

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

PROFISCO CCLIP

**(SUPPORT FOR THE MANAGEMENT AND INTEGRATION OF FINANCE
ADMINISTRATIONS IN BRAZIL)**

(BR-X1005)

**CEARÁ STATE
FISCAL MANAGEMENT MODERNIZATION PROGRAM
(BR-L1174)**

LOAN PROPOSAL

This document was prepared by the project team consisting of: Marcio Cracel (ICF/FMM), Project Team Leader; Fátima Cartaxo (FMM/CBR); Luiz Villela (ICF/FMM); Gerardo Reyes-Tagle (ICF/FMM); Patrícia Bakaj (FMM/CBR); Ana Lúcia Paiva Dezolt (FMM/CBR); Bernadete Buchsbaum (LEG/SGO); Orlando Reos (VPS/VPS); Luciana Pimentel (Consultant); Eugenio Lira (Consultant); and Cecília Bernedo (ICF/FMM).

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ABBREVIATIONS

| | |
|--------|---|
| ADINS | <i>Acessória de Desenvolvimento Institucional</i> [Institutional Development Advisory Unit] |
| AFS | Audited financial statements |
| AWP | Annual work plan |
| BEC | <i>Banco do Estado de Ceará</i> |
| CCC | <i>Centro de Comando e Controle de Ações de Fiscalização e de Inteligência Fiscal</i> [Oversight and Fiscal Intelligence Actions Command and Control Center] |
| CCLIP | Conditional Credit Line for Investment Projects |
| CE | Ceará |
| CGO/CE | <i>Secretaria da Controladoria e Ouvidoria Geral do Estado</i> [Department of the Comptroller and Ombudsperson of the State of Ceará] |
| CIOF | <i>Centro Integrado de Operações Fiscais</i> [Integrated Fiscal Operations Center] |
| CNS | <i>Cadastro Nacional Sincronizado</i> [National Synchronized Cadastre] |
| COGEF | <i>Comissão de Gestão Fazendária</i> [Finance Management Commission] |
| CONFAZ | <i>Conselho Nacional de Política Fazendária</i> [National Financial Policy Council] |
| ECF | <i>Emissão de cupons fiscais</i> [receipt issuing equipment] |
| ESAF | <i>Escola de Administração Fazendária do Ministério da Fazenda</i> [School of Finance Administration – Ministry of Finance] |
| GDP | Gross Domestic Product |
| HR | Human Resources |
| ICMS | <i>Imposto sobre Operações relativas à Circulação de Mercadorias e à Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação</i> [tax on merchandise circulation and the provision of interstate and intermunicipal transport and communication services] |
| IPVA | Tax on Vehicle Ownership |
| IRRF | Federal Income Tax Withholding |
| IT | Information Technology |
| LCF | Local Currency Facility |
| LOA | <i>Lei Orçamentária Anual</i> [Annual Budget Law] |
| LRF | <i>Lei de Responsabilidade Fiscal</i> [Fiscal Responsibility Law] |
| LRR | Loan Review Report |
| NCR | Net Current Revenue |
| NF-e | <i>Nota Fiscal Eletrônica</i> [Electronic tax invoice] |
| NRR | Net Real Revenue |
| PAC | Growth Acceleration Plan |
| PAF | <i>Programa de Reestruturação e Ajuste Fiscal dos Estados Brasileiros</i> [Fiscal Restructuring and Adjustment Program of the States] |
| PCR | Project Completion Report |
| PCU | PROFISCO Coordinating Unit |
| PDL | Performance-Driven Loan |
| PGE/CE | <i>Procuradoria Geral do Estado</i> [Office of the State Attorney General] |

| | |
|-----------|--|
| PKI | Public Keys Infrastructure |
| PMAE | <i>Programa de Modernização da Administração das Receitas e da Gestão Fiscal, Financeira e Patrimonial das Administrações Estaduais</i> [Program for the Modernization of Revenue Administration and Fiscal, Financial and Asset Management in State Revenue Services] |
| PNAFE | Bank-financed National Fiscal Administration Program for Brazilian States |
| PNAGE | <i>Programa Nacional de Apoio à Modernização da Gestão e do Planejamento dos Estados e do Distrito Federal</i> [National Program to Support the Modernization of Governance and Planning of the States and Federal District] |
| PPA | <i>Plano Plurianual</i> [Multiyear Budget Plan] |
| PROFISCO | <i>Programa de Gestão e Integração dos Fiscos</i> [Program for Management and Integration of Tax Administration] |
| ROP | Program's Operating Regulations |
| SEFAZ/CE | <i>Secretaria de Fazenda do Estado do Ceará</i> [Finance Department of the State of Ceará] |
| SEAIN/MP | <i>Secretaria de Assuntos Internacionais do Ministério do Planejamento, Orçamento e Gestão</i> [International Affairs Secretariat of the Ministry of Planning, Budget, and Governance] |
| SEPLAG/CE | <i>Secretaria de Estado de Planejamento e Gestão</i> [State Planning and Management Department] |
| SIC | <i>Sistema Integrado de Contabilidade do Estado</i> [Integrated State Accounting System] |
| SPED | <i>Sistema Público de Escrituração Digital</i> [Digital Public Accounting System] |
| STN/MF | <i>Secretaria do Tesouro Nacional</i> [National Treasury Department of the Ministry of Finance] |

PROJECT SUMMARY

BRAZIL PROFISCO CCLIP

(SUPPORT FOR THE MANAGEMENT AND INTEGRATION OF FINANCE ADMINISTRATIONS IN BRAZIL)
(BR-X1005)

CEARÁ STATE FISCAL MANAGEMENT MODERNIZATION PROGRAM (BR-L1174)

| Financial terms and conditions | | | | |
|---|---|-----------------------------|--|--|
| Borrower: State of Ceará | | Amortization period: | 20 years | |
| Guarantor: Federative Republic of Brazil | | Grace period: | 4 years | |
| Executing agency: Ceará State through its Finance Secretariat (SEFAZ/CE) | | Disbursement period: | 4 years | |
| Source | Amount | | | |
| IDB (OC) | Credit line CCLIP | US\$500 million | Inspection and supervision fee: | * |
| | Ceará State Project (1 st Project) | US\$41 million | Interest rate: | Libor |
| Local | Ceará State Project (1 st Project) | US\$9 million | Credit fee: | * |
| Total | Credit line CCLIP | US\$500 million | Currency: | U.S. dollars from the Single Currency Facility |
| | Ceará State Project (1 st Project) | US\$50 million | | |
| Project at a glance | | | | |
| Project objective: | | | | |
| Objective: | | | | |
| The general objective of the Conditional Credit Line for Investment Projects (PROFISCO CCLIP) is to promote the integration of the Brazilian States' fiscal administrations, as well as the modernization of fiscal, financial and asset management, thus making the current fiscal system more effective, in fulfillment of Brazilian constitutional and legal provisions. | | | | |
| The general objective of the Ceará State Project is to improve the efficiency and transparency of fiscal management in order to: (i) increase the State's own revenue; (ii) enhance the effectiveness and the management of public expenditure; and (iii) provide better services to the citizens. | | | | |
| Description: The PROFISCO CCLIP and the Ceará State project are organized into four components and their respective subcomponents: | | | | |
| 1. Component I – Integrated strategic management: (i) domestic and international interagency cooperation. | | | | |
| 2. Component II –Tax administration and tax-related litigation: (i) improvement of the efficiency and effectiveness of tax administration; and (ii) improvement in the management of the taxpayer registry and installation of the <i>Sistema Público de Escrituração Digital</i> [Digital Public Accounting System] (SPED). | | | | |
| 3. Component III – Financial and asset management and internal control: (i) improvement of the efficiency and effectiveness of financial management. | | | | |
| 4. Component IV – Strategic resource management: (i) enhancement of the mechanisms for transparency and communication with society; (ii) modernization of the management process and upgrading of information and communication technology services; (iii) improvement of human resources management; and (iv) strengthening of knowledge management. | | | | |
| Special contractual conditions for the Ceará State Project: Prior to the first disbursement of the financing resources, the borrower must submit to the Bank's satisfaction, evidence that the PROFISCO CCLIP Operating Regulations (ROP), established by the Bank, is in effect (see paragraph 4.4 of main document). | | | | |

Exceptions to Bank policies for the Ceará State Project: The borrower requests the use of national legislation for procurement and the use of direct contracting according to the explanation in paragraph 3.5 and 3.6 respectively.

