

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BRAZIL**

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS  
SOCIAL SPENDING MODERNIZATION PROGRAM IN BRAZIL  
(BR-O0009)**

**AND**

**FIRST INDIVIDUAL LOAN OPERATION FOR IMPROVEMENT OF EARLY  
CHILDHOOD PUBLIC POLICY  
(BR-L1543)**

**LOAN PROPOSAL**

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## **ABBREVIATIONS**

ASQ-3	Ages & Stages Questionnaire, Third Edition
CadÚnico	Cadastro Único para Programas Sociais [Unified Registry for Social Programs]
CCLIP	Conditional credit line for investment projects
CGCT	Coordenação-Geral de Cooperação Técnica [General Coordination Office for Technical Cooperation]
CGU	Controladoria-Geral da União [Office of the General Comptroller]
FAMI	Programa Família, Mulher e Infância [Families, Women, and Children Program]
GDP	Gross domestic product
ICAP	Institutional Capacity Assessment Platform
IGD	Índice de Gestão Descentralizada [decentralized management index]
PCU	Project coordination unit
PMR	Program monitoring report
ProSocial	Program for Social Expenditure Modernization in Brazil
SNAPI	Secretaria Nacional de Atenção à Primeira Infância [National Office of Early Childhood Services]
SUAS	Sistema Único de Assistência Social [Unified Social Assistance System]

## PROJECT SUMMARY

### BRAZIL CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS SOCIAL SPENDING MODERNIZATION PROGRAM IN BRAZIL (BR-O0009)

AND

### FIRST INDIVIDUAL LOAN OPERATION FOR IMPROVEMENT OF EARLY CHILDHOOD PUBLIC POLICY (BR-L1543)

Financial Terms and Conditions					
Borrower:				Flexible Financing Facility <sup>(a)</sup>	
Federative Republic of Brazil				Amortization period:	25 years
Executing agency:				Disbursement period:	5 years
Federative Republic of Brazil, acting through the Ministry of Citizenry				Grace period:	5.5 years <sup>(b)</sup>
Source	CCLIP	1st operation	%	Interest rate:	LIBOR-based
IDB (OC):	US\$1.5 billion	US\$42 million	100	Credit fee:	(c)
				Inspection and supervision fee:	(c)
Total:	US\$1.5 billion	US\$42 million	100	Weighted average life:	15.25 years
				Approval currency:	United States dollars
Project at a Glance					
<b>Project objective/description:</b> The general objective of the CCLIP is to make the administration of social spending in Brazil more efficient. The general objective of the first individual operation is to help improve child development among the beneficiary population of the Criança Feliz program in a more efficient manner by finetuning and rating its activities. The specific objectives are: (i) to improve the quality of the services offered under the Criança Feliz program for child development; and (ii) to strengthen its management.					
<b>Special contractual conditions precedent to the first disbursement of the financing:</b> (i) approval and entry into force of the program Operating Regulations under the terms agreed upon with the Bank; and (ii) publication in <i>Diário Oficial da União</i> of the decree designating the members of the project coordination unit (PCU) (paragraph 3.5).					
<b>Exceptions to Bank policies:</b> None.					
Strategic Alignment					
<b>Challenges:</b> <sup>(d)</sup>		SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>		GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
				IC	<input 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, and commodity 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 applicable policies.

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

(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

#### 1. Social spending in Brazil

- 1.1 **Context for social spending.** Brazil's social indicators have improved in the past two decades, partly due to an expansion of social spending (143% in real terms between 2000 and 2015). Early childhood and preschool education grew from 3.5 million to 5 million children, and the Criança Feliz program, started in 2016, quickly expanded home visit services for child development. Coverage in primary education is universal and has increased at all other educational levels. Graduation rates and student learning have seen modest improvement, and inequality in public spending per student has decreased significantly. Child and maternal mortality rates have fallen by 60% and 50%, respectively, since the Unified Health System was created in 1988. Some 11 million formal-sector jobs were created in the country between 2006 and 2016. In 2018, 89% of people 65 or older were receiving some form of pension.
- 1.2 **Structural challenges in the context of COVID-19.** Social spending in Brazil has major structural challenges related to efficient administration with the aim of: (i) ensuring high-quality basic services; and (ii) placing expenditure on a fiscally sustainable path. The International Monetary Fund is projecting a sharp recession for 2020 due to the crisis caused by the COVID-19 pandemic, with gross domestic product (GDP) dropping by more than 5% and the primary deficit exceeding 8% of GDP. This makes the agenda of greater efficiency in social spending even more important.
- 1.3 **Efficiency of public spending in Brazil.** Social spending was already highly inefficient before the pandemic. In aggregate, inefficient public spending in procurement, the wage bill, and targeted transfers is moderately estimated to average a total of about 3.9% of GDP [\[1\]](#).
- 1.4 In all areas of social spending, Brazil's outcomes fall short of expectations based on expenditure levels. In primary education, for example, 70% of Brazilian students scored below the minimum standard in mathematics on the 2015 PISA exam, a higher percentage than in Chile (50%), Uruguay (52%), Mexico (57%), and Peru (66%). In the health sector, if Brazil were marginally efficient in delivering health services, average life expectancy would increase by 5.5 years, and mortality among children under 5 would decline by 9.2 deaths per 1,000 live births. In employment, intermediation services lack information on supply and demand in the job market, including skills gaps, particularly at the state and municipal levels. Total public spending grew by 8.7 percentage points of GDP from 1991 to 2015, with pensions accounting for 65% of this increase (5.6 percentage points of GDP). The pension system is now running an annual deficit of about 4.0% of GDP (see [optional link 3](#), paragraphs 1.8-1.12 and 1.20-1.25).
- 1.5 In addition to these specific sector challenges, the lack of a strong cross-sector vision impedes the delivery of high-quality social services. To overcome this challenge, extensive coordination is needed across sectors and between levels of government. Although there are initiatives along these lines, they are primarily national in scope, with significant technical weaknesses, for example, in the use of management tools. An example of the benefits conferred by this approach is the

use of screening for the early detection of developmental delays and timely response in coordination with health and education sectors. This cross-sector work conveys benefits not only in early childhood development but also, for example, in education, through vaccination campaigns, or the engagement of social assistance to prevent students from dropping out, as well as in the transition between school and work. A strong cross-sector connection that collectively improves social services can generate significant efficiency gains and fiscal savings (see [optional link 3](#), paragraphs 1.26 and 1.27).

- 1.6 To help the Brazilian government meet the challenge of making social spending more efficient,<sup>1</sup> a conditional credit line for investment projects (CCLIP) titled Social Spending Modernization Program in Brazil (ProSocial) is proposed. The proposed focus of the first individual operation under this CCLIP is child development.

## **2. Early childhood public policy**

- 1.7 Investing in early childhood is a cost-effective way to boost human development outcomes and address cognitive and noncognitive skills gaps associated with socioeconomic status. Children who achieve high levels of cognitive, speech, social/emotional, and motor development in early childhood perform better in the future in multiple areas [\[2,3\]](#), particularly in educational attainment and income [\[4,5\]](#). Studies in the United States have found that high-quality early childhood interventions can eliminate ethnic and racial gaps in academic performance [\[6\]](#). Extensive scientific evidence shows that early childhood is a critical period of greater brain plasticity and development [\[7\]](#) during which adverse factors cause greater harm that is more difficult to reverse later in life. Poverty, chronic malnutrition, the mother's low educational attainment, physical abuse, a lack of play and learning opportunities at home, and a lack of warm and welcoming interactions with adult caregivers are some of the main risk factors that children face in the path to achieving their development potential [\[8\]](#). Interventions aimed at children under 6 in poor households, and which have proven successful in promoting child development, are therefore being adopted by governments in the region to combat the intergenerational transmission of poverty and inequality.

### **a. Child development programs in the world and the region**

- 1.8 Substantial knowledge on the effects of child development services has accumulated over many years. High-quality childcare centers serving poor children have yielded long-term outcomes in health, education, and employment in pilot initiatives as well as on a larger scale [\[9-11\]](#). Programs that entail working with families through home visits have achieved short-term improvements in cognition and speech [\[12-15\]](#), as well as the expected benefits in adulthood, including higher income, better mental health, and fewer violent behaviors [\[16-18\]](#). Multiple studies have documented the correlation between these findings and mediating factors, such as parental practices, interactions, and access to play materials at home; favorable changes have also been identified in these variables as a result of programs [\[19-23\]](#).

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<sup>1</sup> Allocative efficiency is achieved by allocating resources to the combination of services that delivers the largest gain in outcomes for a given total expenditure. Technical efficiency refers to achieving the maximum level of output(s) at a given amount of input(s). In a context of rapid fiscal deterioration, ensuring expenditure quality is a way to improve efficiency.

