Public Disclosure Authorized

Public Disclosure Authorized

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 83270-BR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$48 MILLION

TO THE

STATE OF RIO DE JANEIRO, BRAZIL

WITH THE GUARANTEE OF

THE FEDERATIVE REPUBLIC OF BRAZIL

FOR A

STRENGTHENING PUBLIC MANAGEMENT AND INTEGRATED TERRITORIAL DEVELOPMENT TECHNICAL ASSISTANCE PROJECT

January 9, 2014

Disaster Risk Management and Urban Sector Unit
Sustainable Development Department
Brazil Country Management Unit
Latin America and the Caribbean Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 9, 2014)

Currency Unit	=	Real
Real 2.40	=	US$1.00

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AGE	*Auditoria Geral do Estado* – State Audit Agency
AGETRANSP	*Agencia Reguladora de Transporte* – State Transport Regulatory Agency
AMTU-RJ	*Agência Metropolitana de Tranportes Urbanos* – Metropolitan Urban Transport Agency
BI	Business Intelligence
CAPSad	*Centros de Atenção Psicossocial álcool e drogas* – Psychosocial Treatment Centers for alcohol and drugs
CEHAB	*Companhia Estadual de Habitação* – State Housing Company
CPS	Country Partnership Strategy
DPL	Development Policy Loan
DRM	*Departamento de Recursos Minerais* – Department of Mineral Resources
EMF	Environmental Management Framework
GDP	Gross domestic product
GORJ	State Government of Rio de Janeiro
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDEB	*Índice de Desenvolvimento da Educação Básica* – Basic Education Development Index
IDERJ	*Índice de Desenvolvimento da Educação Básica do Estado do Rio de Janeiro* – Rio de Janeiro Education Development Index
IFR	Interim Unaudited Financial Reports
IML	*Instituto Médico Legal – Institute of Legal Medicine*
INEA	*Instituto Estadual do Ambiente* – State Environmental Institute
IPEA	*Instituto de Pesquisa Econômica Aplicada* - Institute for Applied Economic Research
IPVA	*Imposto sobre a Propriedade de Veículos Automotores* – Vehicle Property Tax
ISP	*Instituto de Segurança Pública* – Institute for Public Security

ISR	Implementation Status Report
ITERJ	*Instituto de Terras e Cartografia do Estado do Rio de Janeiro* – Rio de Janeiro State Land and Mapping Institute
M&E	Monitoring and Evaluation
MP	*Ministério Público do Estado do Rio de Janeiro* – Rio de Janeiro State Public Prosecuter
MSM	*Módulo de Saúde Mental* – Mental health module
NBC	*Normas Brasileiras de Contabilidade* – Brazilian Accounting Rules
ORAF	Operational Risk Assessment Framework
PAHI	*Programa de Apoio aos Hospitais Regionais do Interior* – Program to Support Interior Regional Hospitals
PDO	Project Development Objective
PLID	*Programa de Identificação e Localização de Desaparecidos* – Program for the Identification and Localization of Missing People
QCBS	Quality and Cost –Based Selection
RPF	Resettlement Policy Framework
SAERJ	*Sistema de Avaliação da Educação do Estado do Rio de Janeiro* – Rio de Janeiro State Education Evaluation System
SEASDH	*Secretaria Estadual de Assistência Social e Direitos Humanos* – State Secretariat of Social Assistance and Human Rights
SEEDUC	*Secretaria Estadual de Educação* – State Secretariat of Education
SEFAZ	*Secretaria Estadual da Fazenda* – State Secretariat of Finance
SEH	*Secretaria Estadual de Habitação* – State Secretariat of Housing
SEOBRAS	*Secretaria Estadual de Obras* – State Secretariat of Public Works
SEPLAG	*Secretaria Estadual de Planejamento e Gestão* – State Secretariat of Planning and Management
SES	*Secretaria Estadual de Saúde* – State Secretariat of Health
SEDEC	*Secretaria Estadual de Defesa Civil* – State Secretariat of Civil Defense
SENASP	*Secretaria Nacional de Segurança Pública* – National Secretariat for Public Security
SETRANS	*Secretaria Estadual de Transporte* – State Secretariat of Transport
SIAFEM	*Sistema Integrado de Administração Financeira para Estados e Municípios* – Integrated Financial Administration System for States and Municipalities
SISPAT	*Sistema de Gestão do Patrimônio Imobiliário do Estado* – State Real Estate Management System
SUAS	*Sistema Único de Assistência Social* – Social Assistance System
UGP	*Unidade Gestora de Programa* – Project Management Unit
UPA	*Unidade de Pronto Atendimento* – Emergency Care Unit

Regional Vice President:	Hasan A. Tuluy
Country Director:	Deborah L. Wetzel
Sector Director:	Ede Jorge Ijjasz-Vasquez
Sector Manager:	Anna Wellenstein
Task Team Leader:	Alessandra Campanaro