Project qualifies as: Not applicable SEQ [] PTI [] Sector [] Geographic [] Headcount []

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank’s lending charges, in accordance with the applicable provisions of the Bank’s policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION OF THE CONDITIONAL CREDIT LINE FOR PROFISCO (PROFISCO CCLIP) – (BR-X1005)

A. Background, justification and strategy

- 1.1 In November 2006, the Bank was asked by the Brazilian government to participate in designing a new fiscal program to support modernization of the management and integration of Brazil's revenue services. This Program should help achieve the following objectives:
- a. ***Improvement of the investment climate.*** The products financed should make a positive contribution to the economy, by simplifying and reducing bureaucracy; reducing informality; reducing the distortions caused by tax evasion and concealment; and focusing on the country's growth under the terms set out in the Growth Acceleration Plan (PAC). The latter was approved by the federal government, and includes measures for improving the tax system and tax relief to provide incentives for greater private investment.
 - b. ***Improvement of the tax system.*** The conceptual structure (components and subcomponents) should contribute to the government's efforts to design a more competitive tax structure, capable of reducing costs and streamlining economic transactions, as well as improving the business climate. It would necessarily cover the following: (i) Implementation of the Digital Public Accounting System (SPED), instituted by Decree 6.022/2007, in particular, implementation of the Electronic Fiscal Invoice (NF-e); and (ii) Implementation of the National Synchronized Cadastre (CNS). It should also be noted that the Tax Reform Bill, submitted by the government in February 2008, is founded on a robust and reliable system of exchange of fiscal data between the states and the federal government, to be based on implementation of SPED (NF-e, digital bookkeeping and digital tax accounting) and implementation of the CNS.
 - c. ***Integration of revenue services.*** The expected results should emphasize fulfillment of the PAC targets (2 years) for the implementation of national integration projects, particularly the CNS and SPED, thereby helping to generate its main impacts: integrated operation of federal, state, and municipal revenue services through: (i) standardization and rationalization of information; (ii) shared access to taxpayer digital accounting by legally authorized personnel; and (iii) replacement of paper-based tax account books and documents, with digitally certified electronic documents.
 - d. ***Strengthening of fiscal federalism.*** The Program's design should reinforce the joint effort made by the three levels of government to promote the improvement of Brazilian fiscal federalism, by strengthening institutional integration mechanisms—such as the National Finance Policy Council (CONFAZ), the Fiscal Forum of the Brazilian States, among others. In this regard, in December 2007, the CONFAZ created the Finance Management Commission (COGEF), aiming to promote and manage the sharing of

experiences and products among the States and the Federal District Finance Secretariat.

- 1.2 The Conditional Credit Line (CCLIP) is the Bank's operating modality that seems most suitable for financing Brazilian fiscal management modernization projects. These include projects in the states and federal district and, possibly, other agencies and entities that comprise the fiscal structure of the federal and state governments. Justification for the use of the credit line is presented below, as well as its consistency with the Bank's strategy with the country.
- a. ***Experience and performance in the execution of similar projects.*** There are two successful experiences of Bank funding in the Brazilian fiscal sector: (i) modernization of the Federal Revenue Secretariat of the Finance Ministry, entity responsible for federal tax administration; and (ii) the National Program to Support the Modernization of Fiscal Management in the Brazilian States (PNAFE). In the execution of the latter, 26 states and federal district signed subloan agreements and implemented projects through their Treasury, Finance, Revenue, or Taxation Secretariats.
 - b. ***Speed and flexibility of loan operation processing and approval.*** The use of a CCLIP credit line addresses one of the main demands presented by Brazilian states to the Bank, particularly by the Treasury, Finance, Revenue, or Taxation Secretariats, which need rapid responses in terms of technical and financial support, to achieve objectives relating to sustainable fiscal balance, fulfillment of fiscal targets, revenue growth, and the containment of public expenditure.
 - c. ***Consistency with the Brazilian legal framework.*** Since 2000, Complementary Law 101/2000, the Fiscal Responsibility Law (LRF), has raised the need for planned and transparent action to prevent risks and correct deviations likely to affect the balance of public accounts. More recently, in 2003, Constitutional Amendment 42/2003 provided for greater integration between revenue services: *"The revenue services of the Union, the States, the Federal District, and the municípios ...will act on an integrated basis, including the sharing of tax cadastres and information, in the form of a law or convention."*
 - d. ***Consistency between the credit line and the priorities defined in the Country's Strategy and program with the Bank.*** Strengthening of the institutional capacity of Brazilian fiscal management, particularly at the subnational level, is consistent with the priorities agreed upon with the Bank in its operational strategy with Brazil (2004-2007). This priority was also expressed through the exceptional treatment given by the federal government for contracting external credit operations for investment projects to improve revenue administration and fiscal, financial, and asset management, as described in the following documents: (i) Decree of Exception by the Federal Senate; and (ii) authorization by the National Treasury Department of the

Ministry of Finance (STN/MF), for the states and the federal district to engage in credit operations within the PROFISCO CCLIP.

B. Objective and scope of the CCLIP credit line and components

- 1.3 The general objective of the PROFISCO CCLIP is to contribute to the integration of revenue services and the modernization of fiscal, financial, and asset management, making the current fiscal system more effective, in compliance with Brazil's Constitution and laws.
- 1.4 The CCLIP will be ruled by a Program's Operating Regulations (ROP) manual, which will set forth the details regarding the Program's execution, including coordination of activities among the different offices. The ROP will be approved by the Bank Executive Directorate together with the first individual State PROFISCO Project. Any amendment in the ROP must be reported to the Ministry of Finance Executive Secretariat.
- 1.5 The PROFISCO CCLIP is structured to support fiscal management modernization projects through four components and its corresponding subcomponents, as follows:
 - a. **Integrated strategic management:** (i) organizational and strategic management improvement; and (ii) national and international interagency cooperation.
 - b. **Fiscal management and tax disputes:** (i) improvement of the efficiency and effectiveness of fiscal management; (ii) improvement of cadastre management and implementation of the digital public accounting system; and (iii) improvement of the efficiency and effectiveness of tax dispute proceedings.
 - c. **Financial and asset management and internal oversight of fiscal management:** (i) improvement of the efficiency and effectiveness of financial management; (ii) improvement of the efficiency and effectiveness of material and asset management; and (iii) improvement of internal oversight and inspection mechanisms.
 - d. **Strategic resource management:** (i) improvement of mechanisms of transparency and communication with society; (ii) management modernization and improvement of ICT services; (iii) improvement of human resource management; and (iv) strengthening of knowledge management.
- 1.6 To execute the projects, the PROFISCO CCLIP will fund the following types of resources: (i) training; (ii) consulting services; (iii) information technology hardware and systems; (iv) equipment, material, and operational support services (nonconsulting); and (v) reform and physical upgrading of operational and citizen-taxpayer service units.

C. Scaling and deadlines of the CCLIP credit line

- 1.7 Based on consultation letters and projects, either in execution or in preparation, to support finance administrations, the scale of the Program was defined as up to **US\$500 million** to meet the demands of the PROFISCO CCLIP, for use within a 10-year period. It is estimated that the borrowers' needs to achieve the objectives of the PROFISCO CCLIP vary on average between a minimum of US\$5 million and a maximum of US\$50 million.

D. Financial conditions of the CCLIP credit line

- 1.8 The operations of the PROFISCO CCLIP will be subject to the Bank's financial conditions governing investment loans, with the possibility of access to the Bank's new Local Currency Facility policy. To access the resources of the credit line, borrowers will make a local counterpart commitment of at least 10% of the total amount of the intended loan, expressed in a consultation letter presented to the International Affairs Secretariat of the Ministry of Planning, Budget, and Governance (SEAIN/MP).

E. Conditions governing the use of the CCLIP credit line

- 1.9 In the PROFISCO CCLIP, borrowers can choose the following project modalities: (i) *investment loan* – a traditional operation for goods and services procurement; or (ii) *Performance-driven loan (PDL)* – an investment loan that is disbursed when the real results of the project in terms of development are achieved, and evidence of expenses incurred by the borrower to achieve those results is verified by the Bank.
- 1.10 With the approval of the PROFISCO CCLIP, and aiming to ensure fair treatment for Brazilian states, borrowers that contracted loans with the Bank to strengthen fiscal management, prior to this approval, can affiliate to PROFISCO by filing a formal request to adjust their initial contract with the Bank. In that way, they will be able to benefit from the conditions of the credit line, such as: reduction in counterpart and adaptation of its conceptual structure to support national integration.
- 1.11 The PROFISCO CCLIP will also allow the participation of agencies and entities of direct and indirect federal public administration, including public and semipublic enterprises, which have legal attributions in terms of regulation, standardization, oversight, and inspection in the fiscal area. All borrowers will have to adopt the ROP as a condition to participate in the PROFISCO CCLIP.

F. CCLIP credit line eligibility conditions

- 1.12 **Borrower eligibility.** State or federal government agencies will be eligible as borrowers in the PROFISCO CCLIP as long as they receive a favorable recommendation to prepare the project from the External Financing Commission (COFIEX), of the Ministry of Planning, Budget and Governance. The COFIEX evaluates the fulfillment of the following requirements: (i) fiscal and institutional capacity of the executing agency; (ii) experience in the execution of projects financed with external resources; and (iii) technical aspects of the project proposal.

- 1.13 **Project eligibility.** Projects will be eligible to access the PROFISCO CCLIP as long as they fulfill the following requirements: (i) be included in the Multiyear Budget Plan (PPA) and in the Annual Budget Law (LOA), in order to receive counterpart financing resources; (ii) be authorized by the legislative assembly for the contracting of the corresponding credit operation; (iii) present a result framework in accordance with the PROFISCO components and subcomponents; (iv) provide evidence, when not included in the project, of a funding source for implementing the national integration actions of the National Synchronized Cadastre (CSN) and digital public accounting system (SPED), consisting of *SPED Contábil* (ECD), *SPED Fiscal* (ECF) and *Nota Fiscal Eletrônica* (electronic fiscal invoice, NF-e); (v) prove the establishment of the coordinating unit of the project comprising public servants; (vi) prove no overlapping in the funding activities of the PROFISCO with the activities financed by: (a) the National Program to Support the Modernization of Governance and Planning of the States and Federal District (PNAGE); (b) the Program for the Modernization of Revenue Administration and Fiscal, Financial and Asset Management in State Revenue Services (PMAE); and (c) the agreement signed with the Ministry of Finance to support implementation of the NF-e.
- 1.14 The borrower will send to the Bank, with copy to the Ministry of Finance Executive Secretariat, information about the progress on the implementation of the activities related to national integration, as part of its semester progress report. The Ministry of Finance Executive Secretariat could make comments about this information if desired.