- 1.9 In recent decades, many medium- and low-income countries have implemented programs to work with families as a way to impact the most crucial period of childrearing. Multiple countries in Latin America and the Caribbean have had experiences with this service modality, and countries such as Argentina, Brazil, Colombia, Cuba, Ecuador, Mexico, and Peru have large-scale programs [24]. These programs vary in such aspects as specific objectives, staff profiles, content, and implementation methodology, but in general they have encountered the common challenge of ensuring service quality when the choice has been made to expand coverage.
- 1.10 Since 1988, when the Brazilian Constitution made child protection a priority, Brazil has been at the forefront of adopting family-oriented policies to promote investment in children's human capital. To complement the Bolsa Família program,<sup>2</sup> and as a second-generation antipoverty initiative, the Criança Feliz program was started in 2016 to promote the comprehensive development of children under 6 living in extreme poverty and/or with disabilities through home visits<sup>3</sup> where educators provide guidance to caregivers at home using the "care for child development" methodology.<sup>4</sup>
- 1.11 In just over four years, Criança Feliz has quickly grown into the largest program of its kind in the world. More than half of Brazil's municípios (2,927 out of 5,570) have joined the program, and some 500,000 monthly home visits are being conducted by nearly 19,000 home visit workers and 3,500 supervisors. The government's target is to reach some 3 million of the 11.8 million children ages 0-3 living in extreme poverty in Brazil by 2023.
- 1.12 Criança Feliz's institutional structure is based on the Unified Social Assistance System (SUAS), which entails all three levels of government (federal, state, and municipal). The Ministry of Citizenry coordinates with other sectors, such as health and education, and sets the criteria for the participation of subnational governments, rules for transferring resources, minimum standards for human resources (supervisors, outreach workers, and home visit workers), and the general methodology and content of the home visits. The ministry also developed materials and guidelines that play a central role in training staff and supervising technical and financial execution. States provide support for training and supervision, and municípios implement the program on the ground. That is, they conduct the activities with the families through hired home visit workers, who are trained and assisted by the supervisors.

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<sup>2</sup> The *Bolsa Família* Program, Brazil's main initiative for combating poverty and inequality, provides conditional cash transfers that currently benefit 4.86 million children ages 0-6 and 467,000 pregnant women.

<sup>3</sup> Criança Feliz was designed as a program to work with children's caregivers through weekly home visits, and the legislation and regulations governing the program use the Portuguese term *visitadores* ["visitors"] for the home visit workers. In response to the COVID-19 pandemic, municípios are developing other modalities for interacting with families, such as online and group sessions, while observing practices to prevent the spread of the virus. Nonetheless, for consistency's sake, the term *visitadores* continues to be used for these professionals even though other terms may be more appropriate in the new circumstances, such as "educators."

<sup>4</sup> This methodology was developed by the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) [25].



## **b. Challenges for quality and implementation of Criança Feliz and the government's strategy**

- 1.13 **Content and materials.** Criança Feliz faces some of the typical problems of any work-with-families program undergoing rapid expansion. One of the first challenges is validating the content and materials used by home visit workers in sessions with the families and adapting them to socially and culturally diverse beneficiary groups. Evidence shows that a single intervention can be successfully adapted to diverse contexts such as highly vulnerable rural communities in Bangladesh [19,26-29], Bolivia [30], China [31], Peru [32], and Zimbabwe [33]; semiurban and urban municipalities in Colombia [34] and Brazil [33]; and urban settlements in India [35]. Adaptations include: (i) using traditional songs and games; (ii) identifying homemade toys; (iii) modifying textbook illustrations and slides to reflect the cultural context; and (iv) adjusting the type or amount of play activities. In no case were changes made to the basic curriculum (concepts taught and basic activities), foundational principles, or working methodology (modeling, work through the caregiver, availability of materials at home, etc.), so as to remain sufficiently faithful to the original intervention and facilitate the quality needed to achieve improvements in childrearing practices and child development [33]. In all cases, the process of identifying and validating adaptations included strategies such as focus groups with mothers and caregivers to understand their practices, knowledge, and attitudes related to child development, as well as the piloting of existing and adapted materials and activities [29,33,35,36]. These processes involved experts with experience in previous adaptations in other contexts. An innovative way to organize and process the content is through electronic media available to home visit workers and, potentially, to caregivers.<sup>5</sup>
- 1.14 **Intervention methodology.** Related to the content is the delivery method, including the “dosage,” or frequency and duration, of the home visits. Criança Feliz currently offers weekly visits for children 3 and under. However, an average of only 2.7 of the 4 scheduled home visits per month are actually carried out,<sup>6</sup> which suggests that a target of one visit per week may be too ambitious for a program of its scale. Out of the international experiences of programs that have been thoroughly evaluated, the vast majority have been implemented through weekly home visits regardless of the child's age or place of residence. This is largely because of a study [37] that found that the child development impacts of a work-with-families intervention increased with frequency of contact—from once-monthly to twice-monthly to weekly—and were nonexistent with monthly contact. However, more recent evidence from interventions implemented with weekly [38] or twice-monthly [28,29] group modalities, or with combinations of home visits and group sessions [26,27,39], found child development impacts similar to those attained through weekly home visits. Moreover, a recent (unpublished) study in India found statistically identical impacts from implementing a single curriculum through home visits versus group sessions (in groups of seven or eight mother-child pairs), both

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<sup>5</sup> Some already available apps recommend activities, stimulation practices, and games based on the child's profile, including age, stage of development, and previously completed modules.

<sup>6</sup> Pregnant women and children ages 3-6 are not scheduled for weekly home visits, but they represent a small percentage of all beneficiaries and cannot account for the low average of conducted versus scheduled home visits. Multiple factors, such as lack of transportation and unsafe neighborhoods, contribute to the difficulty of meeting the schedule.

on a weekly basis. All of this reflects the need to find feasible alternatives for large-scale implementation in geographically diverse contexts (sparsely populated rural areas, densely populated urban areas), as well as to identify more culturally appropriate service modalities. Another variable to consider alongside frequency is session duration, which is typically one hour for home visits and at least 1.5 hours for group sessions.

- 1.15 **Staff training.** Aside from structural factors related to quality in service delivery, such as content (curriculum and materials) and intervention methodology (including dosage), process-related factors—specifically, interpersonal relations between home visit worker, caregiver, and child—are key determinants of quality of the home visit. The highest-quality visits, characterized by warm, encouraging, supportive interactions, are more successful in impacting the caregiver’s behavior and, hence, child development [40-42]. Some studies have found that the most underprivileged families are more inclined to decline or discontinue their participation in home visit programs, and that high-quality home visits—i.e., dynamic visits with warm, stimulating interactions—are essential to recruiting and retaining such families [43,44]. Once a program’s operational structure is decided, process-related quality can be enhanced through training and ongoing assistance for home visit workers, even if they have no specific education on early childhood and no advanced degree. Indeed, accreditation in home visits (i.e., specific training) has been found to be positively correlated to higher-quality visits<sup>7</sup> [45]. These findings suggest that specific, practical training of home visit workers can be a successful strategy amid lower levels of formal education.<sup>8</sup>
- 1.16 The Ministry of Citizenry has established education and training requirements to support quality human resources in Criança Feliz. Home visit workers are required to have at least a high school education; and supervisors, a college education. The initial training of home visit workers consists of two 40-hour courses: the first, on the home visit guide, and the second, on the “care for child development” methodology. A continuing education platform with 20-hour online courses has also been set up.<sup>9</sup> Online learning is complemented by regular in-person workshops in the states. These efforts notwithstanding, to improve training and retain and motivate personnel, investment is needed to evaluate the training system’s effectiveness, adjust content and methods, create new material (on specific guidelines and protocols for supervisors and outreach workers),<sup>10</sup> strengthen the distance-based continuing education platform by leveraging online media, and adjust the frequency of in-person training in view of the high turnover rate among home visit workers and the expansion of Criança Feliz, which creates a need to hire more staff.

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<sup>7</sup> This suggests that training can be more important than the home visit worker’s educational attainment, which did not show a statistically significant correlation to the quality of the home visit.

<sup>8</sup> More than 80% of home visit workers are women, and upgrading their capacities and professional profile through training will help promote gender equality, which is a focus of Bank support.

<sup>9</sup> Each course has four modules, each of which takes five hours to complete.

<sup>10</sup> Training content related to cross-sector coordination—particularly including SUAS-related topics such as domestic violence, drug and alcohol addiction, and child sexual abuse—needs to be produced. Home visit workers and supervisors also need training in how to assist pregnant women and foster parents.

