

**INFORMATION TECHNOLOGY PROGRAM - RIO INFORMÁTICO
(TC-01-01-06-4-BR)**

EXECUTIVE SUMMARY

Executing Agency:	Viva Rio in association with the Comitê para Democratização da Informática (CDI).
Beneficiaries:	Trainers and trainees (mostly the unemployed and young adults) of the Information Technology (IT) centers, and the microentrepreneurs of the <i>favelas</i> (shanty towns) of Rio de Janeiro.
Objectives and Description:	<p>Improve the business models for IT centers located in low-income neighborhoods (<i>favelas</i>) in the metropolitan area of Rio de Janeiro. The centers train and provide technical assistance to local entrepreneurs and microenterprises, and low-income population, particularly young adults. They are independently run and receive technical assistance from the nongovernmental organizations Viva Rio and CDI. The program would increase the access of residents and microentrepreneurs of the <i>favelas</i> to Information Technology and therefore improve employment prospects and raise incomes, and contribute to new business opportunities and the economic development of the <i>favelas</i>. This would be accomplished by the concerted action of four components:</p> <p>Component 1: strengthening of existing IT centers (US\$542.4 thousand). Improve the quality and level of training available in the existing IT centers by providing more advanced software, new services such as internet access, and better-trained managers and instructors.</p> <p>Component 2: implementation of new IT service centers (US\$305.1 thousand). Establish new IT service centers that would provide local businesses with Internet access, e-commerce capabilities and other IT-related services.</p> <p>Component 3: training partnerships with IT companies (US\$237.3 thousand). Establish two Cisco Networking Academies (CNA) that would offer industry standard certifications, and generate highly paid employment for qualified and motivated high school graduates.</p>

Component 4: institutional strengthening (US\$185.1 thousand). Strengthen Viva Rio and CDI in their role as umbrella organizations that assist and promote IT training and service centers. In the process, the existing business models for starting and operating sustainable centers would be optimized, improving their scale and socioeconomic impact, and making them attractive for replication in others areas of Brazil and in Latin America and the Caribbean.

Amount and source:	MIF Window III:	US\$	860,000
	Counterpart—Viva Rio:	US\$	414,000
	Counterpart—CDI:	US\$	172,000
	Total:	US\$	1,446,000

Exceptions to Bank policy: None

Special contractual conditions: As condition to the first disbursement, the Executing Agency will submit the following to the Bank's satisfaction: (a) selection and hiring of the program coordinator; and (b) evidence that the software included in the Program as local counterpart has been duly licensed (paragraph 9.1).

Environmental Social review: The Project Abstract was reviewed by the Environmental and Social Impact Committee (CESI) on March 9, 2001 without any recommendations (paragraph 6.4).

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 The Federative Republic of Brazil was declared eligible for all Multilateral Investment Fund financing modalities by the Donors' Committee at its meeting on February 9, 1995. The proposed project was considered eligible for financing by MIF's Programming and Operations Committee on February 6, 2001. The project is consistent with the MIF's general purpose and particularly with the Small Enterprise Development Facility because it aims to increase and optimize access to Information Technology (IT) for youth and microentrepreneurs, improve business models for starting and operating sustainable IT centers, and therefore, facilitate the development of new small enterprises. It is also consistent with MIF's priorities as stated in the Working Group report, as it focuses on improving access of youth and micro entrepreneurs to Information Technology tools.

II. BACKGROUND

A. Description of the Information Technology (IT) sector in the areas of interest

- 2.1 Brazil's electronic commerce and IT are becoming an increasingly important part of the Brazilian economy, with a growing number of new and small companies being technology-driven. The Euromarketing Associates Institute predicts that by the end of 2001, Portuguese will be the fastest growing language on the Internet. Still, despite accounting for 90% of Latin American e-commerce, only 4.3% of Brazilians have access to the Internet. Consider that while the city of Rio de Janeiro is earning the title of "Silicon Beach" because of its growing number of IT companies, the majority of its population has never touched a computer.
- 2.2 This scenario provides a unique opportunity for young entrepreneurs to develop business skills and know-how in the IT sector and become a dynamic force for job creation and raising standards of living in low-income urban areas. Furthermore, Brazilian companies cite hiring qualified staff as one of their major challenges, and the need to ensure that more people have access to computers, the Internet, and the training necessary to use them. Basic computer literacy is now a requirement in most jobs in the service sector and in other areas of the economy. At a more specialized level, just last year, Ericsson Corp had to recruit qualified labor from abroad for their plant in Campinas.