G. Procurement under the PROFISCO CCLIP

- 1.15 **Acquisition and contracting processes.** All States that will participate in the PROFISCO CCLIP, already participated in a similar Program entitled PNAFE, also financed by the Bank, which followed the previous Bank Procurement for Goods and Services Policy for acquisitions purpose, and allowed the use of the national legislation when ceilings did not exceed the public international bidding rules. Based on this experience, for the current Program, the Bank will request to its Executive Directorate the use of either national legislation or Bank's Procurement Policies, as long as the option had been specified in the Annual Program Acquisition Plan. In the case of the use of national legislation, the States will respect the rules established in the Bank Procurement for Goods and Services Policies in effect at the approval of each individual operation; currently mandated by document GN-2749-7, which includes rules about: (i) origin of the goods; (ii) nationality of the vendors; (iii) modification of purchasing orders; (iv) prohibition of setting price threshold; and (v) publishing of bids in main national newspapers for execution of construction services between R\$500.000 and R\$25 million and for purchasing of goods between R\$100.000 and R\$5 million.
- 1.16 In regard to the selection and contracting of consultancy services, the states participating in the Program will follow the guidelines described in the document GN-2350-7 "Policies for selection and contracting of consultants financed by the

IDB” approved on July 2006, or the corresponding Bank Policy in effect at the approval of each individual project by the Bank Executive Directorate, according to what was established in each specific loan contract.

- 1.17 **Direct contracting:** Direct contracting of the School of Finance Administration (ESAF) of the Ministry of Finance will be allowed; however, only for public servants training services. It will also be allowed direct contracting of the Government State Schools or the State Finance Administration Schools for the same aforementioned purpose, as long as these entities are part of indirect administration of the State and present evidence of their capacity in training services. For all aforementioned entities, it will be necessary to sign a legal instrument committing them to: (i) use the contracting and acquisition policies established in the contract between the Bank and the State; and (ii) allow the Bank and the project auditors to access the support documentation of the contracting and acquisition processes.

II. DESCRIPTION AND RESULTS MONITORING OF THE CEARÁ STATE PROJECT (BR-L1174)

A. Background, problems addressed, and justification

- 2.1 This is the first project to be included under the PROFISCO CCLIP (BR-X1005), considered by the Brazilian government as an important component to support the Fiscal Restructuring and Adjustment Program for Brazilian States (PAF). The PAF was undertaken to monitor strategic targets agreed with the States, when their public debts with the federal government were renegotiated.
- 2.2 **Socioeconomic considerations.** The state of Ceará is one of the 27 federative units of Brazil. It is located in the Northeast Region of the country and occupies an area of 148,830 km², with a population of approximately 8.2 million, of whom 76.4% live in urban areas and 23.6% in rural areas. In 2007, the State contributed 1.9% (R\$48.05 billion) to total national GDP. The State's economy is based on services (70.9%), particularly retail trade and tourism, followed by industry (23.1%) and agriculture (6.0%). Between 2005 and 2007, Ceará experienced an average annual growth in GDP of 3.9%, close to both the national average (4.1%) and the average for the Northeast Region (4.2%).
- 2.3 **Fiscal considerations.** The Government of the State of Ceará is mindful of the changes in the context of National Tax Administration and the need to improve its operating procedures and technological structure. To that end, it has undertaken various initiatives designed to modernize its fiscal management. Efforts already under way include: (i) adoption of a Revenue Matrix Management Model, intended to break down the revenue collection targets by financial administration units, thereby monitoring their performance and developing corrective actions to improve state revenue collection performance; (ii) improvement of the planning and monitoring of tax collection using technical and scientific methodology to support planning and oversight of the collection process; (iii) design of a model to supervise the transit of goods within the state, given the dependence of Ceará's economy on manufactured and intermediate products shipped from other states and countries; (iv) generation of timely and better-quality economic information for use in calculating expected revenues from the tax on merchandise circulation and the provision of interstate and intermunicipal transport and communication services (ICMS); (v) implementation of a system for exercising control in financial administration units in order to combat tax evasion, contraband, traffic of prohibited goods, and prostitution, thereby making the state's highways safer; (vi) use of participatory strategic planning, organized individually for all financial administration units; (vii) public competition to fill the positions in the Finance Department of the State of Ceará (SEFAZ/CE) necessary to implement new projects such as the Synchronized National Taxpayer Registry (CNS), the Digital Public Accounting System (SPED), and the electronic tax invoice (NF-e); and

- (viii) adoption of a results-driven management model and development of the conceptual model for the computerized financial administration system.
- 2.4 **Institutional considerations.** Four institutions handle fiscal management in the State of Ceará: (i) SEFAZ/CE, which executes tax policy and tax administration, including tax-related actions under administrative law, and is also responsible for the financial administration of the State; (ii) the *Secretaria de Estado de Planejamento e Gestão* [State Planning and Management Department] (SEPLAG/CE), which is responsible for managing the State's personnel, budget, and property; (iii) the *Procuradoria Geral do Estado* [Office of the State Attorney General] (PGE/CE), responsible for dispute proceedings; and (iv) the *Secretaria da Controladoria e Ouvidoria Geral do Estado* [Department of the Comptroller and Ombudsperson of the State of Ceará] (CGO/CE), responsible for auditing, internal control, and general ombudsperson functions.
- 2.5 The organizational structure of SEFAZ/CE is composed of the following decentralized units: five service units in the state capital of Fortaleza, five service units in the Fortaleza Metropolitan Area, 22 service units outside the capital, four special inspection stations (large facilities situated on the state's borders), 11 intermediate inspection stations, two inspection stations at the ports, one inspection station at the airport, one inspection station at the main post office, and one central inspection station in Fortaleza. There are also three buildings in the capital city where managers and coordinators have their offices, as do officials assigned to tax dispute proceedings in administrative courts and the Office of the Coordinator of the Treasury.
- 2.6 To accomplish its mission SEFAZ/CE has a permanent staff of 1,503 civil servants. There are 150 positions filled by appointees. Almost all of these positions are held by the civil servants themselves. The institutional functions of SEFAZ/CE are concentrated in two areas:
- 2.7 *Tax administration:* responsible for: (i) institutional planning and development; (ii) planning and control of inspection actions; (iii) control over the circulation of goods; (iv) inspection of establishments, taxation, and taxpayer services and guidance; and (v) tax dispute proceedings in administrative courts.
- 2.8 *State financial administration:* responsible, among others, for: (i) cash flow; (ii) financial investments; and (iii) monitoring of constitutional spending limits, the general fees charged by the State, public debt management, financial accounting, and assets management.
- 2.9 **Performance.** SEFAZ/CE achieved significant results between 2003 and 2007: (i) the debt/GDP ratio declined to 0.083 from 0.154; (ii) the debt/Net Current Revenue ratio decreased from 1.040 to 0.510; (iii) the ICMS/GDP ratio rose from 9.09 to 9.53 (in 2006); (iv) the personnel expenses/net current income ratio declined from 50.10 to 49.73; (v) the nominal primary surplus, which had been R\$98 million in 2003, rose to R\$930 million in 2007; and (vi) tax revenues for 2006 (R\$4,076,000) represented 49.34% of current revenues and 43.7% of total revenue

and were composed of the following: the ICMS (90%); IRRF [Federal Income Tax Withholding] (5%); the IPVA [Tax on Vehicle Ownership] (4%) and Others (1%).

- 2.10 With respect to fiscal commitments assumed by the Government of Ceará under the 2007 Budget Guidelines Act, the State produced the results shown in Table 1.1:

**Table 1.1: Evaluation of Fulfillment of Fiscal Targets in the Previous Fiscal Year
Fiscal Responsibility Act**

| SPECIFICATION | Targets for 2007 (a) R\$ | % GDP | Targets Achieved in 2007 (b) R\$ | % GDP | % fulfillment | |
|-------------------------------|--------------------------------|-------|---|-------|-----------------------------|-----------------------|
| | | | | | Value (c) = (b-a) R\$ | % 100-(c/a) R\$ |
| Total Revenue | 8,614,449 | 21.3 | 8,004,449 | 19.8 | (610,000) | 92.9 |
| Nonfinancial revenue (I) | 7,967,896 | 19.7 | 7,684,838 | 19.0 | (283,058) | 96.4 |
| Total Expenditure | 7,230,380 | 17.9 | 7,397,139 | 18.3 | 166,759 | 102.3 |
| Nonfinancial expenditure (II) | 6,622,558 | 16.4 | 5,712,996 | 14.1 | (909,562) | 86.3 |
| Primary surplus (I-II) | 257,000 | 0.6 | 930,023 | 2.3 | 673,023 | 261.9 |
| Nominal surplus/deficit | (148,930) | 0.4 | 1,129,536 | 2.8 | 1,278,466 | 858.4 |
| Consolidated public debt | 3,853,847 | 9.5 | 3,520,332 | 8.7 | (333,515) | -8.7 |
| Net consolidated debt | 3,199,891 | 7.9 | 2,512,029 | 6.2 | (687,862) | -21.5 |

- 2.11 With respect to the targets agreed to with the Federal Government under the PAF, the State has been meeting its key commitments, as shown in Table 1.2:

Table 1.2: Fulfillment of PAF Targets

| Fiscal Targets – PAF Agreement | 2006 | | 2007 | |
|--|-----------|----------|-----------|----------|
| | Committed | Achieved | Committed | Achieved |
| Debt / NRR (% - maximum value) | 1,06% | 0.78% | 1.00% | 0.51% |
| Primary surplus (millions - maximum value) | 288 | 84.60% | 247 | 930 |
| Personnel / NCR (% - maximum value) | 50% | 46.37% | 49.97% | 49.78% |
| Own revenue (millions - maximum value) | 3,775 | 4,154 | 4,246 | 4,226 |
| Other current expenses (% - maximum value) | 37.17% | 36.18% | 35.69% | 36.18% |
| Investments / NRR (% - maximum value) | 12.25% | 19.42% | 15.13% | 11.46% |