BRAZIL
Strengthening Public Management and Integrated Territorial Development Technical Assistance Project
TABLE OF CONTENTS

Page

I. **STRATEGIC CONTEXT** **1**
A. Country Context 1
B. Sectoral and Institutional Context 2
C. Higher Level Objectives to which the Project Contributes 3

II. **PROJECT DEVELOPMENT OBJECTIVES** **5**
A. PDO 5
Project Beneficiaries 5
PDO Level Results Indicators 6

III. **PROJECT DESCRIPTION** **6**
A. Project Components 6
B. Project Cost and Financing 8

IV. **IMPLEMENTATION** **8**
A. Institutional and Implementation Arrangements 8
B. Results Monitoring and Evaluation 10
C. Sustainability 11

V. **KEY RISKS AND MITIGATION MEASURES** **11**
A. Risk Ratings Summary Table 11
B. Overall Risk Rating Explanation 11

VI. **APPRAISAL SUMMARY** **12**
A. Economic Analysis 12
B. Technical 13
C. Financial Management 13
D. Procurement 14
E. Social (including Safeguards) 14
F. Environment (including Safeguards) 15

ANNEXES

Annex 1: Results Framework and Monitoring....16

Annex 2: Detailed Project Description....21

Annex 3: Implementation Arrangements....26

Annex 5: Implementation Support Plan....42

Annex 6: Economic and Financial Analysis....45

TABLES

Table 1 Project Costs and Preliminary Overview of Funds by Component....8

Table 2 Implementation Arrangements by Component and Subcomponent....9

Table A3-1. Agencies Involved in Project and Defined Roles....26

Table A3-2. Institutional Responsibilities for the Production of Documents and Reports....27

Table A3-3. Institutional Arrangements for Financial Management....28

Table A3-4. Procurement Method Thresholds....33

Table A6-1. Economic and Fiscal Impacts of Selected Project Activities....46

FIGURES

Figure 1. Fit of Proposed Project with World Bank Analytical and Lending Program in Brazil, Rio de Janeiro State and Rio de Janeiro Municipality....4

Figure A3-1. Institutional Arrangements for Project....26

Figure A3-2. Funds Flow Mechanism....30

PAD DATA SHEET

Brazil

Strengthening Public Management and Integrated Territorial Development Technical Assistance Project *(P126735)*

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

LCSDU

Report No. 83270-BR:

Basic Information			
Project ID	Lending Instrument	EA Category	Team Leader
P126735	IPF	B - Partial Assessment	Alessandra Campanaro
Project Implementation Start Date		Project Implementation End Date	
January 31, 2014		December 30, 2017	
Expected Effectiveness Date		Expected Closing Date	
January 30, 2014		June 30, 2017	
Joint IFC			
Sector Manager	Sector Director	Country Director	Regional Vice President
Anna Wellenstein	Ede Jorge Ijjasz-Vasquez	Deborah L. Wetzel	Hasan A. Tuluy

Borrower: Rio de Janeiro State

Responsible Agencies:
UGP 1: Rio de Janeiro State Secretariat of Planning (SEPLAG)
Contact Person: Marco Antonio Magalhães Pacheco Filho
Telephone No.: (55-21) 2333-1731
Fax No.: (55-21) 2332-7020
Email: marco.pacheco @planejamento.rj.gov.br

UGP 2: Rio de Janeiro State Secretariat of Public Works (SEOBRAS)
Contact Person: Paulo Costa
Telephone No.: (55-21) 2333-0165
Fax No.: (55-21) 2333-0877

Email: pcesar@obras.rj.gov.br

UGP 3: Rio de Janeiro State Secretariat of Finance (SEFAZ)
Contact Person: Licia Mascarenhas
Telephone No.: (55-21) 2334-4637
Fax No.: (55-21) 2334-4513

Email: lmascarenhas@fazenda.rj.gov.br

Supervisor: Vice-Governor's Office
Contact Person: Bruno Sasson
Telephone No.: (55-21) 2334-3658
Fax: No (55-21) 2334-3223
Email: bruno.sasson@vicegovernadoria.rj.gov.br

Contact:	Bruno Sasson	Title:	Technical Advisor
Telephone No.:	(55-21) 2334-3658	Email:	bruno.sasson@vicegovernadoria.rj.gov.br

Project Financing Data(in USD Million)

[x] Loan	[ ] Grant	[ ] Other
[ ] Credit	[ ] Guarantee	

Total Project Cost: US$ 48 million		Total Bank Financing:	US$ 48 million
Financing Gap:0			

Financing Source	**Amount**
BORROWER/RECIPIENT	0
Bank Financing	48
Total	48

Expected Disbursements (in USD Million)

Fiscal Year	2013	2014	2015	2016	2017				
Annual	0	4	12	18	14				
Cumulative	0	4	16	34	48				

Proposed Project Development Objective(s)

The objective of the Project is to support the Borrower to improve service delivery through introducing performance-based management information technologies and an Integrated Territorial Development Approach in key public services.