B. Viva Rio and Comitê para Democratização da Informática (CDI)

- 2.3 Two nongovernmental organizations from the city of Rio de Janeiro, Viva Rio and Comitê para Democratização da Informática (CDI), have addressed this challenge by forming IT training centers, that are called, respectively, "Schools of IT and Citizenship (EIC)" and "IT Clubs". Viva Rio also operates 400 *Telesalas* which offer high school equivalency degrees. Of these, 150 offer computer classes. Overall, these centers provide courses and other training in IT at very low cost to residents of Rio's poor neighborhoods known as *favelas*. In particular, they address the needs of local young or unemployed residents seeking to enter a job

market that requires some computer skills and, to a smaller extent, they attempt to serve the IT business needs of local microentrepreneurs.

- 2.4 Viva Rio's IT Clubs were introduced in 1999 and there are 61 operating at the moment. The IT Clubs are independently run, franchise-type centers managed by a local, non-profit community agent who establishes a partnership with Viva Rio. The latter assists the clubs with course materials, technical support, training, maintenance and supervision, and provides the certificates for the students. Each course lasts one to two months and costs each student between US\$5 - US\$10. Each club is self-sustainable and divides its income between the instructor, Viva Rio, the community partner and taxes. Each instructor undergoes a period of training in the software used and in equipment maintenance. Recently, Viva Rio received a donation from the music festival "Rock in Rio" which provided 150 computers, manuals and training for 1,800 people from the favelas.
- 2.5 Since 1996, CDI has trained a total of 66 thousand young adults, as well as some children and senior citizens, in the EICs. As of March 2001, the CDI network included, 472 instructors and 280 volunteers, and owned 1,180 computers. CDI offers free technical assistance and donates computers, equipment and software to the local communities who run autonomously the EIC.
- 2.6 While focusing on the same type of target market, Viva Rio and CDI use somewhat different business models in regards to the type of relationship they have with the centers. Viva Rio maintains closer ties with its centers and charges a fee for the services it provides, while CDI caters more to children and younger adults, and concentrates more on social inclusion. At present, both organizations are undergoing a period of expansion to respond to the growing demand for services.
- 2.7 In an evaluation of 34 IT centers done last year by the firm DAI, it was shown that the training offered at the centers increased the students' potential to be hired. Likewise, a few local companies have approached the centers looking for prospective employees. The private IT sector has also shown an interest in supporting the training in advanced certifications for computer networks and maintenance, and in providing internships for student graduates.
- 2.8 The DAI study also concluded that some IT training centers are more successful and financially more sustainable than others. Success was measured by their ability to grow and maintain a high volume of student enrollment. Although some centers have created innovative new products and services, most offer little beyond introductory computer courses. Therefore, they provide few reasons to attract new and keep existing customers, and their impact in the community remains limited.
- 2.9 Both Viva Rio and CDI have recognized the need to improve the centers' operation and quality of service, their response to growing community demand and the need to expand into new areas of service. They have also accumulated

enough experience to want to grow into a new, more business-oriented direction that would allow them to better serve young entrepreneurs and small businesses in the favelas. The proposed program provides Viva Rio and CDI with tools to assist these microentrepreneurs in the favelas to tap into the new business possibilities offered by IT.