- 2.12 With respect to the conditions required by the Fiscal Responsibility Act for contracting loans, the State of Ceará complies with the limits set for personnel expenditure in all three branches of its government and the Office of the Public Prosecutor, as shown in Table 1.3:

Table 1.3: Statement of Personnel Expenditures with Respect to Net Current Revenue Fiscal Responsibility Act

| BRANCH OF GOVERNMENT | % in 2007 | Prudential Limit (%) | Ceiling (%) |
|---------------------------------|-----------|----------------------|-------------|
| Executive Branch | 41.05 | 46.17 | 48.60 |
| Legislative Branch | 2.93 | 3.23 | 3.40 |
| Judiciary Branch | 4.26 | 5.70 | 6.00 |
| Office of the Public Prosecutor | 1.49 | 1.90 | 2.00 |
| Total, State of Ceará | 49.73 | 57.00 | 60.00 |

2.13 **Challenges for the future.** Notwithstanding the positive results already achieved, important challenges remain to overcome if progress is to be made in strengthening the State's fiscal management. These challenges lie in the following areas:

- a. ***Integrated strategic management.*** There is insufficient managerial capacity to support the institutional objectives of SEFAZ, mainly because the strategic actors in the Tax Administration do not share their experiences with other administrations or benefit from those of others.
- b. ***Tax Administration and administrative court dispute proceedings.*** Revenue collection levels are unsatisfactory because tax management instruments are obsolete. This situation is due to results from the following deficiencies: (i) controls on the entry of merchandise, goods, weapons, and drugs across the state's borders are vulnerable; inspection stations are physically and technologically inadequate to perform their mission; and long waits by freight transportation vehicles at inspection stations; (ii) a culture of taxpayer monitoring is not widespread; there is inadequate planning of the inspection function at companies and an absence of a scientific methodology for analysis and monitoring of taxpayers; (iii) excessive time for registering companies to obtain registration due to excessive bureaucracy and inadequacy in the information required by the pertinent agencies; an increase in informality in commerce with the corresponding loss in revenues for the state; (iv) the process of issuing, recording, and keeping an invoice is manually prepared, which raises costs for both the government and the taxpayer, tax collection information is inefficiently managed, and there is a significant rate of tax evasion due to inadequate control over the invoices; and (v) the process of entering information in and safeguarding the fiscal book and accounting records is done manually making tax and accounting book keeping expensive, difficult to collect, analyze, and keep its information, and producing a significant rate of tax evasion.
- c. ***Financial and asset management, internal control of financial administration.*** There is poor integration among instruments employed to manage public spending and information, resulting from the following deficiencies: (i) unsuitable debt management model with an obsolete computerized system, which cannot be used by multiple users, integrated with

the other systems, or used to construct scenarios; (ii) the model used for managing debt settlement bonds (*precatórios*) is inadequate, which means there is a high risk of improper and/or duplicate payments, and control procedures are done manually; (iii) the model used to manage transfers (“*repasses*”) involves inadequate procedures performed manually, which makes it difficult to obtain information for calculations and management; (iv) absence of information about the volume of funds in the loan portfolios, unavailability of information on the collection status, and manual control procedures; and (v) entry of payroll data into the financial administration system for purpose of funds commitments is done manually and subject to errors in classification and keyboarding.

- d. ***Strategic resources management.*** This area presents difficulties in decision-making that are consequence of unsatisfactory institutional performance in the management of planning, and of technological, logistical and human resources, primarily due to: (i) current policies are out of synch, incomplete, and poorly integrated, and civil servants are not familiar with them because they were not sufficiently disseminated; (ii) it is difficult to assess the competence of civil servants on the job; there is little connection between actions by the SEFAZ Human Resources (HR) department and the professional skills of the civil servant; it is difficult to identify successors for managerial positions, and there is a lack of clear criteria for appointing managers; there is little connection between training activities and the employee’s skills requirements, and training efforts lack continuity; (iii) the equipment that supports finance procedures both in the capital city and at inspection stations is obsolete; electrical and communications infrastructure is inadequate to handle the new operational structure; computer applications are out of synch with the new business model and there is inadequate security in the information technology (IT) environment; (iv) absence of an instrument to guide IT actions, serious delays in delivery and low quality of IT products, the number of projects demanded exceeds the capacity to handle them, and there is insufficient skills among IT personnel; (v) unavailability of timely information needed for decision-making, high degree of dependence on the IT division to make management information available; and (vi) low level citizen satisfaction, excessive bureaucracy in finance procedures, deficiency regarding the training policy for taxpayer assistance, absence of visual identification of the SEFAZ service units, inadequate geographical distribution of service units over the state’s territory, and scant appreciation for the importance of the taxpayer assistance function.

B. Project objective, components, and costs

- 2.14 The project’s overall objective is to improve the efficiency and transparency of fiscal management in order to: (i) increase the state’s own revenue; (ii) enhance the effectiveness and quality of public expenditure; and (iii) provide better services to

citizens. The project is organized into four components and their respective subcomponents:

- 2.15 **Component I – Integrated strategic management (US\$137,800).** This component will include the following subcomponent and its outputs:
- a. ***Domestic and international interagency cooperation.*** This subcomponent will finance the establishment of a domestic and international interagency cooperation program involving technical visits, signing of cooperation agreements, and seminars and other integration events.
- 2.16 **Component II – Tax administration and appeal procedures (US\$36.3 million).** This component will include the following subcomponents and their outputs:
- a. ***Improvement in the efficiency and effectiveness of tax administration.*** This subcomponent will finance: (i) the adoption of an automation model for the inspection stations that will include the large facilities situated at border points, the stations for vehicle crossings at border bypasses, special stations (ports, airport, and the postal triage center), and stations in metropolitan Fortaleza that are situated at intermediate points on the state's highway network; (ii) implementation of an electronic document and image management center; and (iii) establishment of the following centers: *Centro Integrado de Operações Fiscais* [Integrated Fiscal Operations Center] (CIOF), and the *Centro de Comando e Controle de Ações de Fiscalização e de Inteligência Fiscal* [Command and Control Center for Oversight and Fiscal Intelligence Actions] (CCC).
 - b. ***Better management of the taxpayer registry and installation of a Digital Public Accounting System (SPED).*** This subcomponent will finance: (i) synchronization of the state taxpayer registry, with the registries administered by the federal revenue authority and the Commercial Registry of the State of Ceará; and (ii) adoption of an electronic tax invoice system (NF-e) and the SPED, for both fiscal and accounting purposes.
- 2.17 **Component III – Financial and asset management and internal control (US\$1.1 million).** This component will include the following subcomponent and their outputs:
- a. ***Improvement in the efficiency and effectiveness of financial management.*** This subcomponent will finance: (i) adoption of a public debt management model and a model for managing debt settlement bonds and for collecting assets resulting from the privatization of *Banco do Estado do Ceará* (BEC), including the respective automated functions; and (ii) automation of the funds commitment process of the State's payroll within the financial administration system.
- 2.18 **Component IV – Strategic resources management (US\$10.3 million).** This component will include the following subcomponents and their outputs:

- a. ***Enhancement of the mechanisms for transparency and communication with society.*** This subcomponent will finance: (i) adoption of the Excellence in Citizen Service model at the taxpayer assistance units with a visual identity of their own.
 - b. ***Modernization of the management process and upgrading of information and communication technology services.*** This subcomponent will finance: (i) restructuring of the business model in the IT division of SEFAZ; (ii) adoption of a management access information system; (iii) adoption of the Electronic Document Management System; and (iv) implementation of a digital certification system recognized by Brazil's Public Keys Infrastructure (PKI).
 - c. ***Improvement of human resources management.*** This subcomponent will finance: (i) preparation and dissemination of HR policies, as well as identification of professional profiles based on organizational competencies; and (ii) adoption of a management evaluation model for the managerial succession program and the computerized HR management system.
 - d. ***Strengthening of knowledge management.*** This subcomponent will finance the implementation of programs for distance education and continuing education.
- 2.19 **Total budget.** The total value of the Project is **US\$50 million**, of which **US\$41 million** (82%) is financed by the Bank and **US\$9 million** (18%) is local counterpart funds, as shown below.¹

Table 1.4: Total Project Budget BR-L1165 – By source

| CATEGORIES | IDB | Local | TOTAL | % |
|----------------------------------|-------------------|------------------|-------------------|---------------|
| 1- Project administration | 191,667 | 55,556 | 247,223 | 0.49 |
| Project management | 80,556 | 55,556 | 136,112 | 0.27 |
| Monitoring and evaluation | 111,111 | 0 | 111,111 | 0.22 |
| 2- Direct costs | 40,095,565 | 7,756,743 | 47,852,308 | 95.71 |
| Integrated strategic management | 137,778 | 0 | 137,778 | 0.28 |
| Tax administration | 28,801,569 | 7,478,966 | 36,280,535 | 72.56 |
| Financial administration | 1,112,689 | 0 | 1,112,689 | 2.23 |
| Strategic resource management | 10,043,529 | 277,777 | 10,321,306 | 20.64 |
| 3- Unallocated | 712,768 | 1,187,701 | 1,900,469 | 3.80 |
| Contingencies | 712,768 | 1,187,701 | 1,900,469 | 3.80 |
| TOTAL | 41,000,000 | 9,000,000 | 50,000,000 | 100.00 |
| PERCENTAGE | 82.00 | 18.00 | 100.00 | — |

¹ No budgetary provision has been made for inspection and supervision and credit fee expenditures because these will be paid out of the State's own funds.