- 1.17 **Supervision of home visit workers.** Supervising and monitoring the work of home visit workers is essential to improving Criança Feliz. One renowned comprehensive approach in child development programs is based on the idea that assistance and measurement of performance indicators are essential features of programs in the expansion phase [8]. In health interventions, supervision of service providers—combined with diagnostic assessment of the local context, generation of actionable information (computer-processed nominal beneficiary data), and setting of attainable targets—have been used as strategies in initiatives that have proven effective in achieving better health outcomes in middle- and low-income countries. A recent systematic review of the literature found that a variety of interventions have positive impacts, including supervision, which alone can boost relevant variables by up to 15% on average.<sup>11</sup>
- 1.18 Criança Feliz has the building blocks of a strong monitoring and supervision program, but some actions can be taken to make it better and more efficient. The current ratio of one supervisor per 5-6 home visit workers<sup>12</sup> should allow supervisors to provide close technical support for the home visit workers, but they often have to spend significant time on activities outside their purview, such as entering data on home visits into the SUAS computer system at the Social Assistance Referral Centers. As a result, supervisors cannot always complete their assigned duties. Because supervisors are hired by municipal governments, the national government faces a principal-agent problem as it has few mechanisms to modify supervisors' performance and activities. One way to address this situation is to have the Ministry of Citizenry hire specialized personnel for a fixed period of time to provide guidance to supervisors in the field and to help resolve any obstacles.
- 1.19 **Monitoring and information system.** Effective monitoring requires defining and adopting key indicators and gathering, processing, and analyzing data. In view of Criança Feliz's federative structure and broad scope, it is particularly important to create an information system that will help monitor and supervise the work of home visit workers and supervisors, as well as to monitor and evaluate services and outcomes. Criança Feliz, however, lacks a dashboard-style set of indicators for identifying operational failures in municípios. The SUAS electronic recordkeeping system only allows for data on the composition of home visit worker teams and the number of home visits conducted. A system that allows home visit workers to enter data electronically in real or near-real time is needed, as this would reduce delays and errors in transferring data from physical forms to computers at the Social Assistance Referral Centers. Moreover, no data on child development is systematically gathered, which makes it harder to identify cases that warrant special attention. Criança Feliz is exploring technological solutions whereby home visit workers would enter data on mobile devices with installed software to help gather simplified individual (nominal) data on various aspects of child development. The data could be stored on a server or in the cloud, and then be analyzed at

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<sup>11</sup> The list of over 700 studies that served as the basis of this analysis is available in an interactive format on the website of the [Healthcare Provider Performance Review](#) initiative.

<sup>12</sup> A supervisor who works 20 hours per week can be assigned up to 8 home visit workers; 30-hours-per-week supervisors can be assigned up to 11 home visit workers; and 40-hours-per-week supervisors, up to 15 home visit workers.

various aggregation levels by actors within Criança Feliz. Such a system could even be used to customize home visits for different families.

- 1.20 **Identification and incorporation of beneficiaries.** A significant finding in the literature on child development programs is that the positive impact of high-quality interactions between caregiver and child (see paragraph 1.8) is generally greater in children with larger development deficits [46]. These deficits in child development, as well as in other areas such as education and health, are generally statistically correlated to household income or expenses [47,48]. Thus, early childhood services can be expected to achieve greater returns and efficiencies if they are targeted to the poorest and most vulnerable children. Criança Feliz was initially limited to beneficiaries of Bolsa Família, but it was later expanded to include those listed in the Unified Registry for Social Programs (CadÚnico). However, it is unclear how well the program is targeted to the people in greatest need. This is primarily because Criança Feliz does not have universal coverage among eligible families in most municípios, and no criteria for prioritizing the poorest families have been established.<sup>13</sup> The Ministry of Citizenry is therefore interested in studying beneficiary profiles in various geographical contexts so that mechanisms may be developed and implemented in the coverage expansion process in order to prioritize the inclusion of eligible children living in the most precarious socioeconomic conditions and facing the most significant challenges in terms of child development.<sup>14</sup>
- 1.21 **Incentives to improve management and quality.** To implement Criança Feliz, the Ministry of Citizenry transfers resources to municipal and state governments on the basis of independent criteria<sup>15</sup> that do not include mechanisms to encourage improved management. The ministry, however, has long used other transfer systems, specifically for the SUAS and Bolsa Família, whereby the amount transferred to each subnational entity is based on its performance in administrative and management processes. The amount of federal funds transferred to the municípios and states for the SUAS is based on the decentralized management index (IGD), which is calculated using a score that measures quality on aspects related to the Social Assistance Referral Centers and financial execution in the previous year. IGDs are also used for Bolsa Família and CadÚnico, primarily based on rates of assistance for the education and health variables of Bolsa Família beneficiaries and the updating of family records in CadÚnico.<sup>16</sup> These systems reward municípios that achieve certain levels of quality in managing services and administering resources, and they encourage others to improve their performance. There is evidence in the health sector that financial incentives for subnational governments can yield favorable outcomes [49], and there is interest in promoting performance-based financing for child development [50]. Criança Feliz may set up a system similar to the IGDs that combines measures related to

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<sup>13</sup> For example, beneficiaries may be chosen for convenience-related reasons, such as ease of access to the community or household group.

<sup>14</sup> There are plans to include the most vulnerable pregnant women and children ages 0-6 who are separated from or have been recently reunited with their families pursuant to Decree 9,579/2018.

<sup>15</sup> The calculation is based on a rate of R\$75 per beneficiary per month.

<sup>16</sup> Other variables factored into the calculation of the IGD are participation in the SUAS, reporting through an electronic system, and approval of accounts by the Municipal Social Assistance Board.

number, frequency, and duration of home visits, as well as simple indicators on childrearing practices at home or children's performance on play activities during home visits, using the new monitoring and information system.

- 1.22 **Cross-sector work and communication.** Criança Feliz, by its nature, is a cross-sector, decentralized initiative.<sup>17</sup> This poses specific challenges that have been only partially addressed thus far, particularly in coordination of activities. Starting within the Ministry of Citizenry's own structure, multiple units target their work to the same target population and are involved in child development. Bolsa Família of the National Office of Public Revenue promotes prenatal care for pregnant women and monitoring of children's growth and development by the family health care teams. The SUAS<sup>18</sup> assists families with vulnerable, at-risk children (e.g., children with deficits, victims of violence/abuse, children of incarcerated or drug-using parents, children under institutional protection). The Ministry of Citizenry, meanwhile, faces the difficult challenge of communicating effectively and consistently on Criança Feliz policies, practices, and news with all 26 states and nearly 3,000 participating municípios. To address these complex realities, the Ministry of Citizenry is seeking to develop and implement rigorous protocols for identifying warning signs and situations where beneficiaries should be referred to other services. Synergies, complementarities, and potentialities should be systematized within Criança Feliz while meeting the needs of sector-specific programs and units serving the same beneficiaries.<sup>19</sup> Mechanisms for informing, engaging, mobilizing, and guiding local actors should also be designed and developed as part of a communication strategy, so that these actors have full awareness and ownership of their duties.
- 1.23 **Criança Feliz in the context of COVID-19.** Because Criança Feliz's methodology entails physical proximity and verbal interaction between the home visit worker and the child's family—actions conducive to spread of the SARS-CoV-2 virus, which causes COVID-19—the Ministry of Citizenry issued recommendations<sup>20</sup> to managers and workers of subnational governments to ensure continuity of services<sup>21</sup> and the safety of beneficiaries and professionals. These measures include online training for supervisors and home visit workers and postponement of required in-person training until after the official public health emergency has ended, so as to avoid gatherings. It was decided that Criança Feliz personnel on home visits with families should use personal protective equipment provided by the municípios, observe physical distancing, and hold meetings in well-ventilated open-air locations. Where local authorities have ordered the suspension of in-person visits, strategies for remote services should be adopted (e.g., use of

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<sup>17</sup> Responsibility in Criança Feliz is shared horizontally (between sectors) and vertically (between levels of government). This makes it a particularly good candidate for support through the ProSocial CCLIP, which incorporates this feature.

<sup>18</sup> The SUAS is part of the National Office of Social Assistance.

<sup>19</sup> Training in child development will be provided to SUAS staff. Another option is to research the correlation between the degree of fulfillment of Bolsa Família eligibility requirements among participating versus nonparticipating families of Criança Feliz.

<sup>20</sup> Joint Ordinance 1, published in *Diário Oficial da União* on 28 April 2020.