III. PROJECT OBJECTIVES, COMPONENTS AND ACTIVITIES

A. Objectives

- 3.1 The program's objective is to improve the business models for IT centers located in low-income neighborhoods (*favelas*) in the metropolitan area of Rio de Janeiro¹. The centers train and provide technical assistance to local entrepreneurs and microenterprises, and low-income population, particularly young adults. They are run autonomously by local staff with the assistance of Viva Rio and CDI.
- 3.2 The program would increase the access of residents and microentrepreneurs of the *favelas* to Information Technology and therefore improve employment prospects and raise incomes, and contribute to new business opportunities and the economic development of the *favelas*. In the process, the existing business models for starting and operating sustainable centers would be optimized, making them attractive for replication in others areas of Brazil and in Latin America and the Caribbean.
- 3.3 In particular, the program would have the following goals:
 - (i) Sustainability. Ensure that existing and new IT centers are financially self-sustainable while improving the variety and the quality of their services;
 - (ii) Impact. Increase the impact of centers and the two networks by meeting the needs and demands of the trainees, introducing new products, increasing the scale of operation, improving the product quality, instituting quality control and an oversight system, and developing partnerships with the private sector; and
 - (iii) Scale. Set the stage to reach out to an increased number of *favelas* through the installation of new training and services centers for IT.
- 3.4 To reach these objectives the program consists of four complementary components that are described next.

B. Component 1: strengthening of existing IT centers (US\$542.4 thousand)

- 3.5 This component will strengthen 15 existing IT centers (10 IT Clubs and five EICs), drawing lessons and parameters for their sustained success, and developing a respective business model (a type of franchise). Program resources will be used

¹ Composed of 17 municipalities, totaling 10.5 million people.

to provide: (i) training for managers and staff in entrepreneurial management, business planning, marketing, customer service, and developing partnerships with local businesses; (ii) technical and curricular IT training for instructors; and (iii) new software, equipment upgrading and internet access.

- 3.6 As a result of field visits and interviews with students and employers, the new courses that will be offered at the IT centers include: advanced MS-Office, HTML, design and graphics, multimedia and music, and programming languages. The centers that will benefit from the program were selected on the basis of five criteria: entrepreneurial leadership, number of students, market size, cost recovery and location. The progress of these centers will be compared with those not directly benefited by the program.

C. Component 2: implementation of new IT service centers (US\$305.1 thousand)

- 3.7 This component will aim at developing, implementing and evaluating new IT service centers that would provide local businesses with Internet access, e-commerce capabilities and other IT-related services, such as, how to use accounting software and how to create a business web site. To participate in the program, each IT service center will have to comply with eligibility criteria, including the preparation of a business plan.

- 3.8 The program funds will be used to implement five IT service centers--three with Viva Rio and two with CDI. The implementation includes training each center's staff, improving its infrastructure, and providing new equipment and software. The staff is composed of a manager, a business agent and a technician-instructor. The centers are expected to reach the financial break-even point after three years of operation. The program will monitor and evaluate the impact of these IT service centers on the participating local businesses and on the *favela* itself. An optimized business model--a franchise package--will then be produced.

D. Component 3: training partnerships with IT companies (US\$237.3 thousand)

- 3.9 In this component, the program will establish two Cisco Networking Academies (CNA) to be operated by Viva Rio and CDI. The academies would offer industry standard certifications, and generate highly paid employment to qualified and motivated high school graduates. Each CNA can enroll up to 45 students over a nine-month period. An important goal of this component is to demonstrate the viability of this type of specialized IT training with low-income students in Brazil, as has been done in other countries, hereby, attracting further training partnerships with other IT companies.

- 3.10 The Program funds will be used to pay the training of 10 academy instructors at the *Núcleo de Computação Eletrônica* of the Federal University of Rio de Janeiro. This unit of the University is the regional academy certified by Cisco Systems to train instructors. The trainees will conclude their teaching certification by

installing the first of two CNA "kits" which will be donated by Cisco. The program funds will also be used to prepare the classroom infrastructure and to train the academies' supervisors. Furthermore, the program will provide scholarships for up to 30% of the students enrolled in the academies on the basis of their ability and show of need. Viva Rio will run the first CNA. After an evaluation of this academy's performance, and of the level of success obtained in training and in placing students after they receive their certification, CDI will be eligible to implement and run the second academy.