- 2.20 **Disbursements:** Funds will be disbursed over four years counted from the effective date of the loan contract, according to Table 1.5 below:

Table 1.5: Disbursement Schedule

| SOURCE | 2008 | 2009 | 2010 | 2011 | 2012 | TOTAL | % |
|------------|-----------|------------|------------|------------|-----------|------------|--------|
| IDB | 2,883,658 | 9,819,137 | 12,290,968 | 12,290,968 | 3,715,268 | 41,000,000 | 82,00 |
| COUNTRY | 865,874 | 2,082,595 | 2,518,985 | 2,518,985 | 1,013,561 | 9,000,000 | 18,00 |
| TOTAL | 3,749,533 | 11,901,732 | 14,809,953 | 14,809,953 | 4,728,829 | 50,000,000 | 100.00 |
| PERCENTAGE | 7.50 | 23.80 | 29.62 | 29.62 | 9.46 | 100.00 | — |

- 2.21 **Financial analysis:** Given the scale of the operation, the project team decided to perform a simple comparative analysis between incremental financial costs and the benefits associated with the implementation of just three project outputs. Accordingly, the following items were considered in the financial analysis: (i) increase of own revenue from the ICMS assessed on goods in transit; (ii) adoption of the SPED and NF-e; and (iii) reduction in operating costs resulting from the adoption of the NF-e system. The following parameters were used: (i) 10-year horizon; (ii) discount rate of 12.5% per annum; and (iii) growth rate of 4% per annum.²
- 2.22 According to Table I of the Project's Financial Analysis (found in the technical reference 2), in the fourth year of disbursement of loan proceeds for the project (2011), a cumulative net financial benefit of US\$55,140,000 in present-value terms (2.5/2011) and an economic benefit of US\$34,948,000 (3.4/2011) are expected. Furthermore, six years after the end of execution (2017), a cumulative net financial benefit of US\$473,301,000 in present-value terms (2.5/2017) and an economic benefit of US\$360,252,000 (3.4/2017) are expected. Therefore, from the economic and financial standpoints, the project is justified even if the estimated benefits result from only three of the various products financed by this operation are considered.

C. Key results indicators if the project

- 2.23 The most significant expected results achieved by the end of Project's execution are:
- 2.24 **General objective:** (i) debt stock/net real revenue (NRR) = 0.76 (maximum value); (ii) primary result = R\$200 million (minimum value); (iii) payroll expenses/Net Current Revenue (NCR) = 57.6% (maximum value); (iv) own revenue = R\$5.336 billion (minimum value); (v) other current expenses/NRR = 33.30% (maximum value); and (vi) investments/NRR = 19.16% (maximum value).

² Growth in GDP for the State of Ceará as projected in the 2008-2011 Multiyear Plan.

- 2.25 **Components and subcomponents.** (i) incorporation of two new management technologies, resulting from a sharing of technical solutions and/or interagency cooperation; (ii) four large inspection stations are operating, controlling the circulation of goods by image reading of vehicle cargo; (iii) average wait time for freight vehicles at the inspection stations has been reduced to five hours; (iv) a 15% reduction in informality among companies, as measured by the number of registered companies (increase of 131,100); (v) reduction in the time spent in obtaining registration to, at the most, 72 hours for 40% of new applications; (vi) automatic payroll commitment under the *Sistema Integrado de Contabilidade do Estado* [Integrated State Accounting System] (SIC); (vii) increase in the availability percentage of the IT environment to 99% (limit on IT downtime: 86 hours/year); (viii) access to 100% of SEFAZ low-platform corporate applications through digital certificates; (ix) validation for legal purposes of all documents received over the Internet; (x) adoption, systematization, and dissemination of an HR policy covering 100% of the civil servants; and (xi) increase in the annual number of training opportunities to 3,610 vacancies (a 27% growth).
- 2.26 In terms of impacts at the state level, the project will contribute to: (i) sustainable fiscal balance, with repercussions on the State's economy; (ii) an expansion of the state's investment capacity; and (iii) an increase in taxpayer/citizen satisfaction. At the national level, the Project will contribute to: (i) facilitation of interstate commerce; (ii) a reduction in tax evasion and fraud; (iii) improvement of the national tax system; and (iv) integration of the state and national tax authorities.

III. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments, procurement, and contractual conditions

- 3.1 **Acquisitions.** The acquisitions of goods and technical services, and the selection and contracting of consultants, wholly or partially financed out of the loan proceeds in the context of the Project, will be undertaken pursuant to the *Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-7)* and *Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-7)*, and in accordance with the provisions of the loan contract.
- 3.2 **Sharing and technical cooperation.** The borrower may pursue activities of domestic and international integration cooperation in the fiscal area, especially with respect to the sharing of technical solutions, transfers of knowledge, formation of thematic networks, and interagency cooperation.
- 3.3 **Expenditures Recognition and Reimbursement:** With the Bank's consent, the amount up to U\$2.5 million from the loan resources could be used to reimburse expenditures made by the borrower in IT equipments purchasing, especially for the "Strategic resources management" component of the Project. This purchasing must take place between November 13, 2007 and the Project's approval by the Bank Executive Directorate, as long as the borrower has complied with the requirements established in the loan contract. In addition, with the Bank's authorization,

expenditures made by the borrower during the period between the Project's approval by the Bank Executive Directorate and the effective date can also be reimbursed with the Project's resources, as long as the borrower has complied with the contract requirements.

- 3.4 **Bank Oversight:** The first three contracts for acquisition of goods, contracting of services and execution of construction, independent of their amounts or the type of policy used (Bank's policy or national policy); have to be reviewed in an ex-ante basis. After that, all direct contracting and those which exceed US\$250 million must go through the same revision method.
- 3.5 **Use of National Procurement Policy:** The borrower could use national procurement policies for acquisition of goods and contracting of services under US\$5 million and execution of construction services under US\$25 million, as long as they follow the Bank's procurement policies, especially those referred to: (i) origin of the goods; (ii) nationality of the vendors; (iii) modification of purchasing orders; (iv) prohibition of setting price threshold; and (v) publishing of bids in main national newspapers for execution of construction services between R\$500.000 and R\$25 million and for purchasing of goods between R\$100.000 and R\$5 million. The borrower must indicate in the Project Plan of Acquisition its option for the use of national procurement policy.
- 3.6 **Direct contracting:** Direct contracting of the School of Finance Administration (ESAF) of the Ministry of Finance will be allowed; however, only for public servants training services. It will also be allowed direct contracting of the Government State Schools or the State Finance Administration Schools for the same aforementioned purpose, as long as those entities are part of indirect administration of the State and present evidence of their capacity in training services. For all aforementioned entities, it will be necessary to sign a legal instrument committing them to: (i) use the contracting and acquisition policies established in the contract between the Bank and the State; and (ii) allow the Bank and the project auditors to access the support documentation of the contracting and acquisition processes.

B. Environmental and social safeguard risks

- 3.7 With regard to environmental issues, the project was classified as a "C" operation according to the criteria of the Bank's Sustainable Finance Toolkit. This is consistent with the evaluation by the project team, because the project involves the institutional modernization of a state finance department. Consequently it is not deemed necessary to prepare an environmental strategy for the project. Risk analysis was performed by a specialized team from the IDB's Country Office in Brazil, resulting in a rating of "low to moderate risk" and no additional recommendations (see technical references).

C. Fiduciary risk

- 3.8 ***Low project management capacity.*** This risk will be mitigated by use of a systematic monitoring and evaluation process developed for the PROFISCO CCLIP, together with training for the PROFISCO Coordinating Unit (PCU) in project management and the use of outcome and execution indicators. To that end, a permanent position will be created within the PCU for an advisor on monitoring and evaluation.

D. Other key issues and risks

- 3.9 ***Possibility of restrictions in the budget allocation of project funds.*** This risk will be mitigated by the decision to include the counterpart resources and loan proceeds in the Multiyear Budget Plan (PPA) and in the Annual Budget throughout the project execution period. This risk is not likely to materialize, since the State has no history of failing to allocate resources from foreign currency loans in its budget.
- 3.10 ***Poor integration of fiscal management at the national level.*** This risk will be mitigated by State participation in activities promoted by the Finance Management Committee created as part of the *Conselho Nacional de Política Fazendária* [National Financial Policy Council] (CONFAZ) to promote the exchange of experiences and sharing of technical solutions within the context of PROFISCO.

IV. PROJECT IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements for execution

- 4.1 The borrower of this operation will be the State of Ceará and the guarantor of the loan's financing obligations will be the Federative Republic of Brazil. The executing agency for this Project will be the State of Ceará through its Finance Secretariat (SEFAZ/CE). The PROFISCO Coordinating Unit (PCU) is to be set up within the Office of the Superintendent of the Strategic Management Department of SEFAZ/CE.
- 4.2 The basic structure of the PCU will consist of minimum of three employees who will carry out the following positions: (i) General Coordinator who will report directly to the Secretary of Finance; (ii) a Technical Coordinator; (iii) a Financial-Administrative Coordinator; and (iv) a Technical Assistant for Monitoring and Information. The three latter employees will report to the General Coordinator. To supervise the execution of the components, subcomponents and their activities, personnel will be assigned, preferably among managers and technical chiefs of the several areas involved in the Project respectively.
- 4.3 The PCU's main responsibilities will be: (i) present the disbursement request to the Bank with the appropriate support documents; (ii) supervise bidding and purchasing of good, bidding and contracting of construction services; (iii) selection and contracting of project services, all according to the corresponding Project's Plan of Acquisition and the Bank's procurement; (iv) manage the Project's financing accounting system, according to the Bank's policies on the matter; (v) present

Project's progress execution reports; (vi) present operating plans and update the Project's acquisition plan; (vii) keep and archive invoices, contracts, and purchasing orders, and present them to Bank or auditor when requested; and (viii) verify that the contracted construction services and the purchased goods, financed with Project resources, follow the Bank's general technical guidelines.