Components

Component Name	**Cost (USD Millions)**
Strengthening metropolitan management through integration and coordination in urban development, housing, transport, environment and disaster risk management	16.4
Improving living conditions in the most vulnerable social settings	23.0
Strengthening core finance and taxation functions	6.1
Project management	2.5

Institutional Data

Sector Board

Urban Development

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Sub-national government administration		34		
Public administration – other social service		25		
Public administration – water, sanitation and flood protection		25		
General education sector		8		
Health		8		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Other urban development		34
Natural disaster management		25
Other social development		25
Education for all		8
Health system performance		8
Total		100

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [x]
Does the project require any waivers of Bank policies?	Yes [ ]	No [x]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [x]
Does the project meet the Regional criteria for readiness for implementation?	Yes [x]	No [ ]

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Legal Covenants

Financing Agreement Reference	Recurrent	Due Date	Frequency
Schedule 2, Section I, A, 6	No	Not later than 30 days after the Effectiveness Date	Once

Description of Covenant

The Borrower shall enter into separate agreements with INEA and DRM (the INEA and DRM Agreements).

Financing Agreement Reference	Recurrent	Due Date	Frequency
Schedule 2, Section I, A, 7	No	Not later than 30 days after the Effectiveness Date	Once

Description of Covenant

The Borrower shall enter into a separate agreement with MP (the MP Agreement).

Financing Agreement Reference	Recurrent	Due Date	Frequency
Schedule 2, Section I, A, 8	No	Not later than 30 days after the Effectiveness Date	Once

Description of Covenant

The Borrower shall enter into separate agreements with CEHAB and ITERJ (the CEHAB and ITERJ Agreements).

Conditions	
Financing Agreement Reference	**Type**
Section 5.01	Effectiveness
Description of Condition	
SEOBRAS Project Management Unit has been created and fully staffed in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.	

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Alessandra Campanaro	Senior Infrastructure Finance Specialist	Urban Development, TTL	LCSDU
Georges Darido	Senior Transportation Specialist	Senior Transportation Specialist	LCSTR
Gunars Platais	Senior Environmental Economist	Senior Environmental Economist	LCSEN
Alberto Costa	Senior Social Development Specialist	Senior Social Development Specialist	LCSSO
Fabiana Meacham	Urban Infrastructure Analyst, Consultant	Urban Development	LCSDU
Barbara Bruns	Lead Education Economist	Lead Education Economist	LCSHE
Ezau Pontes	Senior Health Specialist	Senior Health Specialist	LCSHH
Roland Clarke	Lead Economist and Sector Leader, PREM	Lead Economist and Sector Leader, PREM	LCSPR
Fanny Weiner	Public Sector Management Specialist	Public Sector Management Specialist	LCSPS
Magnus Lindelow	Sector Leader HD	Sector Leader	LCSHD
Frederico Ferreira	Disaster Risk Management Consultant	Disaster Risk Management	LCSDU
Juan Carlos Parra Osorio	Social Development Specialist	Social Development Specialist	SDV
Paul Kriss	Sector Leader SDN	Urban Development	LCSSD

Non Bank Staff

Name	Title	Office Phone	City
Anaclaudia Rossbach	Senior Housing Specialist		Sao Paulo, Brazil

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Brazil	Rio de Janeiro	Rio de Janeiro	x		

I. STRATEGIC CONTEXT

A. Country Context

1. **Over the last two decades, Brazil has made significant advances in economic and public sector management, poverty reduction and other social outcomes.** Consecutive governments have maintained sound macroeconomic policies, achieving low inflation, robust economic growth and significant job creation. Growth in employment and labor incomes, complemented by targeted social assistance programs such as *Bolsa Família*, has contributed to a reduction in the share of Brazilians living below the extreme poverty line from 10.5 percent at the start of the 2000s to 4.7 percent in 2011. Inequality has also fallen, as reflected in a decline in the Gini coefficient from 0.59 to 0.53 over the same period.

2. **However, Brazil's development is at a crossroads.** The country is gradually recovering from a slowdown that started in mid-2011. Growth fell from 7.5 percent in 2010 to 2.7 percent in 2011 and only 0.9 percent in 2012. It is not expected to exceed 2.5 percent in 2013. The slowdown was very much associated with external events and was mitigated by appropriate fiscal and monetary policy responses, as well as a sound banking system, large reserves and moderate debt levels. But future growth is constrained by structural bottlenecks in infrastructure, human capital and poor financial intermediation – all of which undermine the prospects for consolidating the last decade's gains in living standards.