E. Component 4: institutional strengthening (US\$185.1 thousand)

- 3.11 This component strengthens Viva Rio and CDI in their role as umbrella organizations that assist and promote IT training and service centers. It provides the ingredients that will enable the sustained, efficient and effective operation of the existing IT centers, of the new IT service centers, and of the certification academies. Specifically, the program will fund: (i) the establishment of a monitoring and evaluation system, and the training of personnel from Viva Rio and CDI for carrying it out; (ii) a study identifying and quantifying the market demand for new courses and new services, and the employment prospects for student graduates; (iii) a portion of a web portal which will be a vehicle for assisting the IT centers, listing job opportunities through a dynamic database, and linking to existing programs that finance internships in private sector firms; and (iv) the marketing and promotion of the program.
- 3.12 Of particular importance to the program as a whole is ascertaining what its real economic impact on the beneficiaries and on the favelas will be. To this end, the program will implement a monitoring and evaluation system to determine whether the socioeconomic conditions of the target groups improve as a result of each of the program's components. Draft performance indicators have been established and will be refined in the first three months of program execution as part of the monitoring and evaluation system. In the process, the existing business models for starting and operating sustainable IT centers would be optimized, improving their scale and socioeconomic impact, and making them attractive for replication in others areas of Brazil and in Latin America and the Caribbean.

IV. EXECUTING AGENCY, MECHANISM AND DIRECT BENEFICIARIES

A. Project execution

- 4.1 Viva Rio, in association with CDI, will be the program's Executing Agency and provide the counterpart funds for the operation. Viva Rio and CDI have signed an agreement specifically for the execution of the program. In the past, the two organizations have worked very well together and have had in place an accord of "mutual help" since last year. However, in the unlikely event that one of the organizations should withdraw from the program, the other will assume the remaining responsibility, including the obligation to provide local counterpart.

- 4.2 Viva Rio is a nongovernmental organization formed in 1993 which has focused on creating projects to improve the standard of living of the people of Rio de Janeiro over the long-term. Currently, Viva Rio runs 25 projects in the areas of education, community development, human rights and public safety (youth training, conflict mediation and free legal assistance). It maintains a special focus on training and on youth, and over 25,000 people have graduated from its training projects. The number of Viva Rio's IT Clubs has increased from 29 to 61 since early 2000. The Bank has given previous support to Viva Rio through a small project dating back to 1997, "Viva Cred". This microfinance instrument provides short-term credit to entrepreneurs of the *favelas* and is operating successfully and with great impact in the communities.
- 4.3 CDI runs 65 EICs in the area of Rio de Janeiro. The CDI network in Brazil consists of 217 EICs and continues to expand to other states in Brazil as well as to Colombia, Uruguay, Mexico, and recently to Japan. CDI has several important partnerships with the private sector, namely, with Microsoft which donates software, and with companies such as Compaq, which have donated computers.

B. Project management

- 4.4 As the executing agency, Viva Rio will have the responsibility for the implementation of the program and the achievement of its targets. To facilitate this task, the program will have a full-time program coordinator contracted by Viva Rio with the agreement of CDI and the Bank. The program coordinator will be responsible for (i) the overall progress of the Program; (ii) the on-going monitoring and evaluation of program targets; (iii) the hiring of consultants required for the different components; (iv) the execution of Component 4; and (v) the liaison between Viva Rio and CDI.
- 4.5 Viva Rio and CDI will each implement independently the actions pertaining to their IT centers. However, they will each assign a component-specific supervisor for the IT centers belonging to their respective networks. These supervisors will answer to the program coordinator. The terms of reference for the program coordinator and specific supervisors are in the project's technical files.
- 4.6 The program will also be assisted by a voluntary Advisory Committee that will function as a forum for ideas, networking and partnering with the private and public sectors, and providing feedback on the programs' execution. This committee will also monitor the student scholarships awarded in Component 3. The committee will be composed of six individuals representing the private sector (1), the public sector (1), the communities of the *favelas* (2), Viva Rio (1) and CDI (1). The terms of reference for the committee are in the project's technical files.