- 4.4 **Operating Regulations (ROP).** The Project will be executed under an operating regulation previously approved by the Bank as part as the CCLIP PROFISCO. The operating regulations include the eligibility criteria for the borrower, the Project, and the financed products.

B. Summary of arrangements for monitoring results

- 4.5 Project monitoring will be based on the programming of activities and on the physical and financial details of the **outputs** contained in the Annual Work Plan (**AWP**) and the descriptions of procurement and contracting processes included in the Procurement Plan (**PP**).
- 4.6 The Borrower must present to the Bank the semester evaluation reports and send copies of these documents to the Executive Secretariat of the Ministry of Finance of the Federative Republic of Brazil. Such reports must include information regarding the current estate of the implementation of the activities related to the national integration mentioned in paragraph 2.16 (b).
- 4.7 **Annual Work Plan for the first 18 months (AWP).** The borrower has submitted and the Bank has validated a draft of the AWP for the first 18 months, starting on the date of signature of the loan contract.
- 4.8 **Procurement plan for the first 18 months (PP).** The borrower has submitted and the Bank has validated a draft of the PP for the first 18 months, starting on the date of signature of the loan contract.
- 4.9 **Audited financial statements:** The Project financial statements will be audited annually by an independent auditing firm accepted by the Bank; or audited by the State's Auditor General Office, in case the latter has been accredited by the Bank.



**STATE OF CEARÁ FISCAL MANAGEMENT MODERNIZATION PROGRAM
(BR-L1174)**

| Results Framework Matrix of Indicators | | | | | | | |
|---|--------------------|---------------|---------------|---------------|---------------|--|---|
| Project Objective | | | | | | | |
| Results | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| Trend of Debt /NRR (Maximum value) | 0.65 | 0.76 | 0.76 | 0.76 | 0.76 | Maintain the path agreed upon with the National Treasury Department (STN) for year 2 of project execution | Fiscal targets agreed upon with the federal government under the Fiscal Adjustment Program of the States (PAF) In renegotiating the PAF with the STN, targets for years 3 and 4 may be revised . |
| Primary result (millions) (Minimum value) | 930 | 200 | 200 | 200 | 200 | Maintain the value agreed upon with the STN for year 2 of project execution | |
| Personnel /NCR (%) (Maximum value) | 49.79 | 50.24 | 50.28 | 57.6 | 57.6 | Maintain the ratio of personnel expenses to net current revenue below the prudential limit prescribed by the Fiscal Responsibility Act (LRF) (57.6%) | |
| Internal revenue (millions) (Minimum value) | 4,226 | 4,549 | 4,888 | 5,108 | 5,336 | Achieve R\$5,336 billion of own revenue | |
| Other current expenses (%) (Maximum value) (over NRR) | 35.24 | 34.38 | 33.30 | 33.30 | 33.30 | Maintain the percentage agreed upon with the STN for year 2 of project execution | |
| Investments / NRR (%) (Maximum value) | 11.46 | 17.17 | 19.16 | 19.16 | 19.16 | Maintain the percentage agreed upon with the STN for year 2 of project execution | |

COMPONENT I: INTEGRATED STRATEGIC MANAGEMENT

Subcomponent 1 DOMESTIC AND INTERNATIONAL INTERAGENCY COOPERATION

| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
|---|--------------------|---|---|--|--|--|----------------|
| PI.1 – Domestic and international interagency cooperation program has been implemented | 0 | 2 technical visits made and one seminar conducted | 4 technical visits made and one seminar conducted | 6 technical visits made and 2 seminars conducted | 8 technical visits made and 2 seminars conducted | Make 8 technical visits to other administrations and hold 2 seminars on topics that contribute to improved performance | |

| Results | | | | | | | |
|--|--|--|---|---|---|--|---------|
| R1.1 – Incorporation of new technologies or procedures employed by other administrations increases responsiveness and lowers cost | 0 | | | 1 new technology incorporated | 2 new technologies incorporated | 2 new technologies incorporated | |
| COMPONENT II: TAX ADMINISTRATION AND TAX-RELATED LITIGATION | | | | | | | |
| Subcomponent 2 IMPROVEMENT OF THE EFFICIENCY AND EFFECTIVENESS OF TAX ADMINISTRATION | | | | | | | |
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P2.1 – Management model for large inspection stations, including ability to read images of vehicle cargo, has been implemented | No large inspection stations are reading images of vehicle cargo. | 1 large fiscal post is reading images of vehicle cargo | 2 large inspection stations are reading images of vehicle cargo | | 4 large inspection stations are reading images of vehicle cargo | 4 large inspection stations are reading images of vehicle cargo. | |
| P2.2 – System for monitoring the issuance of receipts (<i>emissão cupons fiscais – ECF</i>) has been adopted | No companies are using that system | | | 40% of companies have installed chips in their ECF equipment. | 68% of companies have installed chips in their ECF equipment. | Chips are installed in 68% of the companies that use ECF equipment. | |
| Results | | | | | | | |
| R2.1 – Increased collection of ICMS from the retail segment of the market | R\$593 million (2007 revenue from retailers) | | | Collection of ICMS from retailers = R\$612 million | Collection of ICMS from retailers = R\$623 million | 5% increase in the collection of ICMS from the retail segment of the market, reaching R\$623 million | |
| R2.2 – Increased collection of ICMS resulting from automation of inspection stations | ICMS collection in 2007 = R\$3.917 billion | | | ICMS collection = R\$3.995 billion (Increase of 2%, at 2007 prices) | ICMS collection in 2007 = R\$4.136 billion (Increase of 5.6%, at 2007 prices) | Increase ICMS collection by R\$220 million (an increase of 5.6% in real terms) | |
| R2.3 – Reduction of wait time at inspection stations | Average wait time by freight vehicles at inspection stations is 15 hours | | | | Average wait time = 5 hours | Reduce to five hours the average wait time for freight vehicles at inspection stations. | |



| Subcomponent 3 IMPROVEMENT IN TAXPAYER REGISTRY MANAGEMENT AND INSTALLATION OF A DIGITAL PUBLIC ACCOUNTING SYSTEM | | | | | | | |
|--|---|---|---|---|--|--|---------|
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P3.1 State, Federal Revenue Service, and Commercial Registry of the State of Ceará taxpayer registries have been synchronized | Total number of companies registered in 2007 = 114,000 | | Increase number of registered companies to 118,560 (4%) | Increase number of registered companies to 120,120 (8%) | Increase number of registered companies to 131,100 (15%) | Reduce informality among companies by 15%, measured by number of registered companies (increase to 131,100) | |
| P3.2 Use of electronic invoice (NF-e) and digital accounting have been adopted | 26,984,101 fiscal invoices issued manually in 2007 | | 1,349,205 NF-e issued (5%) | 4,047,615 NF-e issued (15%) | 13,492,051 NF-e issued (50%) | 50% of invoices issued electronically. | |
| P3.3 Digital Public Accounting System (SPED) Fiscal— has been adopted | Percentage ratio of tax assessed by official reminder notice to tax recovered = 11.9% | | | Ratio of tax recovered to tax assessed reaches 15% | Ratio of tax recovered to tax assessed reaches 20% | Increase the ratio between amount of tax recovered and the tax assessed (by official reminder notice) to 20% | |
| P3.4. Digital Public Accounting System (SPED) has been adopted. | All companies required to keep accounting records manually | | | 40% of companies that keep tax account records are using SPED | All companies that keep tax account records are using SPED | Eliminate paper accounting in tax and accounting records | |
| Results | | | | | | | |
| R3.1 Reduction in time to register a business | 19% of companies are registered within 72 hours | 22% of companies are registered within 72 hours | 30% of companies are registered within 72 hours | 35% of companies are registered within 72 hours | 40% of companies are registered within 72 hours | Reduce the time required to register a business to no more than 72 hours for 40% of new applications | |
| COMPONENT III: FINANCIAL AND ASSET MANAGEMENT AND INTERNAL CONTROL | | | | | | | |
| Subcomponent 4 IMPROVEMENT OF THE EFFICIENCY AND EFFECTIVENESS OF FINANCIAL ADMINISTRATION | | | | | | | |
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P4.1. New model for public debt management has been adopted. | Average time required to calculate borrowing and repayment capacity = 1 day | | | New system installed allows for online consultation | | Reduce to "on-line" the time required to calculate borrowing and repayment capacity | |

