate:	SOFR-based	
The borrower, acting through the Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI) of the State of São Paulo Department of the Interior (SEGOB)		Credit fee:	(c)	
Source	Amount (US\$)	%	Inspection and supervision fee:	(c)
IDB (Ordinary Capital):	164,237,344	80	Weighted average life:	15.25 years
Local:	41,059,336	20		
Total:	205,296,680	100	Currency of approval:	U.S. dollar
Project at a Glance				
Program objective/description: The general development objective of the program is to make gains in the digital transformation of the Government of the State of São Paulo, so as to increase satisfaction and generate savings for citizens in the use of public services. The program's specific objectives are to: (i) expand digital inclusion and access to and use of digital public services; (ii) make public management more efficient through digital transformation; and (iii) make public management more transparent through digital transformation. To achieve these objectives, the program is structured into four components. This is the fifth individual operation under the conditional credit line for investment projects (CCLIP) for the “Brazil Plus Digital” Program (BR-O0010), approved by the Board of Executive Directors under Resolution DE-23/21.				
Special contractual conditions precedent to the first disbursement of the financing: The executing agency will provide the Bank with evidence that: (i) the decree creating the program management unit (PMU) and appointing its general coordinator has been published in the Official Gazette of the State of São Paulo on the terms agreed upon with the Bank; (ii) the program Operating Regulations have entered into force on the terms agreed upon with the Bank; and (iii) an appropriate legal instrument has been signed and has entered into force, on the terms agreed upon with the Bank, between SEGOB and each of the participating and beneficiary institutions of the program: the State of São Paulo Health Department (SES) and the State of São Paulo Budget and Management Department (SOG) (see paragraph 3.5).				
Special contractual execution conditions: Prior to the first contract with the Data Processing Company of the State of São Paulo (PRODESP), the executing agency will provide the Bank with evidence that an appropriate legal instrument has been signed and has entered into force, on the terms agreed upon with the Bank, governing the relationship between SEGOB and PRODESP under the program (see paragraph 3.6).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(d)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted, provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) 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 policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

1. Background and context of Brazil

- 1.1 This program is the fifth individual loan operation under the conditional credit line for investment projects (CCLIP) for the “Brazil Plus Digital” Program ([BR-O0010](#)), approved by the Board of Executive Directors on 7 April 2021, along with the first individual operation (loan [5248/OC-BR](#) for US\$28 million).¹ The objective of the CCLIP, which is structured as a Multisector Modality II under the Bank’s CCLIP policy (document GN-2246-13) is to contribute to Brazil’s digital transformation by: (i) enhancing digital connectivity (coverage and quality); (ii) increasing adoption of new technologies in the productive sector; (iii) enhancing public services through the implementation of new technologies; and (iv) improving the country’s performance in necessary crosscutting factors for digital transformation. The liaison institution is the Ministry of Economy’s International Affairs Department (SAIN).
- 1.2 The CCLIP is for up to US\$1 billion, to be allocated over a drawdown period of 10 years, with three resource allocation channels structured around four sectors. One of its channels is subnational,² with the Federal District, states, and municípios with borrowing capacity pursuant to federal government requirements acting as the borrowers for programs that contribute to Brazil’s digital transformation in one or more of the sectors covered under the CCLIP. These sectors are: (i) e-infrastructure; (ii) e-economy; (iii) e-government; and (iv) supporting factors. This is the fifth individual operation under the CCLIP and the fourth in the e-government sector.
- 1.3 **Macroeconomic context.** Brazil’s GDP contracted 4.1% in 2020 due to the pandemic. In 2021, the country experienced an economic recovery with GDP growth of 4.7%. Market expectations are for growth below Brazil’s potential: 0.5% in 2022 and 1.3% in 2023.³
- 1.4 **COVID-19 and e-government policy in Brazil.** The federal government ranks among the top 20 countries worldwide on the United Nations Online Services Index (2020),⁴ and 7th out of 198 countries in the world on the World Bank GovTech Maturity Index (2021):⁵ More than 74% of its transactions are digitalized, yielding significant savings, and more than 130 million people (approximately 62% of the population) have an account on the gov.br one-stop portal. At the state level, in 2019 only 4% of services were digitalized, and only 31% of the states reported that

¹ Resolution DE-23/21.

² The other channels are: (i) the Federative Republic of Brazil, for digital transformation programs in one or more of the sectors covered by the CCLIP; and (ii) national or regional development banks that increase the capillarity and scaling of financing through subloans to subnational entities or small and medium-sized enterprises for specific investments contributing to the country’s digital transformation and aligned with one or more of the sectors covered by the CCLIP.

³ [Focus – Market Report, Central Bank of Brazil, May 2022](#).

⁴ [United Nations \(2020\)](#). For more information on the analytical works cited, see [optional link 5](#).

⁵ [World Bank \(2021\)](#).

the service most frequently used by their citizens in the past year was fully available online.⁶ As in the other countries of the region, the COVID-19 crisis accelerated the digital transformation of the public sector in Brazil. Restrictions on in-person service have spurred further digitalization of services in the states since 2020. For example, in 2021, Rio Grande do Sul was offering 61% of its services online, while Bahia was offering 25% and Alagoas and Ceará 7%, showing a wide variety in terms of digital maturity.⁷

- 1.5 The Brazilian National Digital Health Strategy 2020-2028⁸ promotes the use of digital technologies in the health sector. The strategy's action plan includes: (i) promoting telehealth and digital services; and (ii) computerizing the three levels of care to integrate health services and processes, including the promotion of integrated hospital management and adoption of electronic health records systems.
- 1.6 These digitalization advances in Brazil were buoyed by a population that is connected and adapted to the digital world. During a national survey between October and December 2020, 86% of respondents said they had already adjusted or had little difficulty adjusting to the digital world. In addition, 2 of the 10 activities most frequently performed online were public services (requests for social benefits and documents).⁹

2. Background and context of São Paulo

- 1.7 **Socioeconomic and macroeconomic context.** In 2021, the state of São Paulo had a population of approximately 45 million, or 21% of the country's population. The state's GDP accounted for approximately 27% of Brazil's GDP. In 2021, the state GDP grew 5.7%, above the nationwide growth rate.¹⁰ The state's creditworthiness, which it has maintained in recent years, is rated "B."¹¹ In 2021, tax revenue intake grew 24.7% in nominal terms; in 2022 (up until March), it grew 10.75%. This increase in revenue improved the state's fiscal indicators. Despite its importance and prominence on the national stage, the state of São Paulo faces the challenge of mitigating its economic inequalities. Less than 10% of its municípios account for 78% of the state GDP. Large inequalities are also present within cities: in the city of São Paulo, the average income in the richest neighborhood is 4.8 times higher than in the poorest neighborhood.¹²
- 1.8 **The COVID-19 pandemic.** The relevance and importance of digital technologies has grown exponentially as a result of the COVID-19 pandemic. These technologies have been critical in the continuity and expansion of public service delivery amid restrictions on in-person services and the health crisis. The annual volume of digital services provided to citizens nearly doubled compared to

⁶ [Regional Center for Studies on the Development of the Information Society \(CETIC\) \(2020\).](#)

⁷ [Brazilian Association of Research Companies \(ABEP\) \(2021\).](#)

⁸ [Digital Health Strategy for Brazil 2020-2028.](#)

⁹ [IDB \(2021\).](#)

¹⁰ [Fundação Seade \(2022\).](#)

¹¹ [Finance Bulletin on the Subnational Entities \(2021\).](#)

¹² [Rede Nossa São Paulo \(2021\). Inequality map.](#)

prepandemic levels, from 32 million in 2019 to 59 million in 2021. In addition, a federal law promoting digitalization of the health sector, including telehealth, was enacted in April 2020.¹³

- 1.9 **Legal, institutional, and strategic framework.** The strategic priorities of the Government of São Paulo are to make gains in the digital transformation of the public sector, in line with the federal e-Government Law;¹⁴ to improve the quality and coverage of connectivity for its citizens; and to further the digitalization of health care services. The directives of the Multiyear Plan 2020-2023 include “innovation, aimed at adopting modern technologies to make public services more efficient and effective in all areas of action of the state government.” The plan also includes the Government Management Technology and Innovation Program, led by the Department of the Interior (SEGOB), acting through its Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI).¹⁵ SEGOB, acting through the SSCTI, also organizes, structures, and addresses the strategic use of information and communication technologies (ICT) throughout the state’s direct and indirect administration. Its responsibilities include chairing the State Council for Information and Communication Technologies (COETIC), a governing entity for the State System for Information and Communication Technologies (SETIC).¹⁶
- 1.10 **e-Government in São Paulo.** The relative level of the state’s e-government development is rated medium, with São Paulo ranked 11th out of 27 on the Brazilian state e-government index in 2021 (with a score of 65 out of 100).¹⁷ This keeps the state from more fully tapping its efficiency potential, since online transactions cost 5% of what in-person transactions cost.¹⁸ However, São Paulo is one of the two states with a strategy for contracting cloud services; one of seven states with an interoperability platform and an online payment environment; and one of 10 that integrate their array of channels for citizen services.¹⁹
- 1.11 In addition, between 2019 and 2021, the state made progress on three key e-governance milestones: (i) reformulation of the COETIC and SETIC, which defined the SSCTI’s leadership role in organizing the state’s digital transformation efforts;²⁰ (ii) creation of the State of São Paulo Data Center (CDESP) and the state’s Management Committee for Data and Information Governance, to improve data and information management for public policy formulation, implementation, and evaluation;²¹ and (iii) approval of the Data and Information Governance Policy and the Protection of Personal Information Policy.²² Lastly, another key milestone

¹³ [Government of the State of São Paulo \(2022\)](#) and [Law 13989](#) of 15 April 2020.