<sup>21</sup> In accordance with Decree 10,282 of 20 March 2020, which set forth regulations for Law 13,979 of 6 February 2020, social assistance and services for vulnerable populations, including Criança Feliz, are considered essential public services that should be maintained.

phone calls and audio/video apps). The Ministry of Citizenry plays a strategic role in identifying and reviewing the best practices used by municípios, and then documenting and disseminating them to those facing challenges in maintaining services for families amid the pandemic. Initiatives to strengthen content (see paragraph 1.13) and online training (see paragraph 1.16) are especially important in these circumstances.

- 1.24 **The government's and the project's strategy.** While Criança Feliz's scale and decentralized implementation system pose challenges for uniform adoption of measures to improve service quality, the deployment of interventions whose effectiveness is supported by evidence is expected to yield positive impacts on Criança Feliz and, ultimately, on child development among the beneficiary population. A similar effort in Colombia—the Families, Women, and Children Program (FAMI)<sup>22</sup>—featured actions similar to this project's over a period of 24 months (a more structured curriculum, training, and guidance for facilitators on how to use the curriculum and how to work with families, and ongoing assistance and mentoring through supervisor-mentors) and had an impact of 0.15 standard deviations on a child development index that reflects cognitive development, speech (receptive and expressive), and motor skills (fine and gross), as measured by the Bayley-III scale [51]. The outcome of this intervention to strengthen FAMI, it should be noted, is in addition to the program's impact on child development in the course of its normal operations.
- 1.25 The Bank will support the Ministry of Citizenry in addressing Criança Feliz's main challenges and improving service quality through a specific investment project that is the first individual operation of the ProSocial CCLIP. This operation is related to the CCLIP's sectors and pillars, and its objective will contribute to the CCLIP's objectives.
- 1.26 **Lessons learned.** In addition to the evidence supplied by evaluations of child development interventions, some specific qualitative diagnostic assessments and studies support the activities of this operation, despite its relatively short existence. Moreover, the recently completed baseline for Criança Feliz's impact evaluation reveals room to enrich childrearing practices at home. The project is being prepared in view of preliminary lessons learned from other Bank-financed child development operations, such as operations 2963/OC-PE, 3449/OC-PE, and ATN/OC-14451-PE, which are now completed, and loans 4607/OC-EC and 4229/OC-AR, which are currently in progress.<sup>23</sup> Important lessons on how to scale child development services while upholding quality have been learned through this work, such as the following: (i) expanding coverage of child development services without upholding quality can have harmful effects on child development and wellbeing (see Components 1 and 2); (ii) ongoing improvement in quality calls for management tools and capacities that need to be developed in technical teams (see Component 2); (iii) child development programs in the region have not traditionally leveraged existing targeting systems to ensure that services are prioritized for families living in extreme poverty (see Component 2); (iv) in work

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<sup>22</sup> FAMI provides care and early stimulation to pregnant women and children under 2 in rural areas of Colombia, through group sessions and monthly home visits.

<sup>23</sup> In the past 20 years, the Bank has approved more than 155 loan and technical cooperation operations for over US\$1.8 billion to support child development in the region.



settings where services for children and families are provided by community-based personnel who are not child development specialists, contextually appropriate and diversity-sensitive structured curricula and activity guides providing technical guidance are essential (see Component 1); (v) to deliver this type of service with quality, investment is needed in initial training and ongoing assistance for staff at all levels (community-based, supervisory, technical, and administrative) (see Component 1); (vi) if programs are to benefit from these investments in staff, they should offer competitive working conditions and professional growth opportunities for people working in child development services (see Component 2); and (vii) efforts to strengthen services should be thoroughly evaluated to identify areas of improvement in service delivery and to ensure service continuity (see Component 3).

- 1.27 **Strategic alignment.** The first operation is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and directly aligned with the development challenge of social inclusion and equality through its focus on the most vulnerable populations, among whom Afro-descendant and indigenous peoples are overrepresented, as well as highly vulnerable women. It is also aligned with the challenge of productivity and innovation, as it will help beneficiaries achieve better educational outcomes and higher future income. It is also aligned with the crosscutting theme of gender equality and diversity, as it will incorporate diversity in the pedagogical content developed for Criança Feliz beneficiaries and provide training for workers on this subject. It will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) by increasing the number of beneficiaries of targeted antipoverty programs. The first operation is aligned with the objective of improving “management and the quality of spending,” as set forth in the IDB Group Strategy with Brazil 2019-2022 (document GN-2973). The first operation is also included in the Update of the Annex III of the 2020 Operational Program Report (document GN-2991-3) and is consistent with the Early Childhood Development Sector Framework Document (document GN-2966-2).

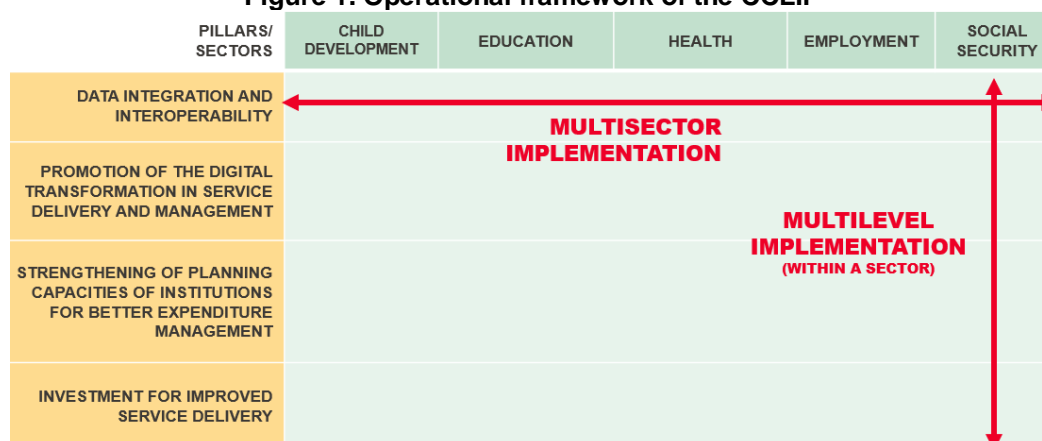
## **B. Objectives, components, and cost**

### **1. ProSocial CCLIP**

- 1.28 **CCLIP objective.** The general objective of the ProSocial CCLIP is to make the administration of social spending in Brazil more efficient. The specific objectives are: (i) to strengthen sector-level capacities in operational management; (ii) to strengthen the strategic management capacities of sector institutions; and (iii) to improve the delivery of high-quality social services.
- 1.29 **Modality, institutional arrangements, and sectors.** The CCLIP will use Multisector Modality II, as described in the Bank’s policy on CCLIPs (document GN-2246-13), and the Ministry of Economy will serve as the liaison institution through the Office of International Economic Affairs (SAIN), which is authorized to coordinate and monitor the overall operation of the sectors covered by the ProSocial CCLIP in order to ensure fulfillment of the multisector objectives. The CCLIP will be able to allocate resources through three channels: (i) federal, with the Federative Republic of Brazil as the borrower; (ii) subnational, with states, municípios, or the Federal District as borrowers; and (iii) national or regional development banks, which can issue subloans to subnational entities. Interventions will focus on four thematic pillars in the following sectors: (i) early

childhood development; (ii) education (primary and secondary); (iii) health; (iv) labor markets; and (v) pension systems (see Figure 1) (see [optional link 3](#) for more details).<sup>24</sup>

**Figure 1. Operational framework of the CCLIP**



- 1.30 The CCLIP will be for up to US\$1.5 billion over a 10-year period and will finance an estimated 15 loan operations. The CCLIP includes the following pillars:
- 1.31 **Pillar 1. Integration and interoperability of data on social services.** The objective of this pillar is to improve the administration of information services for the delivery of social services, by promoting interoperability between sectors and the use of data to create efficiency indicators for monitoring and evaluation of social spending. Improvements in technological and human capacities and in system governance are prerequisites for the development of information systems that: (i) ensure nimble, high-quality service; (ii) reduce costs for government and the public; (iii) reduce fraud and unnecessary expenditures; (iv) ensure greater transparency and accuracy in data and indicators (using data disaggregated by gender, race, ethnicity, disability status, etc.); and (v) provide a comprehensive view of each person in multiple areas (health, education, social protection).
- 1.32 **Pillar 2. Promotion of the digital transformation in service delivery and management.** The objective of this pillar is to improve resource allocation within and across sectors for increased efficiency. Once the data are available, technology can help to: (i) identify opportunities to streamline services and reduce waste; (ii) enhance the quality of social services; and (iii) improve service delivery (online education, telemedicine, etc.), particularly in remote areas and for populations that need cultural and linguistic adaptations, thereby mitigating human resource limitations, making processes more efficient, overcoming geographic barriers, narrowing gender, race, and ethnicity gaps, freeing up time for staff, and supporting staff training.