| | | | | | | | |
|---|---|---|---|--|---|--|----------------|
| P4.2 Model for managing the entry of assets has been adopted. | No information about contracts involving assets is available in real time | | | New system installed allows for online consultation | | Identify and make available in real time 100% of the outstanding debt stemming from the federalization of Banco do Estado do Ceará (BEC) | |
| Results | | | | | | | |
| R.4.1 Increase in the liquidity of public assets | Outstanding debt stemming from the privatization of Banco do Estado do Ceará – BEC total R\$350 million | | 1 % of the debt stock has been recovered (R\$3.5 million) | 2% of the debt stock has been recovered (R\$7 million) | 5% of the debt stock has been recovered (R\$17.5 million) | Recover 5% of the debt stock stemming from the privatization of Banco do Estado do Ceará – BEC (R\$17.5 million) | |
| COMPONENT IV: STRATEGIC RESOURCE MANAGEMENT | | | | | | | |
| Subcomponent 5 ENHANCEMENT OF THE MECHANISMS FOR TRANSPARENCY AND COMMUNICATION WITH SOCIETY | | | | | | | |
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P5.1 Policy of Excellence in Citizen Service is adopted at financial administration offices | 270 types of transactions offered on the website | | | 378 types of transactions offered on the website | | Increase by 40% the types of transactions offered on the website | |
| Results | | | | | | | |
| R5.1 – Increase in the customer satisfaction index at the units where face-to-face service is provided | Satisfaction survey now going out for bids | Customer satisfaction at the face-to-face service units has been improved | | | 95% customer satisfaction index at the units where face-to-face service is provided | Achieve a 95% customer satisfaction index at units where personal services are provided | |



| Subcomponent 6 MODERNIZATION OF THE MANAGEMENT PROCESS AND UPGRADING OF INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES | | | | | | | |
|---|--|--------|--|---|---|---|---------|
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P6.1 – Technological infrastructure is adequate for financial processes | Percentage of availability in the IT environment is 98% | | | Ceiling on downtime in the IT environment: 86 hours /year | | Increase percentage of availability of the IT environment to 99% (Ceiling on downtime in the IT environment): 86 hours/year | |
| P6.2 – Business model for the IT department of SEFAZ has been restructured | Average time before response to service request begins = 48 hours | | | Average time before response to service request begins = 24 hours | | Cut to 24 hours the average time before response to service request begins | |
| P6.3 – Electronic Document Management System (GED) CONAT/HR has been adopted | 100% of active Tax dispute proceedings in administrative courts (CONAT) are processed on paper | | | 80% of active CONAT cases digitized and made available | 100% of active CONAT cases digitized and made available. | 100% of active CONAT cases digitized and made available within 48 months | |
| P6.4 – A digital certification process recognized by the Brazilian Public Keys Infrastructure (PKI) has been installed | There is no digital certification | | | 100% of the low-platform corporate applications at SEFAZ are accessed by digital certificates | | 100% of the low-platform corporate applications at SEFAZ are accessed by digital certificates | |
| Results | | | | | | | |
| R6.1 – Legal validity of documents received over the Internet is guaranteed | Legal validity is not guaranteed | | Legal validity of 40% of documents received over the Web is guaranteed | Legal validity of 60% of documents received over the Web is guaranteed | Legal validity of 100% of documents received over the Web is guaranteed | All documents received over the Web are guaranteed | |

| Subcomponent 7 IMPROVEMENT OF HUMAN RESOURCES MANAGEMENT | | | | | | | |
|--|--|--------|--------|--|--|--|---------|
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P7.1 HR policy established and publicized | There is no guiding policy for HR management tools | | | HR policy has been approved in a process in which the civil servants participated | | Implement, systematize and publicize HR policy for all civil servants | |
| P7.2 SEFAZ HR management model has been automated | 1 type of consultation about employee information has been made available online to civil servants (survey of educational level) | | | 6 new types of consultation about employee information have been made available online to civil servants | | Make 6 new types of online consultation available to civil servants: monitoring of benefits, payroll, vacation time, employee information, leave time, institutional goals, and individual goals | |
| P7.3 – Management evaluation model has been developed and implemented | No managers evaluated in 2007 | | | Management evaluation has been implemented and systematized | 150 managers have been evaluated | Evaluate all managers annually (150 managers) | |
| Results | | | | | | | |
| R7.1 – Personnel reassigned based on skills required for specific positions | Personnel are reassigned without regard for the skills required | | | | 100% of personnel reassignments are based on the mapped skills | 100% of personnel reassignments are based on the mapped skills | |



| Subcomponent 8 STRENGTHENING OF KNOWLEDGE MANAGEMENT | | | | | | | |
|--|--|--------|---------------------------------------|--|--|--|---------|
| Outputs | Base (2007) | Year 1 | Year 2 | Year 3 | Year 4 | Target | Remarks |
| P8.1 – A distance education program has been implemented. | There is no distance education tool in SEFAZ's own environment | | | 15 hours of distance education made available to civil servants | 30 hours of distance education made available to civil servants | Make 30 hours of distance education a year available to the civil servants | |
| P8.2 – A continuing education program has been implemented | 2,565 vacancies offered in 2007 | | 2,693 opportunities for training (5%) | 2,821 opportunities for training (10%) | 3,257 opportunities for training (27%) | Increase the annual number of opportunities for training to 3,257 (a 27% growth) | |
| Results | | | | | | | |
| R8.1 Expansion of the percentage of civil servants from outside the state capital who have been trained | 20% of the civil servants trained are from outside the state capital | | | 30% of the civil servants trained are from outside the state capital | 40% of the civil servants trained are from outside the state capital | Increase the number of civil servants from outside the state capital who have been trained to 40% of total persons trained | |

Notes:

1. The Matrix of Indicators will show the baseline values, annual values anticipated, and the targets for each indicator.
2. Outputs and Results are grouped together to facilitate monitoring the performance of the component.
3. The column at the far right may be used to describe the outputs/results, choice of indicator, or for other explanatory notes.
4. In the Annex /Results Section, this Matrix will be supplemented with details about the arrangements (institutional, responsibilities, rules of operation, terms of reference, contracting of consultants, budget) to show how the data will be collected, verified, analyzed and reported to the Bank. The sources of the data and justification for the baselines and the specified targets will also be described.

**STATE OF CEARÁ FISCAL MANAGEMENT MODERNIZATION PROGRAM
(BR-L1174)**

| Summary Table – Procurement Plan– 18 Months ¹ | | | | | | | | | | |
|--|--|----------------------|-----------------------|---------------------------------|---------------------|------------|-------|-----------------------|-------------------------|------------|
| No | Contract Description | Linked output PP/AWP | Estimated cost (US\$) | Procurement method ² | Review ³ | Source (%) | | Estimated Dates | | Comments |
| | | | | | | IDB | Local | Publication of notice | Termination of Contract | |
| CONSULTING SERVICES | | | | | | | | | | |
| 1 | Design and implementation of a solution integration model. Management model for large inspection stations. | P2.1 | 650,667 | QCBS | Prior | 100% | | I/2008 | II/2009 | Company |
| 2 | Implementation of a system for management inspection activities at the Command and Control Center | P2.9 | 166,667 | QCBS | Post | 100% | | I/2009 | II/2009 | Company |
| 3 | Adaptation of the routines, criticisms, and programs of the registry system to the new method of synchronization of the state taxpayer registry with those maintained by the Federal Revenue Service and the Commercial Registry of the State of Ceará | P3.1 | 55,556 | Law 8,666 | Post | | 100% | I/2008 | II/2008 | Individual |
| 4 | Development and testing of the Electronic Tax Invoice System and digital tax bookkeeping. | P3.2 | 276,467 | Law 8,666 | Post | | 100% | I/2008 | II/2008 | Company |
| 5 | Development of the Digital Public Accounting System-SPED-Audit solution | P3.3 | 277,778 | Law 8,666 | Post | | 100% | I/2008 | II/2008 | Company |
| 6 | Development and testing of the Accounting SPED | P3.4 | 195,756 | Law 8,666 | Post | | 100% | III/2008 | I/2009 | Company |
| 7 | Desing and implementation of the public debt management model | P4.1 | 390,400 | QCBS | Post | 100% | | II/2008 | I/2009 | Company |
| 8 | Development and implementation of the asset entry management system | P4.3 | 211,467 | QCBS | Post | 100% | | II/2008 | III/2008 | Company |
| 9 | Development and implementation of the interface used to integrate the State payroll and the State financial administration system. | P4.4 | 73,200 | QCBS | Post | 100% | | III/2008 | IV/2008 | individual |
| 10 | Definition of the Excellence in Citizen Service model at the finance units, with a visual identity of their own | P5.1 | 302,778 | QCBS | Prior | 100% | | I/2008 | III/2008 | Company |
| 11 | Design of the database environment for the technological infrastructure | P6.1 | 177,222 | QCBS | Post | 100% | | II/2008 | II/2008 | Company |

¹ Currency conversion rate: US\$1.00 = R\$1.80 (01/Feb/2008)

² Selection Methods: **a) IDB: ICB:** International Competitive Bidding; **NCB:** National Competitive Bidding; Shopping; **DC:** Direct Contracting; **QCBS:** Quality and Cost-Based Selection; **SCQ:** Selection Based on Consultant's Qualifications; **SSS:** Single-source selection; **b) Law 8666: Inv:** Invitation, **PT:** Price-taking, **C:** Competition.

³ Post or Prior.