¹⁴ [Federal Law 14129](#) of 29 March 2021.

¹⁵ [Multiyear Plan 2020-2023](#).

¹⁶ [Decree 66016](#) of 15 September 2021.

¹⁷ [ABEP \(2021\)](#).

¹⁸ [IDB \(2018\)](#).

¹⁹ [IDB \(2021a\)](#).

²⁰ [Decree 64601](#) of 22 November 2019 and [Decree 64731](#) of 3 January 2020.

²¹ [Decree 64790](#) of 13 February 2020.

²² [Policy resolution 1 and 2, State of São Paulo Management Committee for Data and Information Governance](#), 30 December 2021.

was the launch of the digital records program “[SP Sem Papel](#)” [Paperless São Paulo] in mid-2019, which was essential for service continuity during the pandemic and covered 95% of institutions as of February 2021.

- 1.12 Regarding demand for digital services, 84% of citizens reported that they were already adapted to the digital world or had little or no trouble doing so in December 2020 (slightly below the country average). However, that average obscures some existing gaps, such as with respect to gender: 7.3% of women reported not having adapted to the digital world, compared to 4.7% of men; and 9.4% of women said they had adapted with great difficulty, compared to 7.2% of men. Other gaps in adapting to the digital world that were found are based on people’s age, level of schooling, and income.²³
- 1.13 In addition, 53% said they were satisfied or very satisfied with the state government’s digital services, which is equal to the national average but below the best-performing state (69%). Additionally, 41% said they had difficulty using digital services, with ample room for improvement compared to the best-performing state (24%).²⁴ There is also a low level of confidence among citizens that the state government will protect their personal data (44%, near the national average of 40%).
- 1.14 **Connectivity in São Paulo.** According to the [C2DB](#) initiative,²⁵ an estimated 635,151 people (1.37% of the population) live in areas without mobile broadband service coverage. Among them, 101,377 would have difficulty accessing the service, if it were available, because they are unable to afford it. The initiative also found that 13% of households are not connected to fixed broadband services. Moreover, no evidence was found of broadband connections at 420 public schools (2.09% of the total) and 189 public health posts (1.45% of the total). Within the state of São Paulo, broadband service coverage is particularly low in Vale do Ribeira, made up of 22 municípios (3% of the state total). These coverage shortfalls impact not only access to digital public services but also productive sector development and social inclusion for the most vulnerable population.
- 1.15 **Health care in São Paulo.** The state has a significant pattern of chronic noncommunicable diseases. The São Paulo Metropolitan Area is home to nearly 50% of the whole state’s population. Since this area offers the principal health services, it attracts and provides care to an even larger population. The state’s premature mortality rate (ages 30 to 69) due to chronic noncommunicable diseases was 322.1 per 100,000 inhabitants in 2019, compared to the national average of 301.1.²⁶ Of the state’s total hospitalizations, an estimated 18.2% could have been prevented with more responsive primary care. In 2019, the percentage of hospital deaths due to hemorrhagic cerebrovascular accidents (standardized by age and gender) was 7.1 for the state, above the national average of 5.4.²⁷ Chronic

²³ Among people who reported that they had adapted with little or no difficulty, 62% were over the age of 60, 63% had completed lower secondary education, and 77% earned up to two times the monthly minimum wage. Source: [IDEIA \(2020\)](#).

²⁴ Ibid.

²⁵ IDB-ANATEL cooperation program (2021).

²⁶ [Observatório da Atenção Primária à Saúde \[Primary Health Care Observatory\]](#).

²⁷ [Health System Performance Assessment Project \(PROADESS\) \(2019\)](#).

noncommunicable diseases have a great financial impact on the health system. Addressing them requires ongoing care and an effective health system with efficient interventions. Therefore, the digital transformation of the health sector presents significant opportunities to make the system more effective and efficient (see paragraph 1.21 and [optional link 6](#)). Moreover, gender roles and norms directly influence the risk of having a chronic noncommunicable disease. For example, more physical inactivity among women is associated with being more overweight or obese, which increases the probability of developing diabetes (30 deaths per 100,000 inhabitants for women, compared to 26 for men) ([optional link 3](#)).

- 1.16 The **overall problem** to be addressed by the program is the satisfaction and efficiency gaps in public service delivery by the Government of São Paulo. The following paragraphs discuss the specific problems and their determining factors.
- 1.17 **Gaps in the availability and use of digital public services.** These gaps result from: (i) online public services that are mainly informational, with 25% fully digital and 75% available only in person;²⁸ (ii) digital services that are difficult for citizens to use (41%); (iii) inefficiencies of several existing digital services because their technology is based on legacy systems created under the Poupatempo in-person service model (a one-stop solution for public services launched in 1997); (iv) shortcomings of the LoginSP single sign-on solution;²⁹ (v) inaccessibility of the Poupatempo Digital and the telehealth platform for persons with disabilities, even though 7.29% of the state's population has some form of disability ([optional link 3](#)); and (vi) not enough health service offerings available online, both for specialty care via telemedicine and online appointment scheduling, which hinders the timely diagnosis and treatment of chronic noncommunicable diseases, leading to worse health outcomes and higher preventable expenses.³⁰
- 1.18 **Gaps in the use of information and communication technologies for government operations.** These gaps result from: (i) the coexistence of multiple, outdated, and nonintegrated data management systems and databases with overlapping data, which creates inefficiencies and prevents crossreferencing of databases at an administrative level or for core activities;³¹ (ii) the low level of automation and interoperability of systems and difficulties performing data analytics and audits in the "Paperless São Paulo" system; (iii) limited cybersecurity³² and data protection capabilities; (iv) limited functionalities in the

²⁸ [Government of the State of São Paulo \(2022\)](#).

²⁹ It does not enable biometric authentication through mobile devices and lacks an adequate security level for operating in the cloud.

³⁰ Only 50% of health care centers have electronic functionality in their system for appointment scheduling, while 29% offer telehealth services, 22% offer telediagnostic services, and 7% have remote patient monitoring. [CETIC.br data portal \(2018\)](#); [Health Sector Framework Document 2020](#); Health Sector Framework Document 2020 (document GN-2735-12).

³¹ Most administrative information systems (human resource management, project management, etc.) exist only at individual institutions.

³² The government has no dedicated equipment or cybersecurity protocols. In 2021, there were five serious incidents at the PRODESP data center, and 201 incidents associated with the sp.gov.br domain.

transparency and open data portal;³³ (v) poor management and control of state assets, leading to inefficient use;³⁴ (vi) technology lag and structural problems managing public supplies;³⁵ (vii) inefficiencies in the government's telephone expenses;³⁶ (viii) poor infrastructure and systems for remote health care; and (iv) limited digitalization and integration of data from different health facilities and systems, which does not allow access to relevant patient records for medical professionals and hinders efficient hospital management.

- 1.19 **Connectivity gaps in vulnerable areas outside the São Paulo Metropolitan Area.** There are gaps in the support infrastructure for connectivity that would enable fixed and mobile broadband access providers to offer their services at prices similar to those for areas that have coverage. In addition, low-income populations have service affordability gaps.
- 1.20 **Empirical evidence.** The literature shows that digital public services are faster (74% on average), cheaper to provide (costing between 1.5% and 5% of what in-person transactions cost), and less prone to corruption, so greater digitalization promotes such benefits as a more efficient public sector and savings for society.³⁷ It also shows that taking less time to deliver transactional public services is the main driver of higher citizen satisfaction.³⁸
- 1.21 Substantial literature for the health sector indicates that digital transformation provides significant efficiencies. Physicians who use telemedicine achieve quicker diagnoses, faster and better patient management, more accurate triage, higher confidence, and fewer unnecessary procedures.³⁹ A review of 23 studies analyzing the impact of efficient electronic health records in emergency rooms found efficiency gains in clinical staff time, fewer tests and imaging, and fewer unnecessary hospitalizations.⁴⁰ In addition, patient data management systems reduce time spent documenting medical histories and increase time spent on patient care.⁴¹
- 1.22 **The Bank's experience in the country and lessons learned.** The Bank has extensive experience with digital investments in Brazil's public sector to improve

³³ It does not allow crossreferencing of data between different sources of information. Because of its limitations, more than 30,000 access to information requests are submitted annually, which could be avoided with better active transparency. See [Minutes of the meeting of the State of São Paulo Council for Transparency \(July 2021\)](#).