C. Supervision and monitoring

- 4.7 Viva Rio will send the Bank semiannual progress reports on the program. The reports will describe the overall status of the program execution and will include information on program quality and fulfillment of program objectives, financial performance, and the procurement of goods and hiring of consulting services.
- 4.8 The Bank's Country Office through its supervision activities will monitor the program's execution. The key instruments used will include progress reports, consultants' reports, disbursements and (audited) financial accounts which Viva Rio will submit to the Bank, together with the results of scheduled program evaluations as explained below.
- 4.9 Viva Rio will comply with the Bank's procurement procedures. As part of its accounting and auditing responsibilities, it will establish and maintain the proper internal, financial and accounting oversight, and a records' system that details the source and application of the program funds. The program records must indicate: (i) the amounts received from the various sources; (ii) program expenditures, distinguishing those made with the MIF contribution from others; and (iii) a detailed account of the goods procured and services hired. Viva Rio will also open separate, specific bank accounts for administration of the MIF and local counterpart contributions. Furthermore, it will process Bank disbursement requests, and prepare and submit to the Bank the audited financial statements of the program and semiannual reports on the revolving fund.

D. Beneficiaries

- 4.10 The beneficiaries of Rio Informático are micro-entrepreneurs, the unemployed and the young residents of favelas who will be working at, or taking courses in the 15 existing centers selected for the program, in the five new IT service centers to be created with the Program, and in the two Cisco Networking Academies. Specifically, the direct beneficiaries of Component 1 would be over a three year period: 156 center managers (financial management, entrepreneurship and management); and 234 instructors (maintenance and software). Component 2 would benefit directly 20 administrators and development agents, and 10 instructors who would work in the new service centers. Component 3 benefits directly 2 administrators and 10 instructors who would be trained to work at the Cisco Networking Academies and 50 students who will be awarded scholarships. Component 4 benefits a small number of Viva Rio and CDI's staff.
- 4.11 Indirectly benefited would be: (i) the people who will enroll and complete the courses given at the centers and subsequently benefit from this training in the labor market (estimated at 20 thousand over the three-year period); (ii) the micro-entrepreneurs who will have access to IT services and take advantage of e-commerce to improve their businesses (up to 2 thousand over the three-year period); and (iii) the overall residents of the favelas who would benefit from a more dynamic local economy.

E. Status of preparation

- 4.12 The design, budget, preliminary plan of operations for the first year, and targets have been agreed with the executing agency. Terms of reference for the program coordinator and component supervisors are also available in the consultant's report which is available in the project's technical files. The preliminary identification of the composition of program's advisory committee has been initiated.

V. COST AND FINANCING DURING PROJECT EXECUTION

- 5.1 The program amounts to US\$1,446 thousand of which 40% would be provided as a counterpart by Viva Rio and CDI. The table below presents budget allocation for the program by component and categories of spending. The execution and disbursement periods will take 36 and 42 months, respectively.
- 5.2 The program requires a significant investment in detailed market studies, training and equipment in the initial stage of implementation. Given these needs, a revolving fund equivalent to 20% of the MIF contribution will be established, so that the funds necessary to carry out the various program activities are available on a timely basis.

Program Budget (US\$ thousand)				
Components	MIF	Counterpart Viva Rio/CDI	Total	%
Component 1: strengthening of existing IT centers	347.7	194.7	542.4	38
Consultants				
Equipment	75.8	112.6	188.4	
Support	84.3	64.9	149.2	
	187.6	17.2	204.8	
Component 2: implementation of new IT service centers	209.9	95.2	305.1	21
Consultants	74.1	1.5	75.6	
Equipment	14.4	36.0	50.4	
Support	121.4	57.7	179.1	
Component 3: training partnerships with IT companies	44.6	192.7	237.3	16
Consultants	44.6	43.1	87.7	
Equipment		85.8	85.8	
Support		63.8	63.8	
Component 4: institutional strengthening	81.7	103.4	185.1	13
Consultants	18.9	45.3	64.2	
Equipment		23.5	23.5	
Support	62.8	34.6	97.4	
Program administration and evaluation	131.1		131.1	9
Program auditing	45.0		45.0	3
Grand Total	\$860.0	\$586.0	\$1,446.0	100