Summary Table – Procurement Plan– 18 Months¹

| Summary Table – Procurement Plan– 18 Months ¹ | | | | | | | | | | |
|--|---|----------------------|-----------------------|---------------------------------|---------------------|------------|-------|-----------------------|-------------------------|------------|
| No | Contract Description | Linked output PP/AWP | Estimated cost (US\$) | Procurement method ² | Review ³ | Source (%) | | Estimated Dates | | Comments |
| | | | | | | IDB | Local | Publication of notice | Termination of Contract | |
| 12 | Restructuring of the business model of the SEFAZ IT department | P6.2 | 583,333 | QCBS | Prior | 100% | | II/2008 | II/2009 | Company |
| 13 | Implementation of the Electronic Document Management System (GED CONAT/RH) | P6.4 | 111,111 | SCQ | Post | 100% | | III/2008 | IV/2008 | Company |
| 14 | Dissemination of the established HR policies | P7.1 | 50,000 | SCQ | Post | 100% | | III/2008 | III/2008 | Individual |
| 15 | Automation of the HR management model at SEFAZ | P7.2 | 77,778 | SCQ | Post | 100% | | II/2008 | I/2009 | Individual |
| 16 | Identification of job profiles based on organizational responsibilities and duties | P7.4 | 66,667 | SCQ | Prior | 100% | | I/2008 | IV/2008 | Individual |
| Total Consulting Services | | | 3,668,847 | | | | | | | |
| OTHERS | | | | | | | | | | |
| 1 | Technical visits to be held under the domestic and international interagency cooperation program | P1.1 | 3,333 | Shopping | Post | 100% | | I/2008 | II/2009 | Individual |
| 2 | Training in the use of the state taxpayer registry process in connection with the Federal Revenue and Commercial Registry (Ceará) taxpayer registries | P3.1 | 58,889 | Law 8,666 | Post | | 100% | I/2008 | II/2008 | Individual |
| 3 | Training in the use of the electronic tax invoice (NF-e) and digital bookkeeping | P3.2 | 66,667 | Law 8,666 | Post | | 100% | II/2008 | I/2009 | Individual |
| 4 | Training in the operation of the Digital Public Accounting System – SPED Audit Solution | P3.3 | 55,556 | Law 8,666 | Post | | 100% | II/2008 | IV/2008 | Individual |
| 5 | Training in the operation of the Digital Public Accounting System – SPED Accounting Solution | P3.4 | 55,556 | Law 8,666 | Post | | 100% | IV/2008 | II/2009 | Individual |
| 6 | Training in public debt management | P4.1 | 13,889 | Shopping | Post | 100% | | I/2009 | I/2009 | Individual |
| 7 | Training in assets entry management system | P4.3 | 8,333 | Shopping | Post | 100% | | IV/2008 | IV/2008 | Individual |
| 8 | Training in the operation of the payroll system and State financial administration system | P4.4 | 11,111 | Shopping | Post | 100% | | IV/2008 | IV/2008 | Individual |
| 9 | Training on the subject of Excellence in Citizen Services at the finance units, with visual identity of their own | P5.1 | 50,000 | Shopping | Post | 100% | | IV/2008 | II/2009 | Individual |
| 10 | Training for the SEFAZ team on various topics related to IT | P6.2 | 111,111 | NCB | Post | 100% | | III/2008 | IV/2008 | Company |
| 11 | Training of users in use of the access to management information system (DW) | P6.3 | 55,556 | Shopping | Post | 100% | | III/2008 | IV/2008 | Individual |
| 12 | Training for users of the Electronic Document Management System system (GED CONAT/RH) | P6.4 | 27,778 | Shopping | Post | 100% | | III/2008 | III/2008 | Individual |
| 13 | Training for users of the digital certification system recognized by the Public Keys Infrastructure (PKI) in Brazil | P6.5 | 33,333 | Shopping | Prior | 100% | | I/2008 | II/2008 | Individual |
| 14 | Training in continuing education | P8.2 | 698,000 | ICB | Prior | 50% | 50% | I/2008 | II/2009 | Company |

Summary Table – Procurement Plan– 18 Months¹

| No | Contract Description | Linked output PP/AWP | Estimated cost (US\$) | Procurement method ² | Review ³ | Source (%) | | Estimated Dates | | Comments |
|---------------------------------|---|----------------------|-----------------------|---------------------------------|---------------------|------------|-------|-----------------------|-------------------------|------------|
| | | | | | | IDB | Local | Publication of notice | Termination of Contract | |
| 15 | Training of personnel from the coordination unit in subjects related to project management | A.1 | 41,667 | Shopping | Prior | 25% | 75% | I/2008 | II/2009 | Individual |
| 16 | Seminars and similar events. | P1.1 | 55,556 | Shopping | Post | 100% | | III/2008 | III/2008 | |
| Total Technical Services | | | 1,346,335 | | | | | | | |
| GOODS | | | | | | | | | | |
| 1 | Station 1 - Aracati – Install and configure equipment and train users | P2.1 | 2,781,364 | ICB | Prior | 100% | | III/2008 | I/2009 | Table 2 |
| 2 | Station 5 –Install and configure computer equipment | P2.2 | 708,944 | ICB | Prior | 100% | | I/2009 | II/2009 | Table 1 |
| 3 | Install control kits at the 17 inspection stations in the Metropolitan Region, 55 inspection stations within border areas, and at 63 bypasses | P2.3 | 1,616,389 | ICB | Prior | 100% | | II/2008 | II/2009 | Table 2 |
| 4 | Install control kits at the ports, airport, postal triage center, and at CEFIT | P2.4 | 1,516,444 | ICB | Prior | 100% | | III/2008 | II/2009 | Table 2 |
| 5 | Install chips and modules -1st phase (1000 kits) in receipt issuing equipment | P2.6 | 480,556 | NCB | Post | 100% | | II/2009 | III/2009 | |
| 6 | Install furnishings and equipment in the Electronic Document and Images Management Center | P2.7 | 700,000 | ICB | Prior | 100% | | III/2008 | II/2009 | |
| 7 | Install furnishings and equipment at the Integrated Fiscal Operations Center - CIOF | P2.8 | 628,167 | ICB | Prior | 100% | | I/2009 | II/2009 | |
| 8 | Install furnishings and equipment at the Oversight Actions Command and Control Center | P2.9 | 523,333 | ICB | Prior | 100% | | I/2009 | II/2009 | |
| 9 | Install and test equipment | P3.1 | 631,910 | Law 8,666 | Post | | 100% | I/2008 | I/2008 | Table 2 |
| 10 | Equipment to implement the NF-e and digital bookkeeping | P3.2 | 36,667 | Law 8,666 | Post | | 100% | III/2008 | III/2008 | Table 1 |
| 11 | Equipment for implementation of the Digital Public Accounting System-SPED-Audit | P3.3 | 645,111 | Law 8,666 | Post | | 100% | I/2008 | II/2008 | Table 1 |
| 12 | Equipment for implementation of the Digital Public Accounting System-SPED-Accounting | P3.4 | 623,056 | Law 8,666 | Post | | 100% | IV/2008 | IV/2008 | Table 1 |
| 13 | Computer equipment for adaptation of financial procedures | P6.1 | 1,750,917 | ICB | Prior | 100% | | II/2008 | II/2009 | Table 1 |
| 14 | Equipment in support of the adaptation of financial procedures | P6.1 | 98,333 | Shopping | Post | 100% | | II/2008 | II/2008 | Table 1 |
| 15 | OLAP Tool for the data warehouse | P6.3 | 111,111 | NCB | Prior | | | I/2008 | II/2008 | Table 1 |
| 16 | Equipment for implementing the Digital Certificates for the projects already in progress (SefazNet, NF-e and WebMail) | P6.5 | 55,556 | Shopping | Prior | 100% | | I/2008 | I/2008 | Table 1 |
| 17 | Technology / virtual environment for courses | P8.1 | 2,778 | Shopping | Post | 50% | 50% | III/2008 | IV/2008 | Table 1 |

| Summary Table – Procurement Plan– 18 Months ¹ | | | | | | | | | | |
|---|---|----------------------|-----------------------|---------------------------------|---------------------|------------|-------|-----------------------|-------------------------|----------|
| No | Contract Description | Linked output PP/AWP | Estimated cost (US\$) | Procurement method ² | Review ³ | Source (%) | | Estimated Dates | | Comments |
| | | | | | | IDB | Local | Publication of notice | Termination of Contract | |
| 18 | Equipment for implementation of continuing education programs | P8.2 | 58,333 | Shopping | Post | 50% | 50% | III/2008 | III/2008 | Table 1 |
| 19 | Project coordination equipment | A.1 | 55,556 | Shopping | Post | 25% | 75% | IV/2008 | II/2008 | Table 1 |
| Total Goods | | 13,024.525 | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | |
| 1 | Adaptation of a space in which to conduct continuing education programs | P8.1 | 30,555 | Shopping | Post | 50% | 50% | II/2008 | II/2008 | |
| Total Construction | | | 30,555 | | | | | | | |
| Grand Total | | | | | | | | | | |
| * Tables 1 and 2 below provide a list of the types of equipment to be purchased in each of the items relating to goods. | | | | | | | | | | |

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Brazil. Conditional Credit Line - Profisco
Program to Support the Management
and Integration of Finance Administrations in Brazil

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Federative Republic of Brazil to formalize the establishment of a Conditional Credit Line (CCLIP) for an amount not to exceed US\$500,000,000 chargeable to the resources of the Single Currency Facility of the Ordinary Capital of the Bank, to cooperate in the execution of a program to support the management and integration of finance administrations in Brazil (PROFISCO).

2. To determine that the resources allocated to the above-mentioned Credit Line, hereinafter the CCLIP-PROFISCO Credit Line, shall be used to grant Loans to finance individual operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03 of July 16, 2003 as amended by Resolution DE-10/07 of January 31, 2007; (b) the provisions set forth in documents GN-2246-4 and 2246-7; and (c) the terms and conditions set forth in the Loan Proposal for the first individual operation under the CCLIP-PROFISCO Credit Line.

LEG/SGO/CSC/IDBDOCS#1354321
BR-X1005

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Brazil. Loan ___/OC-BR to the State of Ceará
Ceará State Fiscal Management
Modernization Program

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 Ceará, as Borrower, and the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of a fiscal management modernization program for the State of Ceará, which constitutes the first individual operation under the CCLIP-PROFISCO Credit Line approved on this same date by Resolution DE-___/08. Such financing will be in the amount of up to US\$41,000,000, from the resources of the Single Currency Facility 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.