³⁴ Under-registration of vehicles and under-recording of real estate. No valuation is available for the 33,000 real estate properties that are recorded. There is no asset management model and no statistics on the efficiency of resource management.

³⁵ Procurement is not consolidated because planning is not integrated and the online procurement catalog contains a large number of items (more than 130,000, with several items for the same product). Stock and warehouse management is fragmented by institution. There are nine separate, unintegrated information systems, making it impossible to analyze the data to identify early alerts and manage proactively.

³⁶ The monthly cost of conventional telephone service is 2.4 times higher than expected, if more modern technologies were used, such as VoIP (voice over Internet Protocol).

³⁷ [IDB \(2018\)](#).

³⁸ IDB ([2016a](#) and [2020a](#)).

³⁹ [IDB \(2022\)](#), [Snoswell et al. \(2020\)](#).

⁴⁰ [Eftekhari, Saeede et al. \(2017\)](#).

⁴¹ Cheung et al. (2015).

management,⁴² as well as in digital services,⁴³ digital health,⁴⁴ modernization of public finances, and other areas.⁴⁵ The Bank has also conducted extensive, recent analytical work in the areas covered by this operation in Brazil.⁴⁶ Examples of lessons learned from those programs specifically incorporated into this operation include the following: (i) digital transformation policies should be coordinated across levels of government, in this case under the e-Government Law (see paragraph 1.9); (ii) the program's expected targets should reflect success stories in other states, as well as the use of tools for comparative evaluation among states (Results Matrix); (iii) the digitalization of administrative processes should be combined with processes for delivering services to citizens (see paragraphs 1.32, 1.34, and 1.35).

1.23 The Bank's experience in the region and lessons learned. This program will draw on the Bank's experience with public sector digital transformation projects, including: the Program for Improvement of Public Services and State-Citizen Interaction (loan 3625/OC-UR) in Uruguay; the Panama Online Program (loan 3683/OC-PN) in Panama; and the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises (loan 4399/OC-PE) in Peru. Specifically in digital health, the program will draw on experience from operations under the CCLIP for the e-Government Management Program in the Health Sector (UR-X1009) in Uruguay. The Bank's analytical work in the area of e-government is also extensive.⁴⁷ Lessons learned incorporated into this program include the following: (i) the executing agency's digital capabilities should be strengthened through specific specialized advisory services, to successfully implement complex technology products (see paragraphs 1.32, 2.5(b), and 3.1); (ii) a flexible design should be maintained, to adapt more readily to any technological changes arising during execution (all components); (iii) an omnichannel approach to service improvements should be used, to reach the entire population, including online and in-person services (see paragraphs 1.32 and 1.35); and (iv) change management activities should be supported in view of the difficulties in introducing digital transformation and modernization processes (see paragraph 1.34). This last point is especially applicable to the health sector, where patients, health care providers, and administrators must have confidence in the digital technologies, learn to use them, and experience their benefits before such technologies are adopted (see paragraph 1.35).

1.24 Complementarity with IDB operations. The program will complement the Fiscal Management Modernization Project for the State of São Paulo (PROFISCO II-SP) (loan [4706/OC-BR](#) for US\$87.1 million, 2018, in execution, 35% disbursed), which finances the modernization of ICT tools for procurement and strategic personnel management, and in turn complements this operation's Management Intelligence

⁴² Loans [2791/OC-BR](#) (US\$10 million, approved in 2012), [2919/OC-BR](#) (US\$18 million, 2013), and [2580/OC-BR](#) (US\$15 million, 2011), respectively, all closed. See links to project completion reports for results.

⁴³ Loans [5248/OC-BR](#) (US\$28 million, 2021, in execution, 17% disbursed) and [5516/OC-BR](#) (US\$31 million, 2022, pending signature).

⁴⁴ Loan [4641/OC-BR](#) (US\$100 million, 2018, in execution, 55% disbursed).

⁴⁵ [PROFISCO I](#) (US\$500 million, 2008) and [PROFISCO II](#) (US\$900 million, 2017).

⁴⁶ [Optional link 5](#).

⁴⁷ [Optional link 5](#).

Center (see paragraph 1.34). Synergies will also be pursued with other e-government programs supporting state governments under the “Brazil Plus Digital” CCLIP (BR-O0010), such as Ceará Plus Digital (loan [5516/OC-BR](#) for US\$31 million, 2022, pending signature), for the preparation of terms of reference and other technical aspects of specific procurements in Components 1 and 3 (see paragraphs 1.32 and 1.34). There is also complementarity with programs that include digital health components, such as Strengthening of State Health Care Management (loan [3051/OC-BR](#) for US\$270 million, 2013, closed), which launched the digital transformation of health services (providing equipment and technical assistance to municípios and creating a big data environment for analysis of data produced by those services). Component 4 of this program is a continuation of that operation. The program also complements other operations that support electronic health record implementation, management supported by big data, and telehealth. These include the Program to Strengthen the Unified Health System in São Bernardo do Campo (loan [3400/OC-BR](#) for US\$80 million, 2014, in execution, 88% disbursed) and the City of São Paulo Health Services Networks Restructuring and Quality Certification Project (loan [4641/OC-BR](#) for US\$100 million, 2018, in execution, 55% disbursed).

- 1.25 **Associated technical-cooperation operations.** Two technical-cooperation operations are in execution: (i) [ATN/OC-17993-BR](#) (for US\$300,000, client support, approved in 2020), which supports Brazil’s public sector digital transformation efforts at the federal and subnational levels for better public service delivery; and (ii) [ATN/OC-18716-BR](#) (for US\$250,000, operational support, approved in 2021), which supports the implementation of this and other programs under the e-government focus area of the “Brazil Plus Digital” CCLIP.
- 1.26 **Strategic alignment.** The operation is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenges of: (i) productivity and innovation, through the use of new technologies to enhance public services (see paragraph 1.29); and (ii) social inclusion and equality, through improved access to health care services for the most vulnerable and unserved populations. The program is also aligned with the crosscutting themes of: (i) institutional capacity and rule of law, by making the public sector more efficient and effective and improving transparency and accountability through increased digitalization and automation of processes and services; (ii) gender equity, through actions to improve the digital skills of women so they can better adjust to the digital world, and to provide digital health services differentiated by gender; and diversity, through actions to improve access to and use of digital public services, including telehealth, for persons with disabilities (see paragraph 1.29); and (iii) climate change. Based on the [joint methodology of the multilateral development banks](#), 14.67% of the operation’s resources will be invested in climate change mitigation activities through the purchase of more energy efficient equipment,⁴⁸ the reduction of emissions from transportation through the digitalization of public services, and the mainstreaming of environment and climate in state-asset management systems ([optional link 10](#)). These resources contribute to the IDB climate finance target (30% of the volume of annual approvals). The program will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the

⁴⁸ Equipment that is more electricity-efficient, identified with seals such as Procel A Class or Energy Star, consumes less energy than similar equipment without those certifications.

indicators for: (i) agencies with strengthened digital technology and managerial capacity; and (ii) beneficiaries receiving health services.

- 1.27 The program is also aligned with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) through its public sector management and finance component, and is consistent with the Health Sector Framework Document (document GN-2735-11) through its objective of improving the productivity and quality of health services. Additionally, the operation is aligned with the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973) through its strategic objectives to: (i) promote e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises; (ii) build a more effective government; and (iii) improve management and the quality of spending and infrastructure in the health and education sectors. It also contributes to the country strategy's crosscutting themes of innovation and digital transformation, gender equity and diversity, and climate change. The program is also aligned with the Bank's Vision 2025 (document AB-3266) by promoting the digital economy, particularly through digitalization of the public sector and strengthening of good governance and effective institutions to achieve sustainable, inclusive economic growth. Lastly, the operation is included in the 2022 Operational Program Report (document GN-3087).
- 1.28 **Gender and diversity considerations.** Pursuant to the Operational Policy on Gender Equality in Development (Operational Policy OP-761, document GN-2531-10) and the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19),⁴⁹ the program will finance actions to promote and improve access to and use of digital public services for women and diverse groups (with emphasis on persons with disabilities). [Optional link 3](#) sets out the actions planned, which include: (i) preparing and implementing a digital literacy strategy for women, to facilitate their adaptation to the digital world (see paragraph 1.32); (ii) including universal accessibility functions for persons with disabilities in Poupatempo Digital (see paragraph 1.32); and (iii) expanding telehealth offerings, including a gender-differentiated approach to treat chronic noncommunicable diseases and universal accessibility functions for persons with disabilities (see paragraph 1.35).
- 1.29 **Technological innovation considerations.** This operation involves innovations such as: (i) an advanced single sign-on identification and authentication system for efficiency gains in digital identity management and higher-quality service (see paragraph 1.32); (ii) artificial-intelligence tools to support decision-making (see paragraphs 1.32 and 1.34); (iii) innovative cybersecurity policies and solutions, including a Cybersecurity Operations Center with tools for incident detection and response, as well as tools and methodologies to develop secure software (see paragraphs 1.32 and 2.7); (iv) Internet-of-Things solutions to strengthen public service management (see paragraph 1.33); and (v) telemedicine applications to reduce wait times and improve the quality of health services (see paragraph 1.35).
- 1.30 **Compliance with the Public Utilities Policy.** The program complies with the objectives, principles, and conditions of economic viability and financial