<sup>24</sup> Sector policies generally encompass these pillars, but investment plans vary by subnational entity.



- 1.33 **Pillar 3. Strengthening of planning capacities of sector institutions for improved expenditure.** This pillar aims to: (i) address changes in social spending resulting from demographic change; (ii) design new financing models to tie transfers to subnational entities' adoption of new management models and the attainment of greater value and better outcomes; and (iii) establish consistent guidelines for the use of human and physical resources in service delivery.
- 1.34 **Pillar 4. Improved service delivery.** The objective of this pillar is to promote investments for greater technical and allocative efficiency in high-yield activities that had been undermined due to insufficient resource allocation or new activities identified as essential to improving quality and efficiency in social services. In each sector, these new investments will be needed to ensure more effective delivery of social services at higher standards of efficiency.
- 1.35 **Beneficiaries.** The beneficiaries will receive higher-quality services as a result of the efficiency improvements in spending promoted by the different operations in social sectors in various geographic locations around the country (paragraph 1.29).

## **2. The first operation under the ProSocial CCLIP**

- 1.36 **Objective.** The general objective of the first operation<sup>25</sup> is to help improve child development among the beneficiary population of the Criança Feliz program in a more efficient manner by finetuning and rating its activities. The specific objectives are: (i) to improve the quality of the services offered under the Criança Feliz program for child development; and (ii) to strengthen its management. The operation includes the following components:
- 1.37 **Component 1. Improving the quality of child development services in Criança Feliz<sup>26</sup> (IDB: US\$18.0 million).** The objective of this component is to support priority actions for higher-quality home visits and other channels for transmitting child-development knowledge and practices to children's caregivers in the home. The following and other activities will be financed: (i) development, piloting, and implementation of more-structured pedagogical and play-related content (specific activities and materials) for home visit workers and caregivers<sup>27</sup> in view of gender and cultural diversity considerations; (ii) research on differentiated intervention modalities (frequency of home visits, individual/group and online sessions, etc.) based on the child's profile (age group, area of residence (urban, rural, traditional communities, etc.)), testing, and adoption of new methodologies; (iii) development and use of curricula and systems for initial and ongoing training to develop competencies of Criança Feliz and SUAS staff, including distance education and digital apps (in view of design, production, and implementation of specific materials and guides for supervisors and outreach workers); and (iv) contracting of consulting services to ensure effective technical supervision and

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<sup>25</sup> Resolution 02/138 of the External Financing Commission (COFIEX) authorized the preparation of the first individual operation of the CCLIP.

<sup>26</sup> In accordance with pillar 4 of the CCLIP (see paragraph 1.34).

<sup>27</sup> This entails evaluating the existing content and adapting it to different socioeconomic and cultural groups in view of the findings of studies on these groups.

ongoing development of home visit workers.<sup>28</sup> Considerations such as diversity and regional characteristics will be incorporated into the content to be used with beneficiaries and in training Criança Feliz and SUAS staff, in order to enhance the value of the teams' work to improve the competency and aptitude of the professionals.

- 1.38 **Component 2. Strengthening the management of Criança Feliz<sup>29</sup> (IDB: US\$20.3 million).** The objective of this component is to achieve greater quality and efficiency in managing Criança Feliz in a multisector and federative context. This component will support the following and other activities: (i) design, development, and implementation of an information system to gather data on beneficiaries and home visits, including quality, using mobile devices, and then to store and analyze these data; (ii) studies on issues related to childhood development, with the profile, characteristics, and targeting to map beneficiary families of Criança Feliz so that they can have access to the social protection policies that are also incorporated in the project, subsidizing the preparation of protocols for integrated, cross-sector actions; (iii) study with a proposal for an incentive system for municípios and professionals tied to work quality indices in order to professionalize their work and encourage the participation of people from diverse populations; (iv) mapping on synergistic actions and interfaces between the national units of the Ministry of Citizenry and Criança Feliz for child development, and development, piloting, and adoption of protocols for identifying risks and referring beneficiaries to SUAS services and other sectors; and (v) development of new strategies and forms of communication from the federal level toward subnational governments and their technical teams. This component will help Criança Feliz allocate resources more effectively at the internal level in order to achieve more efficient expenditure, as well as helping Criança Feliz monitor this expenditure more effectively.
- 1.39 **Component 3. Administration, evaluation, and institutional framework of Criança Feliz (IDB: US\$3.7 million).** This component will include project execution and management, monitoring of activities, and measurement of results. Resources will be used to finance consulting services for technical and scientific support for management of the project and evaluation of its implementation and impacts. Financing will also be provided for consulting to conduct studies and research to support analysis and evaluations of the regulations governing Criança Feliz and to contribute to decision-making.<sup>30</sup>
- 1.40 **Beneficiaries.** The main beneficiaries of this project will be children ages 0-6 living in poverty, pregnant women, and families participating in Criança Feliz. Criança Feliz has some 900,000 beneficiaries and aims to expand coverage to 3 million people in the coming years.

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<sup>28</sup> Closer supervision could help to analyze staff responsibilities and time distribution, with the possibility of adjusting the ratios of home visit workers to families, of outreach workers to supervisors, and of supervisors to home visit workers.

<sup>29</sup> In accordance with pillars 1, 2, and 3 of the CCLIP (see paragraphs 11.31 to 11.33).

<sup>30</sup> Its current status is based solely on decrees.

## **C. Key results indicators**

- 1.41 **Expected impacts and outcomes.** The operation's ultimate expected impact is improved child development among Criança Feliz beneficiaries. This will be determined through an impact evaluation measuring the average score on the Ages & Stages Questionnaire, Third Edition (ASQ-3) (see Annex II, Results Matrix). As for outcomes, indicators on childrearing practices were identified as mediating factors for child development and can be influenced through the efforts of home visit workers, such as the presence of children's books and magazines in the home, levels of stimulation and interaction of the mother/caregiver with the child, and development-friendly activities that the child has done with an adult in the three days prior to the survey. Because management of Criança Feliz can impact the quality of the interaction between the home visit worker and the family, as well as efficiency in the use of resources, some outcome indicators are tied to the operation's activities, such as the number of municípios implementing Criança Feliz's new information system, the ratio of held to scheduled sessions, and the percentage of municípios adopting Criança Feliz-recommended strategies for selecting and prioritizing beneficiaries.
- 1.42 **Economic analysis.** The ex ante economic analysis of the project (see [optional link 1](#)), using the cost-benefit methodology for Components 1 and 2, found that the benefits have a net present value of US\$273 million. At a cost of US\$38.3 million, this yields a benefit-cost ratio of 7.1. Estimates of component benefits were based on: (i) the expected impact on child development as a result of being a beneficiary of enhanced Criança Feliz services; and (ii) the expected increase in work-related income during the beneficiaries' productive lifetime. While these estimates do not include spillover effects or positive externalities that would add to the project's social returns (e.g., adoption of best practices by other household members), they are deemed conservative estimates in the event that impacts in terms of enhanced quality fall short of expectations.
- 1.43 Sensitivity analyses were conducted by modifying assumptions related to flow of beneficiaries in each year of the operation, estimated impact, and discount rates of up to 12%. The benefits remain well above the intervention cost in most cases, except in the event of very high (and unrealistic) discount rates. This suggests that the impacts on quality of Criança Feliz and child development would have to be extremely low, even in comparison with observed international outcomes, for the intervention to not be cost-effective.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 This is the first individual operation of the CCLIP under Multisector Modality II, to be financed through a specific investment loan for in the amount of US\$42 million from the Bank's Ordinary Capital, as shown in Table 1. The project's disbursement period will be five years (see Table 2).

**Table 1. Estimated program costs (US\$000)**

<b>Components</b>	<b>IDB</b>	<b>Total</b>	<b>%</b>
Component 1. Improving the quality of child development services in Criança Feliz	18,051	18,051	100
Adapted materials and curricula*	6,601	6,601	100
Adjusted methodology	897	897	100
Trained personnel	3,200	3,200	100
Monitoring, supervision, and ongoing development system	7,353	7,353	100
Component 2. Strengthening the management of Criança Feliz	20,294	20,294	100
Information system for visits and beneficiaries	10,081	10,081	100
Improved beneficiary prioritization	1,282	1,282	100
Incentive system	5,056	5,056	100
Cross-sector and communication plan	3,875	3,875	100
Component 3. Administration, evaluation, and institutional framework of Criança Feliz	3,655	3,655	100
<b>Total</b>	<b>42,000</b>	<b>42,000</b>	<b>100</b>

\* The subcomponent amounts are indicative.