- 5.3 MIF resources will be used to finance the program coordinator, develop new IT services to be offered in existing and new centers, train the personnel, implement the evaluation and auditing system, and strengthen the two organizations involved. 11.5% of the MIF's contribution will be dedicated to purchasing equipment and some software. The local counterpart will finance the software to be used in existing and new centers, the remodeling of facilities, the creation and

maintenance of the web portal, the two laboratories for the Cisco Network Academies, salaries of the supervisors of Components 1 and 2, and the additional supporting costs for the program. Fifty per cent of the local counterpart (US\$293 thousand) will be provided in cash. Because Viva Rio has incurred costs in the development of the web portal since the approval of the Project Abstract, relevant expenses would be recognized from March 7, 2001. A detailed program budget is included in the technical files.

- 5.4 Regarding the program's sustainability, services provided to final beneficiaries will have a service fee, which will be determined during the preparation of the specific center business plan. At the end of the third year of operation, the centers are expected to be self-sustainable given the volume and quality of services that they will provide. Trainees of the Cisco Network Academies are expected to pay for the cost of their training. However, the program will provide scholarships for eligible low-income students so that at least 30% of the students are in this category. This mechanism will then be evaluated and improved, if necessary, prior to implementation of the second academy.

VI. PROJECT JUSTIFICATION AND RISKS

A. Justification

- 6.1 The proposed project is on target with the Bank's strategy for information technology as stated in OP-711. This policy states that one area of action is "lending to increase the access of low income citizens to the empowering elements of the information revolution." By supporting this project, the Bank will:
- (i) Foster and help consolidate the growth of a successful training strategy for IT oriented towards youth and microentrepreneurs; and
 - (ii) Evaluate different experiences in bringing IT to low-income urban areas, provide them with exposure to a wider audience, and aid in their replication in similar projects and in urban development programs.
- 6.2 The program will improve the skills of young adults residing in *favelas*, giving them access to a more demanding and specialized labor market. In addition, the program will support the creation of a permanent mechanism for relating people trained in the IT centers to the local firms. Also, the training to be made available in the Cisco Networking Academies will allow a select group of promising students to enter a highly coveted labor market and help fill the needs of the Brazilian economy. Both sets of individuals will be in a better position to raise their socioeconomic situation as a result of the Program.
- 6.3 The program will also contribute to enhance the *favelas*' local economy and strengthen the insertion of the favelas into Rio's economic activities. Opening IT service centers catering to the specific needs of local microentrepreneurs is a bold but timely experiment on the part of Viva Rio and CDI. It will break new ground

in bringing the benefits of information technology and e-commerce to the local businesses. These results will also reinforce the sustainability of the other actions taken by the Bank in these low-income areas, such as the urban-upgrading projects (“*Favela-Bairro*” and “*Baixada-Viva*”), and aid the *favela*’s transition from shanty-town to thriving workers’ communities.

B. Environmental and social impact

- 6.4 Over half of the students attending the centers are women seeking to improve their employment opportunities. The Program will tailor instruction and services to address the particular needs of these women, specially single mothers which account for 25% of the families in the favelas. The activity of monitoring and evaluation will keep track of their participation and of the benefits they will derive from it. Concerning the physical installations, each center will consider: sanitary facilities, ergonomics, lighting and ventilation, fire protection and personal safety.