⁴⁹ For the digital governance line of action, this includes offering online options with a gender perspective to promote gender-responsive e-governance by enhancing women's on-line access.

sustainability established in the Public Utilities Policy (document GN-2716-6), since it guarantees that the private sector will improve service coverage and provide connectivity to the target population in the target area described in output 2.1 ([optional link 8](#), paragraph 1.33). The cost for these services will be made viable through a minimum subsidy for service⁵⁰ to ensure quality and affordability, maintaining service quality and the potential for competition in service delivery ([optional link 9](#)).

B. Objectives, components, and cost

- 1.31 **Objective of the fifth individual operation under the CCLIP.** The general development objective of the program is to make gains in the digital transformation of the Government of the State of São Paulo, so as to increase satisfaction and generate savings for citizens in the use of public services. The program's specific objectives are to: (i) expand digital inclusion and access to and use of digital public services; (ii) make public management more efficient through digital transformation; and (iii) make public management more transparent through digital transformation.
- 1.32 **Component 1. Digital services platform (IDB: US\$45.0 million; Local: US\$11.2 million. Total: US\$56.2 million).** This component will help expand access to and use of digital public services. It will finance support for, among other things: (i) modernizing the Poupatempo Digital⁵¹ platform for citizen services; (ii) digitalizing the state's public services, including universal accessibility for persons with disabilities; (iii) modernizing the LoginSP single sign-on solution; (iv) strengthening the CDESP and developing the state's data strategy; (v) strengthening the state's cybersecurity capabilities; and (vi) preparing and implementing a digital literacy strategy for women.
- 1.33 **Component 2. Digital infrastructure and connectivity (IDB: US\$42.2 million; Local: US\$10.1 million. Total: US\$52.3 million).** This component will help improve connectivity and digital inclusion and make public management more efficient. It will finance support for, among other things: (i) promoting digital access and inclusion;⁵² (ii) improving the state's internal communication services; and (iii) implementing innovative communication technologies.
- 1.34 **Component 3. Digital transformation of public management (IDB: US\$37.2 million; Local: US\$9.5 million. Total: US\$46.7 million).** This component will help improve the efficiency and transparency of public management. It will finance support for, among other things: (i) enhancing the "Paperless São Paulo" system; (ii) improving the transparency and open data

⁵⁰ Indirect subsidy whereby the state transfers an asset or an economic resource so that telecommunications operators can offer services at affordable prices in areas that offer low or no financial return under normal conditions. Under this system, the competitive bidding contract is expected to be awarded to the bidder that, while offering at least the minimum requirements, requests a lower subsidy. The criteria and conditions will be defined in a specific annex of the program [Operating Regulations](#).

⁵¹ For all technologically complex program procurements, financing will be provided for specialized technical support for the SSCTI, for preparation of technical specifications, evaluation of vendor proposals, and output quality control. See [optional link 4](#) for details about the intervention strategy for every output in the four components.

⁵² Broadband Internet coverage in the Vale do Ribeira target area (see paragraphs 1.14 and 1.38).

portal; (iii) strengthening state asset management; (iv) implementing the Management Intelligence Center; and (v) designing and implementing change management strategies.

- 1.35 **Component 4. Digital health (IDB: US\$35.5 million; Local: US\$8.5 million. Total: US\$44.0 million).** This component will help expand access to and use of digital public services, focused on the health sector, and make public management more efficient. It will finance support for, among other things: (i) expanding telehealth offerings, including a gender-differentiated approach and universal accessibility for persons with disabilities; (ii) implementing electronic health records;⁵³ (iii) achieving progress on integrated hospital management; and (iv) designing and implementing change management and training strategies.
- 1.36 **Administration, evaluation, and audit expenses (IDB: US\$4.4 million; Local: US\$1.7 million. Total: US\$6.1 million).** Financing will be provided for program administration, evaluation, and audit costs.
- 1.37 The eligible expenditures to be financed by the program include specialized consulting services, as well as goods and nonconsulting services (e.g., procurement of hardware, software, and training) and small-scale works to upgrade wiring and infrastructure for connectivity.
- 1.38 **Beneficiaries.** The direct beneficiaries of this program will be citizens and businesses that use the State of São Paulo's services, whose satisfaction will improve as digital services become more available and efficient, including time savings and lower costs for beneficiaries and the government. The program will benefit citizens, businesses, and institutions in areas that lack broadband service coverage, increasing the penetration of these services among the most vulnerable (Component 2).⁵⁴ The program also expects to benefit citizens and public health facilities in the São Paulo Metropolitan Area by expanding access to specialty services through telehealth and improving the quality of care with electronic health records (benefitting 20.1 million people) and an integrated hospital management system (Component 4). Lastly, the state's civil servants will benefit through strengthened digital skills, and public institutions will benefit from more efficient and effective service delivery as a result of increased digitalization.

C. Key results indicators

- 1.39 **Expected impact and outcomes.** Achievement of the program's general development objective will be measured through the increase in citizen satisfaction with the digital public services offered by the State of São Paulo, the smaller percentage of individuals reporting difficulty using those services, and the savings to society generated from the digitalization of public services. The indicators that will be used to measure achievement of the program's specific development objectives include: (i) larger percentage of public services available in 100% digital format; (ii) increased use of digital services; (iii) larger percentage of people using

⁵³ Focusing on the state and municipal health facilities in the São Paulo Metropolitan Area (see paragraphs 1.15 and 1.38).

⁵⁴ The state identified Vale do Ribeira as the area to implement the pilot project, which is expected to benefit up to 80,000 users from an estimated population of 350,000.

broadband in areas without coverage and among the most vulnerable; (iv) larger number of people with electronic health records; (v) more physician specialist consultations conducted virtually; (vi) lower average cost to the government for a transactional public service provided through all channels; (vii) fewer voided or failed bid processes as a result of proactive management based on data from the Management Intelligence Center; and (viii) more unique visits to the transparency portal.

- 1.40 **Economic analysis.** A cost-benefit analysis was performed to determine the internal rate of return associated with the program and its economic viability. The program's two main quantifiable benefits will be: (i) decrease in the cost to citizens from greater digitalization of services; and (ii) decrease in the number of failed bid processes and the associated cost for the government. The evaluation concluded that the program's benefits outweigh its costs, even when not all potential sources of benefits are considered—such as lower government costs from digitalization of services and fewer severe cybersecurity incidents—and when a conservative benefits rate is applied. In the base case scenario, the program has a net present value of approximately US\$92.4 million and an internal rate of return of 28%. All assumptions were construed as conservatively as possible with benefits beginning mostly in year 2 or later. Several sensitivity analyses were done, assuming significantly lower values. In all the analyses, the internal rate of return exceeded 17% ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Source and use of funds.** This program will be structured as a specific investment loan, which is justified because its activities are clearly defined. The total cost of the program will be US\$205,296,680. Of that amount, US\$164,237,344 (80%) will be financed from the Bank's Ordinary Capital resources, and the local contribution will be US\$41,059,336 (20%).