**Table 2. Disbursement flow (US\$000)**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>IDB</b>	1,359	8,765	15,838	11,329	4,709	42,000
<b>%</b>	3.2	20.9	37.7	27.0	11.2	100

## **B. Environmental and social risks**

- 2.2 This has been classified as a category “C” operation in accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), as its social and environmental impacts are expected to be minimal.
- 2.3 This operation does not include financing of infrastructure works or any other activities with negative implications for natural resources. Nor is the program expected to have any negative social impacts. To the contrary, it is expected to improve the quality of processes and management of Criança Feliz’s child development services. Women, girls, and vulnerable populations will use these services, which will help to break the intergenerational cycle of poverty.

## **C. Fiduciary risks**

- 2.4 In applying the Institutional Capacity Assessment Platform (ICAP), the executing agency was found to have sufficient and appropriate institutional capacity, with specific opportunities for improvement in executing operations with the Bank.

## **D. Other key issues and risks**

- 2.5 In preparing the project, four additional risks classified as medium-high were identified, as were strategies for managing these risks: (i) A lack of coordination between government agencies could cause communication problems, which in turn could affect the technical quality of outputs and the project’s execution timetable (risk type: public management and governance; mitigation measure: formation of a committee coordinated by the General Coordination Office for Technical Cooperation (CGCT) and consisting of the finalist agencies involved in the project); (ii) A lack of personnel specifically dedicated to procurement and

technical matters could lead to a failure to prioritize the project's overall needs, an overburdening of the project coordination unit (PCU), and delays in project execution (risk type: development; mitigation measure: designation of specific staff within the PCU for these duties); (iii) A failure by the municípios participating in Criança Feliz to use the content and practices promoted by the project and according to schedule could lessen the impact on beneficiaries' cognitive development (risk type: development; mitigation measure: establish an incentive system for municípios); and (iv) If the health crisis caused by the COVID-19 pandemic persists, a failure by municípios to adopt new ways of working could hinder the transfer of knowledge and practices and cause delays in the project timeline (risk type: development; mitigation measure: strengthen and promote the use of personal protective equipment; hold group sessions in well-ventilated open-air locations; observe physical distancing; and use online sessions based on communication technology).

- 2.6 **Sustainability.** The operation's primary focus is improving the quality of child development services provided by Criança Feliz through viable investments (see paragraphs 1.42 and 1.43) that yield a greater impact and increase expenditure efficiency. The operation will not finance infrastructure works that may lead to future maintenance and repair costs. Instead, the project will provide technical and intellectual inputs, as well as goods associated with the information system, which will not result in significant recurring expenditures. The sustainability of the initiatives supported by the operation will be ensured by their incorporation into Criança Feliz's usual practices, provided they are found to be effective.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 The executing agency will be the Federative Republic of Brazil, acting through the Ministry of Citizenry. The ministry's Executive Secretariat, acting through the General Coordination Office for Technical Cooperation (CGCT), will shoulder the main administrative and fiduciary responsibilities (procurements) for the project. Technical, budgetary, and financial aspects will be managed by the National Office of Early Childhood Services (SNAPI) and the other participating agencies.
- 3.2 A project coordination unit (PCU) consisting of executing agency personnel will be established. The PCU will have a basic team consisting, at a minimum, of a general coordinator for technical cooperation (project management and procurements), specialists in administrative and financial matters (finances and accounting), and a general coordinator for monitoring and information management.
- 3.3 The PCU will be responsible for all activities needed to execute the project, including: (i) serving as a focal point for the project with the Bank; (ii) preparing, submitting, and implementing annual work plans and financial plans; (iii) preparing budgets and disbursement requests; (iv) preparing and updating the multiyear execution plan (see [required link 1](#)), annual work plan, procurement plan (see [required link 3](#)), and program monitoring report (PMR); (v) financially administering the program in accordance with generally accepted accounting principles and submitting audited financial statements; (vi) conducting procurement processes in

compliance with Bank policies; (vii) ensuring consistent alignment of project activities with expected results and regularly gathering data to help monitor the indicators in the results matrix; and (viii) submitting semiannual progress reports.

- 3.4 **Program Operating Regulations.** The policies, procedures, rules, and detailed responsibilities for project execution will be set forth in the program Operating Regulations (see [optional link 4](#)), which will establish standards and guidelines for the executing agency in all areas of project execution, including programming, financial execution and planning, fiduciary arrangements, monitoring, and reporting. The Operating Regulations will also describe the arrangements for project implementation<sup>31</sup> and the procedures for making any adjustments to activities and targets.
- 3.5 **The following will be special contractual conditions precedent to the first disbursement of the financing: (i) approval and entry into force of the program Operating Regulations under the terms agreed upon with the Bank,** which is necessary for establishing the guidelines and procedures to be followed by the executing agency for successful project execution; and **(ii) publication in *Diário Oficial da União* of the decree designating the members of the project coordination unit (PCU),** an essential condition for facilitating program execution from the start and ensuring compliance with Bank policies across program areas.
- 3.6 **Procurement.** The PCU will use the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), in addition to the Fiduciary Agreements and Requirements (see Annex III) based on the fiduciary context as determined through the institutional assessment of the executing agency. In view of this assessment, procurement will be reviewed on an ex post basis except when ex ante supervision is warranted or single-source selection is used, as stated in the procurement plan, for Bank-financed items.<sup>32</sup> If the country system is used for procurement, supervision will also be conducted using the country system.
- 3.7 **Disbursements and financial management.** The Bank will issue disbursements to the executing agency in the form of advances of funds based on the project's liquidity needs, as confirmed by current commitments, for a period of 90 to 180 days. Disbursements will be deposited into a special bank account under the project's name for the exclusive use of loan proceeds, as described in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). The executing agency will control the use of advanced funds and will limit expenditures to planned and eligible activities. The executing agency will also maintain records of financial transactions in accordance with the Bank's fiduciary

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<sup>31</sup> The other agencies that will participate in the project and be represented on the Coordinating Committee are the National Office of Public Revenue (SENARC), the National Office of Social Assistance (SNAS), and the National Office of Drug Treatment and Prevention (SENAPRED). The CGCT will coordinate the committee, and SNAPI will serve as its chair. Two meetings per month should suffice to handle committee business.

<sup>32</sup> The executing agency may choose to hire a specialized entity to support administrative and fiduciary processes. If the selection of this entity qualifies for single-source selection (see document GN-2350-15, paragraph 3.11), the executing agency may use this method with the Bank's prior approval.

policies. Once 80% of the advanced funds have been spent, the PCU may submit a justification of expenditures for the Bank's review and request another disbursement.

- 3.8 **Auditing.** The executing agency will submit the following documents to the Bank: (i) the program's audited financial statements, to be submitted within 120 days after the close of each fiscal year; and (ii) the final audited financial statements, to be submitted within 120 days after the date of the project's last disbursement. The project's activities and financial statements will be audited by the Office of the General Comptroller (CGU), which provides external oversight of federal government projects executed with external financing. The audits will be performed in accordance with the Bank's guidelines and terms of reference for external audits. Auditing will include the ex post review of disbursement and procurement processes, in addition to the Bank's processes and reviews.

**B. Summary of arrangements for results monitoring**

- 3.9 The following standard Bank instruments will be used to monitor the project: (i) multiyear execution plan and annual work plan; (ii) procurement plan; (iii) Results Matrix; (iv) program monitoring report; and (v) audited financial statements. The executing agency, acting through the CGCT, will submit semiannual progress reports to the Bank within 60 days after the end of each calendar six-month period; these reports will address: (i) fulfillment of objectives and results stipulated in each annual work plan and in the program monitoring report, including risk analysis and monitoring and related mitigation measures; (ii) execution status and procurement plan status; (iii) fulfillment of contractual provisions; and (iv) financial execution status. In addition, the report for the second half of each calendar year will include: (i) the annual work plan and multiyear execution plan for the following year; (ii) an updated procurement plan; and (iii) when appropriate, actions to implement the recommendations from the audit report. The indicators in the results matrix will also be monitored using information generated by the executing agency.
- 3.10 Qualitative studies on project implementation and technical aspects will be conducted (see [required link 2](#)). Independent midterm and final evaluations of the project will be commissioned. These descriptive evaluations will focus on progress toward output and outcome targets in the Results Matrix and the semiannual program monitoring reports. Financing will also be provided for qualitative/quantitative studies on supervision processes, in view of their importance in ensuring quality in the work of home visit workers, and on targeting processes, to determine whether Criança Feliz is reaching those most in need, along with related considerations.
- 3.11 To measure the impacts on Criança Feliz that are attributable to the project, an experimental impact evaluation will be carried out on the implementation of the package of improvements in home visits (including structured curricular content, use of technology on home visits, and training of home visit workers in these areas) (see [required link 2](#)). This evaluation will measure the causal effect of the investment on the strengthening of Criança Feliz in terms of quality of home visits through midterm outcomes related to childrearing practices at home (interactions, activities, and play materials at home) and final child development outcomes (ASQ-3). The variance of impacts by gender and other factors will be assessed in

the children. It should be noted that the counterfactual scenario is an “active” control group in the sense that it will consist of beneficiary children and households of Criança Feliz as it currently operates (i.e., without the improvements).