C. Risks

- 6.5 While growth and demand for basic IT training (use of software: Word, Excel, PowerPoint and Access) is high in the *favelas*, it is partly because services are provided at a minimal cost or are free when already financed by donors. Existing centers are then sustainable at this basic level of service. More advanced courses will likely require a higher fee, one that some students may not be able to pay. Also, more advanced courses and better services require better paid instructors and an improved infrastructure. These issues will raise the IT centers’ operating expenses and put their sustainability at risk. However, the participating existing centers and the new service centers will be located in privileged areas of the favelas, and must prepare a market-demand forecast and a business plan prior to investments being committed. Both the IT centers to be strengthened and the new IT service centers to be implemented are expected to reach the breakeven point in three years of operation, according to a preliminary study of the demand carried out last year by the firm DAI. In balance, it is expected that: (i) there will be an increase in returning students; (ii) there will be an entirely new group of students and clients attracted by the new services, such as the access to the Internet; and (iii) new job and business opportunities will attract clients for more advanced services in IT centers in the *favelas*.
- 6.6 There is a risk that employees of CDI, Viva Rio and existing IT centers trained under the program get jobs in other companies. However most instructors at Viva Rio and CDI’s training centers already hold other IT-related jobs. Furthermore, the new IT service centers are expected to provide competitive wages for their staff. However, to mitigate a “knowledge-drain” from the Program, those trained with program’s funding, namely for the Cisco Networking Academy, will have to contractually commit to serving the organizations’ for a period whose length will be determined prior to the implementation of that component.

- 6.7 For a variety of reasons there is a possibility that local companies do not absorb trainees from the program. However this program is aligned with Viva Rio's mission to insert *favelas* in the local economy of the Rio de Janeiro. Therefore, the program will strengthen the current training cycle improving identification of people's training needs and the labor demands of local companies. Also, a database will be created and available in the web portal facilitating the identification of companies offering job positions, and promoting a matching between employers and trainees. Alternatively, companies may also offer to train people from *favelas* directly, with an employment-oriented test upon completion of the courses. Promotion campaigns among firms will be strengthened with this program, which in turn will have a demonstration effect for other local firms.

VII. BENCHMARKS AND EVALUATION OF RESULTS

- 7.1 The program will finance, as part of Component 4, an on-going evaluation system that will support the program coordinator's managerial role, and includes the refinement of the indicators defined in the Logical Framework, and the training of the personnel for supervision and follow-up. The refined indicators will include results from the market demand studies and from the final business plans for the IT centers.
- 7.2 Also, the Bank may hire consultancy services of third-party specialists to perform a mid-term evaluation a final impact evaluation after the program is completed. The evaluations should be guided by the Plan of Operations and by the indicators established in the Logical Framework presented in Annex I.
- 7.3 The mid-term evaluation will measure: (i) Viva Rio's and CDI's institutional capacity; (ii) the implementation of services envisaged in the program as stated in the logical framework; (iii) the implementation of Cisco Networking Academies; (iv) the quality of services provided through training and technical assistance activities in the IT centers; (v) the response of users in favelas to the training provided; (vi) the level of coordination between the program and the local private sector; (vii) demand and willingness to pay from microentrepreneurs for IT centers' services.
- 7.4 The final evaluation will analyze: (i) the fulfillment of the program's specific objectives; (ii) the number and type of beneficiaries; (iii) the quality of services provided by the IT centers; (iv) the degree to which private enterprises in Rio de Janeiro hired people trained in IT centers in the *favelas*; (v) the program sustainability once the MIF contribution has ended; (vi) a comparison of the results obtained by Viva Rio and CDI in each component of the program; (vii) a comparison between upgraded centers, new centers and the existing ones to determine the possibilities of replication of the model in other regions of Brazil or in other countries.

VIII. EXCEPTIONS TO POLICIES AND PROCEDURES

- 8.1 There are no exceptions to policies and procedures in this operation.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Prior to the first disbursement, the executing agency will submit the following to the Bank's satisfaction: (i) selection and hiring of a program coordinator; and (ii) evidence that the software included in the program as local counterpart has been duly licensed.