Table 1. Estimated program costs (US\$)*

Component	IDB	Local	Total	%
Component 1. Digital services platform	44,999,598	11,233,777	56,233,375	27.4
1.1 Poupatempo Digital platform for citizen services modernized	8,286,432	2,071,821	10,358,253	5.0
1.2 State public services digitalized, including universal accessibility for persons with disabilities	5,536,631	1,384,476	6,921,107	3.4
1.3 LoginSP 2.0 single sign-on solution modernized	9,546,111	2,385,440	11,931,551	5.8
1.4 CDESP strengthened, and the state's data strategy developed	5,812,924	1,453,231	7,266,155	3.5
1.5 State's cybersecurity capabilities strengthened	15,047,781	3,746,379	18,794,160	9.2
1.6 Digital literacy strategy for women prepared and implemented	769,719	192,430	962,149	0.5

Component	IDB	Local	Total	%
Component 2. Digital infrastructure and connectivity	42,210,670	10,124,857	52,335,527	25.5
2.1 Digital access and inclusion promoted	25,970,784	6,449,199	32,419,983	15.8
2.2 State's internal communication services improved	3,516,134	879,034	4,395,168	2.1
2.3 Innovative communication technologies implemented	12,723,752	2,796,624	15,520,376	7.5
Component 3. Digital transformation of public management	37,168,490	9,493,908	46,662,398	22.7
3.1 "Paperless São Paulo" system enhanced	7,798,825	2,325,575	10,124,400	4.9
3.2 Transparency and open data portal improved	3,905,738	803,662	4,709,400	2.3
3.3 State asset management strengthened	4,273,514	1,068,886	5,342,400	2.6
3.4 Management Intelligence Center implemented	18,627,469	4,656,169	23,283,638	11.3
3.5 Change management strategies developed and implemented	2,562,944	639,616	3,202,560	1.6
Component 4. Digital health	35,464,475	8,476,512	43,940,987	21.4
4.1 Telehealth offerings expanded, including a gender-differentiated approach and universal accessibility for persons with disabilities	8,310,115	2,077,661	10,387,776	5.1
4.2 Electronic health records implemented	11,451,840	2,862,721	14,314,561	7.0
4.3 Progress achieved on integrated hospital management	13,903,399	3,086,350	16,989,749	8.3
4.4 Change management and training strategies designed and implemented	1,799,121	449,780	2,248,901	1.1
Administration, evaluation, and audit	4,394,111	1,730,282	6,124,393	3.0
Total	164,237,344	41,059,336	205,296,680	100.0

* Amounts at the output level are indicative and nonbinding.

- 2.2 Resources will be disbursed over a five-year period, as shown in Table 2. The execution period is based on the average time taken to design and implement the program's proposed activities.

Table 2. Tentative disbursement schedule (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	18.8	47.3	47.6	33.7	16.9	164.2
Local	4.7	11.8	11.8	8.4	4.4	41.1
Total	23.4	59.1	59.4	42.1	21.3	205.3
% per year	11.4	28.8	28.9	20.5	10.4	100.0

B. Environmental and social safeguard risks

- 2.3 This operation was classified as category "C" under the Bank's Environmental and Social Policy Framework (document GN-2965-23) because it is expected to cause minimal or no negative environmental and social impacts. The environmental and

social risk rating has been determined as low because the operation's components do not include financing for infrastructure ([optional link 11](#)).

C. Fiduciary risks

- 2.4 **Human resources.** A medium-high risk has been identified that, since staff at the Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI) lack experience executing procurement processes following the Bank's rules, the program's initial commitments could be delayed, leading to delays in the execution timetable. The mitigation measures are to: (i) train SSCTI staff on the Bank's procurement policies; and (ii) engage two procurement advisers to support the program management unit (PMU) during the program (see paragraph 3.1).

D. Other key risks and issues

- 2.5 Two high risks and two additional medium-high risks were also identified in the design phase, as described below in that order:
- a. **Human resources.** The high risks identified were as follows: (i) if the providers for information and communication technology (ICT) activities have high staff turnover and volatility, due to the job market's high demand for this skill set, the program execution period could be delayed. To mitigate this risk, market conditions will be monitored, and the terms of reference for critical path output deliverables will contain specific clauses regarding staffing and execution milestones; (ii) key institutions may be resistant to change as part of the digital transformation promoted by the program, so outputs may not be adopted or used as expected, which could keep the projected targets in the Results Matrix from being met. To mitigate this risk, change management plans will be designed and implemented (see paragraph 1.34).
 - b. **Human resources.** A medium-high risk was identified that, since staff at the institutions involved in the program have insufficient experience in the procurement of complex technology outputs, the products delivered may be inadequate or insufficient, which could keep the projected targets in the Results Matrix from being met. To mitigate this risk, part of the resources for these outputs will be allocated for the hiring of technical consultants (see paragraph 3.1).
 - c. **Governance system.** A medium-high risk was identified that difficulties in interagency coordination for program execution may lead to delays in outcomes involving beneficiaries other than the SSCTI, causing delays in program execution. To mitigate this risk, an appropriate legal instrument of cooperation will be signed among the participating institutions (see paragraph 3.6).
- 2.6 **Program sustainability.** The program investments and results are expected to be sustainable, mainly due to: (i) efficiency gains, with savings in excess of the investments made ([optional link 1](#)); (ii) the technology investment sustainability strategy (see paragraph 2.7); and (iii) strengthening of the digital skills of the state's career civil servants, mainly at the State of São Paulo Department of the

Interior (SEGOB), Health Department (SES), and Budget and Management Department (SOG).

- 2.7 **Sustainability of technology and cybersecurity investments.** The program will maximize the sustainability of its technology investments by: (i) using the Data Processing Company of the State of São Paulo (PRODESP) as the provider for much of the investment, considering its role as the operating arm for digital transformation and institution supporting all the state's technology solutions; (ii) prioritizing the use of cloud services, to avoid obsolescence of storage hardware; (iii) significantly increasing the number of permanent staff dedicated to cybersecurity as part of a specialization and knowledge-transfer program with the implementation of the Cybersecurity Operations Center; and (iv) implementing methodologies and tools for secure software development, which will be permanently integrated into the production process.
- 2.8 **Sustainability of connectivity investments.** The sustainability of connectivity investments will be an important criterion in the design of output 2.1 (see paragraph 1.33), specifically in identifying target areas, competitive processes and contract negotiations, and evaluations of results obtained ([optional link 8](#)).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the State of São Paulo, and the Federative Republic of Brazil will be the guarantor of the financial obligations of the loan.⁵⁵ The executing agency will be the State of São Paulo, acting through the Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI) of its Department of the Interior (SEGOB). The institutional capacity analysis found that the SSCTI has the necessary capacity to manage the actions to be carried out under this operation.⁵⁶ The analysis determined that the executing agency will mainly need to strengthen its capabilities for: (i) project management; (ii) procurement management and financial management; and (iii) technical quality management (for complex technology outputs). To do so: (i) a program management unit (PMU) will be established within the SSCTI institutional structure, staffed by career civil servants and consultants on a full-time basis, with a project management team (see paragraph 3.2); (ii) the PMU will be trained in Bank procurement and financial management policies and procedures and will have teams for both areas (see paragraphs 2.4 and 3.2); and (iii) the PMU will be supported by technical staff specialized in preparing terms of reference and performing quality control for complex technology outputs (see paragraphs 1.23, 1.32, and 2.5(b)).
- 3.2 **Execution, administration, and coordination mechanisms.** The PMU will report administratively to the SSCTI of the SEGOB and will be responsible for

⁵⁵ See [Resolution 23](#), issued by the External Financing Commission on 7 April 2022, authorizing preparation of this operation.

⁵⁶ Of 55 conditions analyzed: 21 were identified as strengths, 21 as areas for improvement, 12 as weaknesses that needed strengthening, and 1 as inapplicable.

program management, including planning, monitoring, financial management, procurement, and coordination of evaluations and audits. The PMU will consist of the following core team, dedicated exclusively to the program: a general coordinator; one manager per component, four in total; an administrative and financial manager; a procurement manager; a monitoring and evaluation manager; a general program management adviser; two administrative and financial management advisers; two procurement advisers during the first three years of the program and one adviser during the last two years; eight monitoring and evaluation advisers, two per component; and a legal adviser.

- 3.3 **Interagency coordination mechanisms.** Given the crosscutting nature of the program, the SSCTI will have the technical support and commitment of the other institutions participating in the program, including the State of São Paulo Health Department (SES) and Budget and Management Department (SOG), for effective execution that promotes the sustainability of investments. These agencies will provide technical support to the executing agency in their respective areas for: (i) preparation of technical specifications, terms of reference, and other activities required for bidding processes; (ii) support for contract management and technical quality control for deliverables; and (iii) operation and maintenance of the procured goods and services. This support will be formalized through an appropriate legal instrument on the terms agreed upon with the IDB, including information exchange and integration mechanisms (see paragraph 3.5). The participating agencies will work in a coordinated manner under SSCTI's leadership, and interoperability will be encouraged across systems and between digital tools. Additionally, consistent with São Paulo's digital governance framework, work will be coordinated to effectively implement crosscutting outputs such as digitalization of state services, strengthening of the State of São Paulo Data Center (CDESP) to promote data integration and interoperability (see paragraph 1.32), and the "SP Sem Papel" [Paperless São Paulo] program (see paragraph 1.34).
- 3.4 **Program Operating Regulations.** The program [Operating Regulations](#) will provide detailed information on program execution, including at least: (i) the program's organizational framework; (ii) PMU responsibilities; (iii) mechanisms for program coordination and interagency coordination; (iv) the framework for programming, monitoring, and evaluation of results; (v) guidelines for financial, audit, and procurement processes; and (vi) financial management rules.
- 3.5 **Special contractual conditions precedent to the first disbursement of the financing.** The executing agency will provide the Bank with evidence that: **(i) the decree creating the program management unit (PMU) and appointing its general coordinator has been published in the Official Gazette of the State of São Paulo on the terms agreed upon with the Bank**, to facilitate program startup and execution; **(ii) the program [Operating Regulations](#) have entered into force on the terms agreed upon with the Bank**, to establish the guidelines and procedures to be followed by the executing agency for successful program execution; and **(iii) an appropriate legal instrument has been signed and has entered into force, on the terms agreed upon with the Bank, between SEGOB and each of the participating and beneficiary institutions of the program (SES and SOG), to defining the authority and responsibilities related to execution of the program activities for the outputs intended for each of them.**