#### IV. ELIGIBILITY CRITERIA

- 4.1 **Eligibility under the CCLIP policy (document GN-2246-13) and related operational guidelines (Operational Policy OP-1622-3).** The eligibility criteria for a CCLIP have been met, since: (i) the CCLIP’s objectives are consistent with the priorities of the IDB Group Strategy with Brazil (see paragraph 1.27); and (ii) the liaison institution, the Ministry of Economy, acting through the Office of International Economic Affairs, is responsible for approving and monitoring projects financed by international organizations and has professionals experienced in various subject areas (see [optional link 3](#)).
- 4.2 **Eligibility of the first individual operation under the CCLIP.** This operation also meets the criteria for an individual operation: (i) the ICAP was applied to the executing agency, and the first operation includes the improvement actions identified through the assessment;<sup>33</sup> (ii) the objectives of this operation contribute to the objectives of the ProSocial CCLIP (see paragraph 1.28); and (iii) the activities to be financed are aligned with the ProSocial sectors and pillars (see paragraphs 1.30 to 1.34).

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<sup>33</sup> A streamlined evaluation was conducted because the executing agency has, within the past five years, completed a similar project financed by the World Bank in one of the sectors at which the CCLIP is aimed, and its execution and achievement of results have been satisfactory.



Development Effectiveness Matrix		
Summary		BR-L1543
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	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	Reduce social inequality and inequality of opportunities through the improved efficiency of public policies
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 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		9.2
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.2
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		6.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
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, External Control, Internal Audit.  Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
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  BR-T1433

The general objective of the Conditional Credit Line for Investment Projects – Program for the Modernization of Social Expenditure in Brazil is to increase the efficiency of the management of social expenditure in Brazil. The general objective of the first operation for the Improvement of the Public Policies for Early Childhood will be to contribute to improve the early childhood development of the beneficiary population in efficient manner.

The specific objectives are: (i) improve the quality of the early childhood development program Crianca Feliz (PCF); and (ii) strengthen the management of the PCF. The draft loan proposal provides a strong diagnosis as well as a review of the national and international evidence. The results matrix is consistent with the vertical logic of the project and includes SMART indicators for outcomes and outputs. Achievement of each objective will be measured with at least one indicator.

The economic analysis of the project is based on a cost benefit analysis for components 1 and 2. The monitoring and evaluation plan provides a description on how to construct the indicators. Impact and process evaluations will be conducted as well as a study on targeting of the program. risks have been identified and mitigation actions considered.

## RESULTS MATRIX

<b>Project objective:</b>	The general objective of the first individual operation is to help improve child development among the beneficiary population of the Criança Feliz program in a more efficient manner by finetuning and rating its activities. The specific objectives are: (i) to improve the quality of the services offered under the Criança Feliz program for child development; and (ii) to strengthen its management.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline	Expected year of fulfillment	Target	Means of verification	Comments
General development objective: The general objective of the project is to help improve child development among the beneficiary population of the Criança Feliz program in a more efficient manner by finetuning and rating its activities.						
Score on Ages and Stages Questionnaire, Third Edition (ASQ-3) <sup>1</sup>	ASQ-3 score (0-300)	256.14 <sup>2</sup>	2025	260.16 (0.1 standard deviations or 4.02 additional points)	Impact evaluation report	Impact evaluation follow-up survey

### SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Specific development objective 1:</b> Improved quality of the child development service offerings <sup>3</sup>										
Presence of children's books or magazines in the home	Percentage	9.8					10.84		Impact evaluation report	Maximum score: 100%
Stimulation and interaction score of mother/caregiver	Points	16.07					16.65		Impact evaluation report	Maximum score: 20

<sup>1</sup> This indicator is illustrative, and another instrument may be used in the project to measure the baseline and conduct the follow-up survey. The data will be disaggregated by gender.

<sup>2</sup> See [required link 2](#) for a description of the corresponding calculation.

<sup>3</sup> See [required link 2](#) for a description of the corresponding calculation.

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Score on activities that promote child development (past 3 days)	Points	3.98					4.27		Impact evaluation report	Maximum score: 6
Number of beneficiaries of enhanced child development services in Criança Feliz	Children (thousands)	850	850	1,500	2,000	2,500	3,000	3,000	Semiannual project report	SUAS electronic records
<b>Specific development objective 2:</b> Strengthened management of Criança Feliz										
Municípios implementing Criança Feliz's information system	Municípios	0	0	0	1,800	2,500	2,927	2,927	Semiannual project report	
Held versus scheduled sessions between home visit workers and families	Percentage	68	70	73	75	80	85	85		SUAS electronic records
Percentage of municípios adopting Criança Feliz-recommended strategies for selecting beneficiaries	Percentage	0	0	30	45	55	60	60		

#### OUTPUTS

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Component 1: Improving the quality of child development services in Criança Feliz</b>										
Curricula and materials adapted for different socioeconomic groups and diverse beneficiaries, <sup>4</sup> designed	Documents	0	4	0	0	0	0	4	Semiannual project report (approved consultant reports)	
Curricula and materials adapted for diverse beneficiaries, reproduced and distributed	Packages	0	0	2,900	0	0	0	2,900	Semiannual project report (certificates of delivery to municípios)	

<sup>4</sup> The diverse beneficiaries to whom cultural and linguistic adaptations will be targeted include indigenous peoples and traditional communities (*quilombos*, *ribeirinhos*, and Afro-descendant people).

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Curricula and materials adapted for diverse beneficiaries, disseminated	Events	0	0	4	0	0	0	4	Semiannual project report (event records)	
Adjusted methodology for working with families, designed	Documents	0	0	3	0	0	0	3	Semiannual project report (approved consultant reports)	
Training plan prepared	Documents	0	1	0	0	0	0	1	Semiannual project report	
Personnel (supervisors and home visit workers) trained	Persons	0	0	7,500	9,500	6,000	0	23,000		
System for monitoring, supervising, and ongoing development of home visit workers, designed	Systems	0	1	0	0	0	0	1		
System for monitoring, supervision, and ongoing development of home visit workers, implemented	Systems	0	0	0	1	0	0	1		
Component 2: Strengthening the management of Criança Feliz										
Information system for Criança Feliz home visits and beneficiaries, designed	Systems	0	1	0	0	0	0	1	Semiannual project report	
Information system for Criança Feliz home visits and beneficiaries, implemented	Systems	0	0	0	1	0	0	1		
Guidelines for more effective prioritization of beneficiaries, developed	Documents	0	0	0	1	0	0	1		
Incentive system to improve management, designed	Systems	0	0	1	0	0	0	1		
Incentive system to improve management, piloted	Systems	0	0	0	0	1	0	1		
Protocols to identify risks with beneficiary families and refer them to additional services, developed	Documents	0	0	2	2	0	0	4		

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Communication plan for subnational entities, implemented	Documents	0	0	0	1	0	0	1	Semiannual project report	
<b>Component 3: Administration, evaluation, and institutional framework of Criança Feliz</b>										
Midterm and final evaluation reports	Documents	0	0	0	1	0	1	2	Semiannual project report	
Impact evaluation reports		0	0	1	0	0	1	2		
Proposed law to strengthen Criança Feliz's institutional status, drafted		0	0	1	0	0	0	1		

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

<b>Country</b>	Brazil
<b>Project number:</b>	BR-L1543
<b>Name:</b>	Improvement of Early Childhood Public Policy
<b>Executing agency:</b>	Ministry of Citizenry
<b>Fiduciary team:</b>	Carlos Carpizo and David Salazar (VPC/FMP)

### I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment for fiduciary management of the project was based on: (i) the country's current fiduciary context; (ii) findings of the assessment of the main fiduciary risks; (iii) an institutional analysis (Institutional Capacity Assessment Platform); and (iv) working meetings with the project team and the Ministry of Citizenry.
- 1.2 Brazil has robust country fiduciary systems that support effective administrative, financial, control, and procurement processes in line with principles of transparency, economy, efficiency. The executing agency's systems related to planning and organizational capacity, execution, and control are at a medium stage of development and pose a medium risk level.
- 1.3 The Ministry of Citizenry has the legal capacity and experience to carry out the project. Part of the current project team implemented a project financed by the World Bank and will heed the lessons learned from that project.