ANNEX I: LOGICAL FRAMEWORK - RIO INFORMÁTICO

PROGRAM OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Provide access of residents of the favelas of Rio de Janeiro to Information Technology (IT), thereby improving employment prospects and raise incomes, contribute to new business opportunities and the development and social integration of the favelas.</p>	<ul style="list-style-type: none"> Students obtain higher paying jobs. Local businesses are using the IT services provided by the centers to improve their financial success. New competing IT centers are established in the <i>favelas</i>. 	<ul style="list-style-type: none"> Track and interview a sample of students. Interview local business owners. Visits to <i>favelas</i>. 	
<p>Develop the business models for financially-sustainable IT training and service centers located in the neighborhoods in the metropolitan area of Rio de Janeiro, run by local staff, assisted by Viva Rio, CDI, and whose target market is composed of entrepreneurs and microenterprises, and low-income population, particularly young adults.</p>	<ul style="list-style-type: none"> Quality IT training and services being delivered to entrepreneurs and residents of favelas at an affordable price. IT centers are financially sustainable. 	<ul style="list-style-type: none"> Sampling and interviews. Evaluation of financial statements or Bank balances. 	<ul style="list-style-type: none"> Stable or increasing economy and social conditions in Rio de Janeiro. Public sector investing in IT and regular funding (e.g., Favela Fund).
<p>Component 1: strengthening of existing centers Improve the quality and level of training available in existing IT centers by providing more advanced services, new services, and better-trained managers and staff.</p>	<ul style="list-style-type: none"> 10 IT Clubs and 5 EICs are strengthened in the first year of execution. 28, 64 and 64 administrators trained in the first, second and third years, respectively. 42, 96, and 96 courses-instructors delivered in the first, second and third years, respectively. Franchising model established at the end of the second year. Centers are financially sustainable during the third year of operation. 	<ul style="list-style-type: none"> Biannual reports to the IDB. Inspection of records and visits to centers. Tracking of a sample of trainees. 	<ul style="list-style-type: none"> Program Contracted. Advisory Board. Plan of Operation timely and detail. Component support is available.
<p>Component 2: implementation of the new IT centers Develop new IT service centers that would provide services with Internet access, e-commerce and other IT-related services.</p>	<ul style="list-style-type: none"> 10 administrators and 10 development agents and 10 instructors are trained in the first year of execution. Franchising model established at the end of second year. The 5 IT services centers have reached financial break-even during third year. 	<ul style="list-style-type: none"> Biannual reports to the IDB. Inspection of records, accounting statements and visits to centers. Interviews with local businesses. 	<ul style="list-style-type: none"> Private IT centers convinced of advantages. Sustained operation of professional staff.
<p>Component 3: training partnerships with IT companies Establish two Cisco Networking Academies (CNA) that offer industry standard certifications, and provide highly paid employment for qualified and high school graduates.</p>	<ul style="list-style-type: none"> 1 supervisor and 5 CNA instructors are trained each year for the first two years. 2 CNA operating by the end of the second year. 45 and 135 students certified by Cisco Systems at the end of first and third years of Program execution, respectively. Over 75% of certified graduates gain relevant employment within 6 months of graduating. 	<ul style="list-style-type: none"> Biannual reports to the IDB. Inspection of records and visits to Academies. Tracking of a sample of trainees. 	
<p>Component 4: institutional strengthening Strengthen the role of Viva Rio and CDI in their role as umbrella organizations that assist and promote IT training and service centers.</p>	<ul style="list-style-type: none"> Program monitoring and evaluation system operating after three months of execution. Functioning internet portal at end of first year and being visited. Viva Rio and CDI's staff trained in assisting the centers. 	<ul style="list-style-type: none"> Web site clicks and user statistics. Interview IT centers' staff. 	

PROPOSED RESOLUTION

**BRAZIL. NONREIMBURSABLE TECHNICAL COOPERATION PROGRAM FOR AN
INFORMATION TECHNOLOGY PROGRAM – RIO INFORMÁTICO**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, on behalf of the Multilateral Investment Fund, to enter into such agreement(s) as may be necessary with Viva Rio and the Comitê para Democratização da Informática (CDI) and to adopt such other measures as may be pertinent for the execution of the plan of operations incorporated in the donors memorandum referred to in Document MIF/AT-_____ with respect to a technical cooperation for an Information Technology Program – Rio Informático.

2. That up to the amount of eight hundred and sixty thousand dollars of the United States of America (US\$860.000) or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.