- 3.6 **Special contractual execution conditions.** : Prior to the first contract with the Data Processing Company of the State of São Paulo (PRODESP), the executing agency will provide the Bank with evidence that an appropriate legal instrument has been signed and has entered into force, on the terms agreed upon with the Bank, governing the relationship between SEGOB and PRODESP under the program, to define the authority and responsibilities related to execution of the program activities for outputs with PRODESP as the provider.
- 3.7 **Procurement of works, goods and nonconsulting services, and consulting services.** The procurements financed with loan proceeds will be conducted in accordance with Bank policies: Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
- 3.8 **Single-source selection.** Under policy documents GN-2349-15 (paragraphs 3.7(a) and (b)) and GN-2350-15 (paragraphs 3.11(a) and (d)), single-source selection of PRODESP is expected for certain activities in Components 1, 2, 3, and 4 related to technical and strategic assistance in information technology development and implementation of the state's digital transformation. The estimated amount of the contract is US\$108.9 million. Single-source selection is justified, given PRODESP's unique and exceptional nature as a government information technology development company (see Annex III, section III, and [optional link 7](#)). PRODESP is subject to the Public Enterprises Act,⁵⁷ under which it may subcontract private providers, which will abide by the Bank's requirements on prohibited practices and eligibility.⁵⁸ Operations under the Program to Support the Management and Integration of Finance Administrations in Brazil (PROFISCO)⁵⁹ have used this form of contracting with favorable results from both the technical and fiduciary standpoints.
- 3.9 **Retroactive financing and recognition of expenditures.** The program anticipates retroactive financing of up to US\$32,847,468.80 (20% of the proposed loan amount), and recognition of up to US\$8,211,867.20 against the local contribution (20% of the estimated local contribution amount), in eligible expenditures under Components 1, 2, 3, and 4 for goods, nonconsulting services, and consulting services incurred by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. This amount will help the borrower support critical early activities for timelier program execution, especially outputs 1.1, 1.5, 2.1, 3.4, and 4.2. Such eligible expenditures must have been incurred on or after the official start

⁵⁷ [Law 13303](#) of 30 June 2016.

⁵⁸ As of May 2022, PRODESP had business agreements in place with the market's major ICT providers. See [optional link 7](#).

⁵⁹ PROFISCO I-SP (loan [2331/OC-BR](#)) financed three contracts with PRODESP totaling US\$4.2 million. Under PROFISCO II-SP (loan [4706/OC-BR](#)), there are plans for contracts of up to US\$15.8 million with PRODESP. To date, contracts have been signed for 14% of the planned amount. PRODESP has demonstrated satisfactory and quality performance for all its contracts, delivering within the established timeframes. The Bank has audited and reviewed all processes on an ex ante basis as part of the external control for these operations, without issuing any qualifications regarding contracting processes or their execution. For PROFISCO II-SP, service continuity, technical capacity, and standardized outputs are essential to achieve results. This operation has similar needs.

date of the operation⁶⁰ (25 April 2022) but shall not under any circumstances include expenditures incurred more than 18 months prior to the loan approval date.

- 3.10 **Advance of funds.** Disbursements will be made in U.S. dollars in the form of advances of funds based on the program's actual liquidity needs for up to six months. For advances subsequent to the first, justification must be provided for at least 80% of the total cumulative balance of advances pending justification. The loan proceeds will be administered by the executing agency through a bank account used exclusively for receiving and managing the program resources, making it possible to identify them and prepare bank reconciliations, as established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12).
- 3.11 **Audits.** The program financial statements will be audited annually by an independent audit firm acceptable to the Bank, which will be engaged by the executing agency. The audited financial statements will be delivered to the Bank within 120 days after the close of each fiscal year (running from 1 January to 31 December), in accordance with the procedures and terms of reference previously agreed upon with the Bank. The program's final audited financial statements will summarize the arrangements for monitoring results and will be delivered within 120 days after the last disbursement date, as extended.

B. Summary of arrangements for monitoring results

- 3.12 **Monitoring by the executing agency.** Monitoring by the executing agency will be based on: (i) the Results Matrix; (ii) the program's [multiyear execution plan](#); (iii) the [annual work plan](#); (iv) the [monitoring and evaluation plan](#); (v) the [procurement plan](#); (vi) the program risk management matrix; (vii) the progress monitoring report; (viii) the six-monthly status reports; and (ix) the program audited financial statements. The PMU will prepare consolidated six-monthly status reports for review by the Bank, delivered within 30 days after the close of each six-month period.
- 3.13 **Evaluation.** The program will be evaluated in accordance with the annual targets and indicators for the outcomes and outputs in the Results Matrix. The program [Operating Regulations](#) and [monitoring and evaluation plan](#) call for an independent midterm evaluation and a final evaluation. The borrower will prepare and deliver a midterm evaluation report to the Bank within 90 days after the date on which 50% of the loan proceeds have been disbursed, or after 36 months of program execution, whichever occurs first. It will also deliver a final evaluation report to the Bank, as input for the program completion report, within 90 days after the date on which 95% of the loan proceeds have been disbursed.
- 3.14 **Impact evaluation.** To generate knowledge on the effectiveness of specific projects in the area of digital services, an impact evaluation will be done using the difference-in-differences model to measure citizen satisfaction and the change in demand for digital services due to digitalization, taking the services that will continue to be in-person as the control group (see the [monitoring and evaluation](#)

⁶⁰ Pursuant to Operations Processing manual, section PR-200, Annex I, Procedures for Processing Sovereign Guaranteed Operations.

[plan](#)). This type of impact evaluation will allow causal attribution of the program benefits.

IV. ELIGIBILITY CRITERIA

- 4.1 This is the fifth individual operation under the conditional credit line for investment projects (CCLIP) for the “Brazil Plus Digital” Program (BR-O0010), and the first with the Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI) as the executing agency. As such, it meets all the eligibility criteria of the Bank’s CCLIP policy (document GN-2246-13, section III.1) and the corresponding operational guidelines (document OP-1622-3, section III.B). Regarding the CCLIP: (i) its objectives are among the priorities set in the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973) (see paragraph 1.31); and (ii) the International Affairs Department (SAIN), as the liaison institution, is authorized to coordinate and monitor the overall operational program for all sectors covered by the CCLIP. In addition, regarding this individual operation: (i) a full institutional capacity analysis of the executing agency found that it possesses the necessary execution capacity and identified the areas in need of strengthening for effective implementation of the program (see paragraph 3.1), as well as the potential risks (see paragraphs 2.4 and 2.5); (ii) this operation’s objectives contribute to the CCLIP’s multisector objectives, since they contribute to improving public services through the implementation of new technologies, as well as to improving connectivity and the country’s performance in the necessary crosscutting factors for the digital transformation, such as digital literacy (see paragraph 1.31); (iii) the operation is included in the e-government sector under the CCLIP, since it principally promotes the digital transformation of the public sector (see paragraph 1.2); and (iv) this loan proposal includes the actions to be completed in the areas for improvement identified in the institutional capacity assessment of the executing agency, related principally to project management, financial and procurement management, and technical quality management (for complex technology outputs) (see paragraph 3.1).

Development Effectiveness Matrix		
Summary		BR-L1591
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries receiving health services (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	(i) promote e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises; (ii) build a more effective government; and (iii) improve management and the quality of spending and infrastructure in the health and education sectors.
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.8
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.8
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.9
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.9
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/OC-17993-BR and ATN/OC-18716-BR

Evaluability Note: The objective of the CCLIP is to contribute to the digital transformation of Brazil by: (i) improving its digital connectivity (coverage and quality); (ii) increasing the adoption of new technologies in the productive sector; (iii) improving public services through the implementation of new technologies; and (iv) improving the country's performance in cross-cutting factors necessary for its digital transformation. The general development objective of this fifth operation will be to advance in the digital transformation of the Government of the State of São Paulo (GSSP) to increase satisfaction and generate savings for citizens in the use of public services. To achieve this end, this loan focuses on three specific areas in which the project intervenes: (i) expand digital inclusion and access to the use of digital public services; (ii) Improve public management efficiency through digital transformation; (iii) Improve public management transparency through digital transformation.