### II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 Within the Ministry of Citizenry, the General Coordination Office for Technical Cooperation (CGCT) will be responsible for overall coordination of project activities; human resources management; management of project activity scope and schedule; cost planning, monitoring, and control; risk management; and communication.
- 2.2 The project coordination unit (PCU) team will include specialists in administrative and financial matters (including project management, finances, and accounting) and procurement. The PCU may also hire consultants for specific outputs related to these functions. A specialized entity is also expected to provide support for administrative and fiduciary processes.
- 2.3 The executing agency has experience in conducting procurement using the *pregão eletrônico* system, which is acceptable to the Bank for the procurement of goods and nonconsulting services.

### III. INSTITUTIONAL CAPACITY ASSESSMENT, FIDUCIARY RISK EVALUATION, AND MITIGATION ACTIONS

- 3.1 The institutional capacity assessment and its validation with Ministry of Citizenry personnel found that the executing agency has sufficient and appropriate institutional capacity with specific opportunities for improvement in executing operations with the Bank.
- 3.2 In the analysis using the Institutional Capacity Assessment Platform (ICAP), two low-level fiduciary risks were identified. The first is related to a lack of experience in conducting complex procurement processes and preparing technical specifications. This could result in delays in procurement execution, thereby compromising the timetable for output delivery.
- 3.3 The second risk is related to a lack of familiarity with the Bank's fiduciary policies and processes (procurement and financial management), which may lead to delays, errors, or poor quality in management of and compliance with the Bank's fiduciary requirements.
- 3.4 These risks will be mitigated through training on the Bank's fiduciary policies and ongoing management of fiduciary knowledge for members of the PCU and other participating entities.

### IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The following agreements and requirements apply to this operation:
- 4.2 **Exchange rate agreed upon with the executing agency for accounting purposes.** The exchange rate agreed upon with the executing agency to account for advances of funds from the loan will be the rate used for internal transfers of funds. To determine the equivalency of reimbursements of expenditures charged against the loan, the agreed exchange rate will be the buy rate set by the Central Bank of Brazil on the day prior to the date the disbursement request was submitted to the Bank.
- 4.3 **Audited financial statements.** During the program, audited financial statements will be submitted on an annual basis within 120 days after the close of each fiscal period. The program will be externally audited by the Office of the General Comptroller (CGU), which provides external oversight of federal government projects executed with external financing. The program's final audited financial statements will be submitted within 120 days after the date of the last disbursement.

### V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

#### A. Procurement execution

- 5.1 **Procurement of works, goods, and nonconsulting services.** Procurement processes subject to international competitive bidding (ICB) will use the standard bidding documents issued by the Bank. Processes subject to national competitive bidding (NCB) will use national bidding documents agreed upon with the Bank.

5.2 **Selection and contracting of consultants.** These procurement processes will use the standard request for proposals issued by the Bank. Consultants will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).

5.3 **Use of country procurement system.** The Bank-approved country (sub)system for procurement, known as *pregão eletrônico*, will be used to procure commonly used goods for up to US\$5 million. Any subsequently approved system or subsystem will be applicable to the operation. The procurement plan and its updates will state which procurement processes will use the approved country systems.

## B. Single-source selection

5.4 The executing agency may choose to hire a specialized entity to support administrative and fiduciary processes.<sup>1</sup> If the selection of such an entity qualifies for single-source selection (see document GN-2350-15, paragraph 3.11), the executing agency may use this method with the Bank's prior approval.

**Table 1. Thresholds for international bidding and international shortlist**

Method	ICB: works	ICB: goods and nonconsulting services	International shortlist for consulting services
Threshold	US\$25 million	US\$5 million	US\$1 million

**Table 2. Main procurement items**

Procurement item	Procurement method	Estimated date	Estimated amount (US\$ millions)
<b>Goods and nonconsulting services</b>			
Mobile devices for data entry by supervisors and home visit workers	<i>Pregão eletrônico</i>	Q3 2022	3.4
Software for data storage and analysis (business intelligence)	<i>Pregão eletrônico</i>	Q3 2022	2.1
<b>Consulting firms</b>			
Regular local training events in accordance with the training plan	QCBS	Q1 2022	1.9

## C. Procurement supervision

5.5 Procurement will be reviewed on an ex post basis, except when ex ante supervision is warranted or single-source selection is used. If the country system is used for procurement, supervision will also be conducted using the country system.

5.6 The supervision method should be determined for each procurement process. Ex post reviews will be conducted every 12 months in accordance with the project supervision plan.

<sup>1</sup> The amount of this procurement item is estimated at US\$1.2 million.



**Table 3. Thresholds for ex post review**

<b>Works</b>	<b>Goods</b>	<b>Consulting services</b>
NCB and shopping	NCB	Under US\$1 million

#### **D. Records and files**

- 5.7 The PCU will be responsible for documenting procurement processes and will maintain documentation as needed for supervision and auditing purposes.

### **VI. FINANCIAL MANAGEMENT**

- 6.1 **Programming and budget.** The PCU will prepare the program's annual programming and budget in coordination with the Office of Planning, Budget, and Governance of the Ministry of Citizenry Executive Secretariat. The proposed annual budget for the program will be incorporated into the general federal budget and will be reflected in the integrated financial management system (SIAFI).
- 6.2 **Accounting and information systems.** The PCU, in coordination with the Office of Fund and Transfer Management of the Ministry of Citizenry Executive Secretariat, will use the federal government's SIAFI for budget execution, financial execution, and accounting records of program activities. SIAFI supports the generation of Bank-required financial reports for disbursement requests and accountability purposes.
- 6.3 **Disbursements and cash flow.** The national treasury single account (TSA), administered by the Ministry of Economy through the Office of the National Treasury, will be used to receive the proceeds of Bank disbursements and pay for program activities.
- 6.4 Bank resources will be administered within the TSA through a program-exclusive subaccount that will help identify the loan proceeds and conduct the corresponding bank reconciliations, including income and outlays.
- 6.5 Disbursements will be issued in United States dollars in the form of advances of funds. The amount of such advances will be based on a financial execution projection for up to 180 days. At least 80% of all previously advanced funds must be accounted for before any further funds are advanced.
- 6.6 **Internal control and internal audit.** The Ministry of Transparency and the Office of the General Comptroller (CGU), acting through the Federal Office of Internal Control (SFC), will head up and implement the federal government's internal control system.
- 6.7 The Ministry of Citizenry has a special advisory unit for internal control that provides advice and support to the ministry's management units for compliance with the CGU's internal control guidelines. The Ministry of Citizenry's internal audit reports, issued by the CGU, are available on its official website.

- 6.8 **External control and reports.** The program's external auditing will be conducted by the CGU, which is responsible for overseeing federal government projects financed with external loans. The CGU has appropriate capacity to conduct timely, high-quality external audits.

## VII. SUPERVISION PLAN

- 7.1 This plan may be modified during the operation in view of changing risk levels or additional control needs.

**Table 4. Supervision plan**

Description/scope	Frequency	Responsible party	
		Bank	Execution unit
Ex post review of disbursements and procurement items	Annual	Fiduciary team	PCU
Annual audit	Annual	Fiduciary team	PCU; external auditor
Review of disbursement requests	Regular	Fiduciary team	
Supervision visits	Annual	Fiduciary specialists	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_\_/20

Brasil. Conditional Credit Line for Investment Projects (CCLIP) for the Social Spending Modernization Program in Brazil (BR-O0009)

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 establish the Conditional Credit Line for Investment Projects (CCLIP) for the Social Spending Modernization Program in Brazil (BR-O0009) (the "Line") for an amount of up to US\$1.500,000,000 chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on \_\_\_\_ 20\_\_)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/20

Brazil. Loan \_\_\_\_/OC-BR to the Federative Republic of Brazil. Improvement of Early Childhood Public Policy. First Individual Loan Operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0009 – Social Spending Modernization Program in Brazil

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 Federative Republic of Brazil, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the program Improvement of Early Childhood Public Policy, which constitutes the first individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0009 – Social Spending Modernization Program in Brazil, approved on \_\_\_\_\_ of 2020 by Resolution DE-\_\_\_/20. Such financing will be for the amount of up to US\$42,000,000, 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 \_\_\_\_\_ 2020)