The program identifies a diagnosis based on connectivity gaps (coverage and quality), technology adoption in government management, digital skills and cybersecurity. The loan proposal for the fifth operation presents a solid assessment of the problem based on productivity and efficiency gaps to respond to a growing demand for service provision in the State of São Paulo. This is especially relevant given that the Metropolitan Region of São Paulo covers almost 50% of the population of the entire State, and it is where the main challenges are found in terms of services. The proposed solutions focus on capacity improvements in infrastructure, organization, technology and human capital, as well as improvements in the coverage and accessibility of digital services. These solutions are appropriate in response to the problems identified and their contributing factors. The Results Matrix is consistent with the vertical logic of the project. The results indicators are adequately defined to measure the achievements of the program and the fulfillment of its specific objectives. All impact indicators are aligned with the development of the general objective.

The economic analysis (cost-effectiveness) of the operation is adequate, with reasonable assumptions for this type of project, it also presents a reasonable sensitivity analysis. The analysis is based on the benefits of lower economic costs for the government and citizens: (i) reduction in time and costs associated with public services; (ii) increase in demand thanks to a greater provision of digital public services; (iii) decrease in public bids that fail. Additionally, the analysis includes a cost-benefit analysis that shows a positive net present value in the central scenario, as well as under various conditions included in the sensitivity analysis.

The monitoring and evaluation plan includes an impact evaluation that will seek to generate evidence on the effectiveness of digital services and the improvement in the satisfaction of the citizens of São Paulo with the supply of these services. For this, a quasi-experimental design will be implemented using the difference-in-differences method. All reference variables are based on administrative data. The rest of the indicators will be measured by the before-and-after method. Monitoring and evaluation activities will be carried out by GSSP in coordination with the Bank.

RESULTS MATRIX

Program objectives:	The specific objectives for this operation are to: (i) expand digital inclusion and access to and use of digital public services; (ii) make public management more efficient through digital transformation; and (iii) make public management more transparent through digital transformation. Achieving these objectives will contribute to the general development objective to make gains in the digital transformation of the Government of the State of São Paulo, so as to increase satisfaction and generate savings for citizens in the use of public services.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Make gains in the digital transformation of the Government of the State of São Paulo, so as to increase satisfaction and generate savings for citizens in the use of public services							
Satisfaction of the citizens of São Paulo with the digital public services offered	Percentage of users	53.0%	2020	2027	69.0%	IDB (2021) . The survey will be conducted again in 2027.	"Very satisfied" or "satisfied" users. The target is the score received by the federative unit with the strongest performance in 2020 (Acre).
Citizens reporting difficulty using the digital public services of the state of São Paulo	Percentage of users	41.1%	2020	2027	24.0%		The target is the score received by the federative unit with the strongest performance in 2020 (Federal District).
Savings to society generated from the digitalization of public services under the "São Paulo Plus Digital" program	US\$ millions (2022)	0	2022	2027	48.24	Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI)	See the economic analysis for the methodology.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Specific development objective 1: Expand digital inclusion and access to and use of digital public services										
Public services available in 100% digital format on the Poupatempo platform	Percentage of services	25%	2022	25%	50%	65%	80%	92%	SSCTI	Target: The digital service percentage for Brazil's federal government was 74% in 2022.
Transactions executed by citizens using Poupatempo's digital channels	Millions of transactions	58.8	2021	59	60	62	64	65	SSCTI	Includes web portal, mobile devices, and kiosks. See the economic analysis .
Population using broadband connectivity in the Vale do Ribeira target perimeter	Percentage	0%	2022	0%	10%	30%	50%	70%	SSCTI	In 2022, 80,000 people living in the target perimeter lacked an Internet connection. Source: PRODESP.
Population served by the São Paulo Metropolitan Area Health Department included in the electronic health record platform	Millions of people	0	2022	0	5.0	13.0	18.0	20.1	State of São Paulo Health Department (SES)	
Physician specialist consultations conducted online for the São Paulo Metropolitan Area Health Department	Number of consultations	0	2022	95,000	114,000	133,000	152,000	195,000	SES	Estimates based on the total consultations currently conducted in person for these specialties: cardiology, psychiatry, neurology, urology, endocrinology, infectious diseases, vascular surgery, hematology, nephrology, neurosurgery, cardiovascular surgery, hemotherapy, and interventional cardiology.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Specific development objective 2: Make public management more efficient through digital transformation										
Average cost of delivering a service through all channels of Poupatempo Digital	R\$ (2019)	13.84	2019	13.84	13	12	9	6.92	SSCTI	Modernizing Poupatempo Digital to increase the use of digital channels.
Voided or failed bid processes divided by total bid processes	Percentage	25%	2021	25%	25%	23%	20%	15%	Budget and Management Department (SOG)	This percentage is expected to decrease by using the Management Intelligence Center. Average estimated cost of R\$16,172 per bid process, and 55,000 bid processes annually. See the economic analysis .
Annual telephone expenditures	Million reais (2021)	36.12	2021	36.12	30.0	24.0	18.0	14.4	SSCTI	Efficiency for switching from conventional telephone service to new technologies.
Specific development objective 3: Make public management more transparent through digital transformation										
Number of visits to the transparency portal	Millions of unique visitors	1.3	2021	1.3	1.5	2.0	2.3	2.6	SSCTI	
Timely responses to citizen requests for access to information	Percentage	89%	2021	89%	90%	92%	94%	95%	SOG	Within the legal timeframe, without requiring an extension.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Component 1: Digital services platform											
1.1 Poupateempo Digital platform for citizen services modernized	Report ¹	0	2022	1	1	1	1	1	5	Program management unit (PMU) report	
1.2 State public services digitalized, including universal accessibility for persons with disabilities	Report	0	2022	1	1	1	1	1	5		Pro-diversity indicator. Includes adding functionality to guarantee access for persons with disabilities (standard Web Content Accessibility Guidelines (WCAG) 2 and Americans with Disabilities Act (ADA)). Digitalization of public services is expected to reduce greenhouse gas emissions by 4,571 tCO ₂ /year.
1.3 LoginSP 2.0 single sign-on solution modernized	Report	0	2022	1	1	1	1	1	5		
1.4 CDESP strengthened, and the state's data strategy developed	Report	0	2022	1	1	1	1	1	5		
1.5 State's cybersecurity capabilities strengthened	Report	0	2022	1	1	1	1	1	5		Implementation of the Cybersecurity Operations Center.

¹ All reports included as "units of measure" in outputs will detail the progress achieved annually.

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
1.6 Prepared and implemented a digital literacy strategy for women	Report	0	2022	1	1	1	1	1	5		Pro-gender indicator. Includes communication activities and training workshops based on a diagnostic assessment and analysis of needs, to improve women's adaptation to the digital world.
Component 2: Digital infrastructure and connectivity											
2.1 Digital access and inclusion promoted	Percentage of prioritized perimeter	0%	2022	0%	20%	50%	80%	90%	95%	PMU report	Broadband coverage in the Vale do Ribeira target perimeter (optional link 8).
2.2 State's internal communication services improved	Report	0	2022	1	1	1	1	1	5		
2.3 Innovative communication technologies implemented	Report	0	2022	1	1	1	1	1	5		
Component 3: Digital transformation of public management											
3.1 "Paperless São Paulo" system enhanced	Report	0	2022	1	1	1	1	1	5	PMU report	
3.2 Transparency and open data portal improved	Report	0	2022	1	1	1	1	1	5		
3.3 State asset management strengthened	Report	0	2022	1	1	1	1	1	5		Includes a module to collect information, with climate change indicators.
3.4 Management Intelligence Center implemented	Reports	0	2022	1	1	1	1	1	5		

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
3.5 Change management strategies developed and implemented	Reports	0	2022	1	1	1	1	1	5		
Component 4: Digital health											
4.1 Telehealth offerings expanded, including a gender-differentiated approach and universal accessibility for persons with disabilities	Report	0	2022	1	1	1	1	1	5	PMU report	Focusing on the state and municipal health facilities in the São Paulo Metropolitan Area. Pro-gender indicator. Medical services offered to treat chronic noncommunicable diseases will consider the different needs and risk factors of men and women. Pro-diversity indicator. Includes adding functionality to guarantee access for persons with disabilities (standard Web Content Accessibility Guidelines 2 and ADA).
4.2 Electronic health records implemented	Report	0	2022	1	1	1	1	1	5	PMU report	Focusing on the state and municipal health facilities in the São Paulo Metropolitan Area.
4.3 Progress achieved on integrated hospital management	Report	0	2022	1	1	1	1	1	5		
4.4 Change management and training strategies designed and implemented	Report	0	2022	1	1	1	1	1	5		

Country: Brazil

Division: IFD/ICS

Operation number: BR-L1591

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, acting through the Office of the Deputy Secretary of Citizen Services, Technology, and Innovation (SSCTI) of the State of São Paulo Department of the Interior (SEGOB)

Operation name: São Paulo Plus Digital (BR-L1591). Fifth Individual Operation Under the Conditional Credit Line for Investment Projects (CCLIP) for the “Brazil Plus Digital” Program (BR-O0010).

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The program management unit (PMU) will report administratively to the SSCTI of the SEGOB and will be responsible for program management, including financial management and procurement, and coordination of audits. The PMU will consist of an administrative and financial manager, a procurement manager, two administrative and financial management advisers, and two procurement advisers during the first three years of the program and one adviser during the last two years.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional capacity assessment and its validation with SSCTI staff found that the executing agency has the necessary institutional capacity, since it has extensive experience executing projects in its sector and adequate financial management systems for program management. The executing agency's in-house staff will perform the operation's fiduciary management with support from financial and procurement management consultants.
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Human resources	Since SSCTI staff lack experience executing procurement processes following the Bank's rules, the program's initial commitments could be delayed, leading to delays in the execution timetable.	Medium-high	(i) Train SSCTI staff on the Bank's procurement policies. (ii) Engage two procurement advisers to support the PMU during the program.

5. Policies and guidelines applicable to the operation: For financial management: Financial Management Guidelines for IDB-financed Projects (document OP-273-12). For procurement, documents GN-2349-15 and GN-2350-15.
6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the “buy” rate set by the Central Bank of Brazil on the effective date on which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

Type of audit: During the program, audited annual financial statements will be delivered within 120 days after the close of each fiscal year. The external audit of the program will be conducted by an outside firm acceptable to the Bank. The program’s final audited financial statements will be delivered within 120 days after the date of the last disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The Bank’s standard bidding documents or the documents agreed upon between the executing agency and the Bank for the specific procurement item will be used for works, goods, and nonconsulting services procured in accordance with the procurement policies (document GN-2349-15) and subject to international competitive bidding. The selection and contracting of consulting services will be in accordance with the corresponding policies (document GN-2350-15) using the standard request for proposals issued by the Bank or agreed upon between the executing agency and the Bank for the specific selection process.
<input checked="" type="checkbox"/>	Direct contracting and single-source selection	Single-source selection of the Data Processing Company of the State of São Paulo (PRODESP) is expected for the execution of activities and outputs in Components 1, 2, 3, and 4. The estimated amount of the contract is US\$108.9 million. PRODESP has a strategic partnership in place with the state to provide information and communication technology (ICT) services to the state government with a focus on actions to drive economic development. This proposed single-source selection is considered appropriate, given PRODESP’s unique nature and the advantages of standardization and continuity in the services it provides, pursuant to paragraphs 3.11(a) and (d) of policy document GN-2350-15 and paragraphs 3.7(a) and (b) of policy document GN-2349-15. The attached technical note expands on this justification (optional link 7).
<input checked="" type="checkbox"/>	Advance procurement, retroactive financing, and recognition of expenditures	The program anticipates retroactive financing of up to US\$32,847,468.80 (20% of the proposed loan amount), and recognition of up to US\$8,211,867.20 against the local contribution (20% of the estimated local contribution amount), in eligible expenditures under Components 1, 2, 3, and 4 for goods, nonconsulting services, and consulting services incurred by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. This amount will help the borrower support critical early activities for timelier program execution, especially outputs 1.1, 1.5, 2.1, 3.4, and 4.2. Such eligible expenditures must have been incurred on or after the official start date of the operation (25 April 2022) but shall not under any circumstances include expenditures incurred more than 18 months prior to the loan approval date.

<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except in cases where ex ante supervision is warranted. For procurements executed using the country system, supervision will be conducted using the country supervision system.</p> <p>The (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined for each selection process. Ex post reviews will be conducted in accordance with the program supervision plan, subject to changes during execution. The thresholds for ex post review are as follows:</p> <table><tr><th>Executing agency</th><th>Works</th><th>Goods and services</th><th>Consulting services</th></tr><tr><td>SSCTI</td><td>US\$10 million</td><td>US\$5 million</td><td>US\$1 million</td></tr></table>	Executing agency	Works	Goods and services	Consulting services	SSCTI	US\$10 million	US\$5 million	US\$1 million
Executing agency	Works	Goods and services	Consulting services							
SSCTI	US\$10 million	US\$5 million	US\$1 million							

Main procurements:

Description	Selection method	Estimated date	Estimated amount (US\$000s)
Goods			
Upgrade of installed computers with software licenses or subscriptions for applications and operating systems	Single-source selection	2025-I	12,607
Upgrade of installed computers with software licenses or subscriptions for applications and operating systems	Single-source selection	2023-I	4,208
Expansion of Intragov connectivity	International competitive bidding (ICB)	2023-I	7,434
Consulting firms			
Implementation of health data integration solution	Single-source selection	2023-II	4,168
Implementation of big data platform	Single-source selection	2023-IV	4,022
Development of a manager network	Quality and cost-based selection (QCBS)	2025-II	2,490
Implementation of a secure software development lifecycle (SSDLC)	QCBS	2023-IV	6,046
Update of existing information security policies for public administration agencies and entities	QCBS	2024-II	4,319

To access the procurement plan, click [here](#).

IV. FINANCIAL MANAGEMENT AGREEMENT AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	<p>The program will be executed by the SSCTI, acting through the PMU, which will report administratively to the SSCTI.</p> <p>The SSCTI, acting through the PMU, will be responsible for coordinating the planning process to execute the activities included in the multiyear execution plan and the annual work plan, and for making the necessary arrangements to include the program's budget in the Annual Budget Act. State entities use these planning tools: multiyear plan, Budget Guidelines Act, and Annual Budget Act. The program's budget will be included in the Annual Budget Act.</p>
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p>The program will use the National Treasury System. Expenditures will be subject to the budgetary and financial execution process and will be duly recorded in the Integrated Financial Management System for States and Municípios (SIAFEM).</p> <p>The Bank loan proceeds will be administered through an exclusive bank account, making it possible to identify them and prepare bank reconciliations. This includes deposits and payments.</p> <p>Disbursements will be made in U.S. dollars in the form of advances of funds. The funds advanced will be determined by a projection of financial execution for up to 180 days. For future advances, justification must be provided for at least 80% of total cumulative balances pending justification.</p> <p>The exchange rate agreed upon with the executing agency for accountability reporting on expenditures paid with resources from advances of funds will be the first-in first-out exchange rate. The agreed exchange rate to be used for determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or the reimbursement of expenditures chargeable against the loan, will be the rate in effect on the payment date of the expenditure.</p>
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<p>In São Paulo, public entities work with the SIAFEM and the Budget Execution Management Information System (SIGEO), which were used for PROFISCO I-SP (loan 2331/OC-BR) and are being used for PROFISCO II-SP (loan 4706/OC-BR). The SIAFEM processes all financial and accounting execution for state operations, while SIGEO produces management reports. These systems are not integrated with other corporate systems. SIGEO will also be used to issue disbursements, reports, and audited financial reports for the program.</p>
<input checked="" type="checkbox"/>	Internal control and internal audit	<p>Internal control of the state is exercised by the Department of Control and Evaluation, which reports to the cabinet of the Department of Finance and responsible for internal control actions within the executive branch of the State of São Paulo. Decree 64152/2019 defines its institutional structure. It has internal control and government audit functions, supported chiefly by public hearings, public transparency, and societal oversight. The program activities will be under its supervision.</p>
<input checked="" type="checkbox"/>	External control and financial reports	<p>External control will be exercised by a Bank-eligible independent audit firm because the state's supreme audit institution, the State of São Paulo Audit Office, has no memorandum of understanding in place with the Bank to perform external audits for projects. The fiscal period of the program runs from 1 January to 31 December. During program execution, audited annual financial statements with a cutoff date of 31 December will be delivered within 120 days after the close of each fiscal period. The program's final audited financial statements will be delivered within 120 days after the last disbursement date, as extended.</p>
<input checked="" type="checkbox"/>	Financial supervision of the operation	<p>Considering the findings of the institutional capacity assessment of the executing agency, the operation requires ex post financial supervision of disbursements, relying primarily on the audited financial statements. Under the responsibility of the financial specialist, desk reviews will also be performed on an ongoing basis through review of the disbursement requests from the executing agency. Additionally, in-person or virtual fiduciary supervision visits will be carried out annually.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Brazil. Loan ____/OC-BR to the State of São Paulo. São Paulo *Mais Digital*. Fifth Individual Operation Under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0010 – “*Brasil Mais Digital*”

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 São Paulo, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the São Paulo *Mais Digital* program, which constitutes the fifth individual operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0010 – “*Brasil Mais Digital*”, approved by Resolution DE-23/21 on 7 April 2021. Such financing will be for the amount of up to US\$164,237,344, from the resources of the Bank’s Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2022)