3. **At the same time, a growing middle class has drawn attention to the failings of the political system** and its inability to deliver public services efficiently and cost-effectively. Mass demonstrations in most large cities during June 2013 over corruption and the availability and quality of education, health, transport and other public services sent a strong message to all levels of Government. Responding to these demands without destabilizing the macroeconomic framework poses a severe challenge. So does the persistence of stark disparities between Brazil's regions.

4. The State of Rio de Janeiro (RJ) is the third largest in Brazil. The Rio de Janeiro Metropolitan Region (RMRJ), with a population of 16 million, is the nation's second largest metropolitan area. As the historical capital and a major tourism destination, the RMRJ has special significance for Brazil[1]. The region's economy and urban growth have suffered considerably since the 1970s as a result of the relocation of the capital to Brasilia, as well as industrial restructuring, and social problems. Rio's share of the country's population and GDP declined between 1970 and 2001. However, growth has recovered significantly in recent years, and the RMRJ has entered into a new era of development, supported by new industrial poles (petrochemicals, metallurgical, port, logistics, and creative industries) and the opportunities provided by being the host city of mega-events such as the 2016 Summer Olympic Games and the 2014 World Cup.

5. Despite considerable improvements in the last decade, public service delivery in the state and in the RMRJ especially, has not kept up with the growing expectations of the population. In

[1] The RMRJ comprises 19 municipalities, of which the Municipality of Rio de Janeiro (MRJ) is the most important. The MRJ contributes 50 percent of the state's Gross Domestic Product (GDP), equivalent to 69 percent of the RMRJ's GDP, and 74 percent of the state's 16 million inhabitants live in RMRJ.

particular, citizen dissatisfaction with public transport service quality and tariffs was one of the catalysts for the protest that paralyzed many Brazilian metropolitan areas, including the RMRJ, in June 2013. More generally, the protests reflect a broader perception of inadequate public services, of concerns with overall government investments and management, and of frustration with prosperity not shared. In many important ways these protests have increased the pressure on governments across Brazil to implement significant reforms to improve public service delivery and enhance the quality of public sector management.

6. The State of Rio de Janeiro faces important challenges to reduce poverty and boost shared prosperity. Extreme poverty is higher than those of states with similar average per capita household income[2]. While the State of RJ has the third largest average per capita household income among Brazilian states, it is ranked 11th in the list of states with incidence of extreme poverty. Also, although income inequality (measured by the Gini coefficient) has decreased, it has done so at a slower pace than in other Brazilian states and it is currently above all southeastern states[3].

B. Sectoral and Institutional Context

7. Rio's territory is spatially constrained and environmentally fragile. Urban growth requires area-wide, integrated planning and coordination for housing development, transport, environmental protection, and disaster risk management. With faster population growth in the outer municipalities, urban settlements have expanded into marginal land, creating a vulnerable situation that is exacerbated by the low capacity of municipal governments to plan for and supply basic services. The peculiar topography of the region and shortage of affordable housing have led to the rapid growth of informal settlements, many of which are located in environmentally fragile hillsides that are susceptible to serious flooding and landslides. This situation is worsened by the lack of affordable and fast transport linkages to the city center.

8. Proactive urban and social development strategies and policies are urgently needed to ensure the reemergence of a competitive and green metropolitan region that is environmentally sustainable and offers a high quality of life as well as equitable access to opportunities and services. These strategies aim at avoiding the pitfalls of earlier boom periods (1960s and 1970s), which were accompanied by significant increases in informal settlements (*favelas*) and the deterioration of old industrial neighborhoods. Of particular concern is that future growth will be taking place in a fragile natural environment that is highly vulnerable to natural disasters such as flooding and landslides. The government of Rio de Janeiro (GORJ) has recognized the severity of the challenge and is addressing them proactively.

9. The integrated territorial approach to development chosen by the GORJ highlights the interconnections between key sectors that have an impact on the most vulnerable residents and require immediate policy focus. In particular, the approach recognizes that the development of a state facing the complex challenges of a growing metropolis and its periphery cannot be the

[2] The State of RJ's has extreme poverty headcount of 3.9 percent, compared to 2.6 percent of São Paulo, 2.2 percent for Santa Catarina, 2.4 percent for Paraná.

[3] The State of RJ's Gini coefficient decreased from 0.568 to 0.532 from 2001 to 2011. However, while in the mid-1990s the State's level of inequality was lower than the national average, by the end of the 2000s, it was practically equal to the still high Brazilian average.

result of a sectoral approach based on silos, but rather of the implementation of a holistic vision that recognizes the interdependence of governance, access to infrastructure and social services, security and sustainable planning, housing, education, and health as key elements. Such an approach could enhance opportunities and accessibility, and contribute to help strengthen governance, and efficiency and effectiveness of investment.

C. Higher Level Objectives to which the Project Contributes

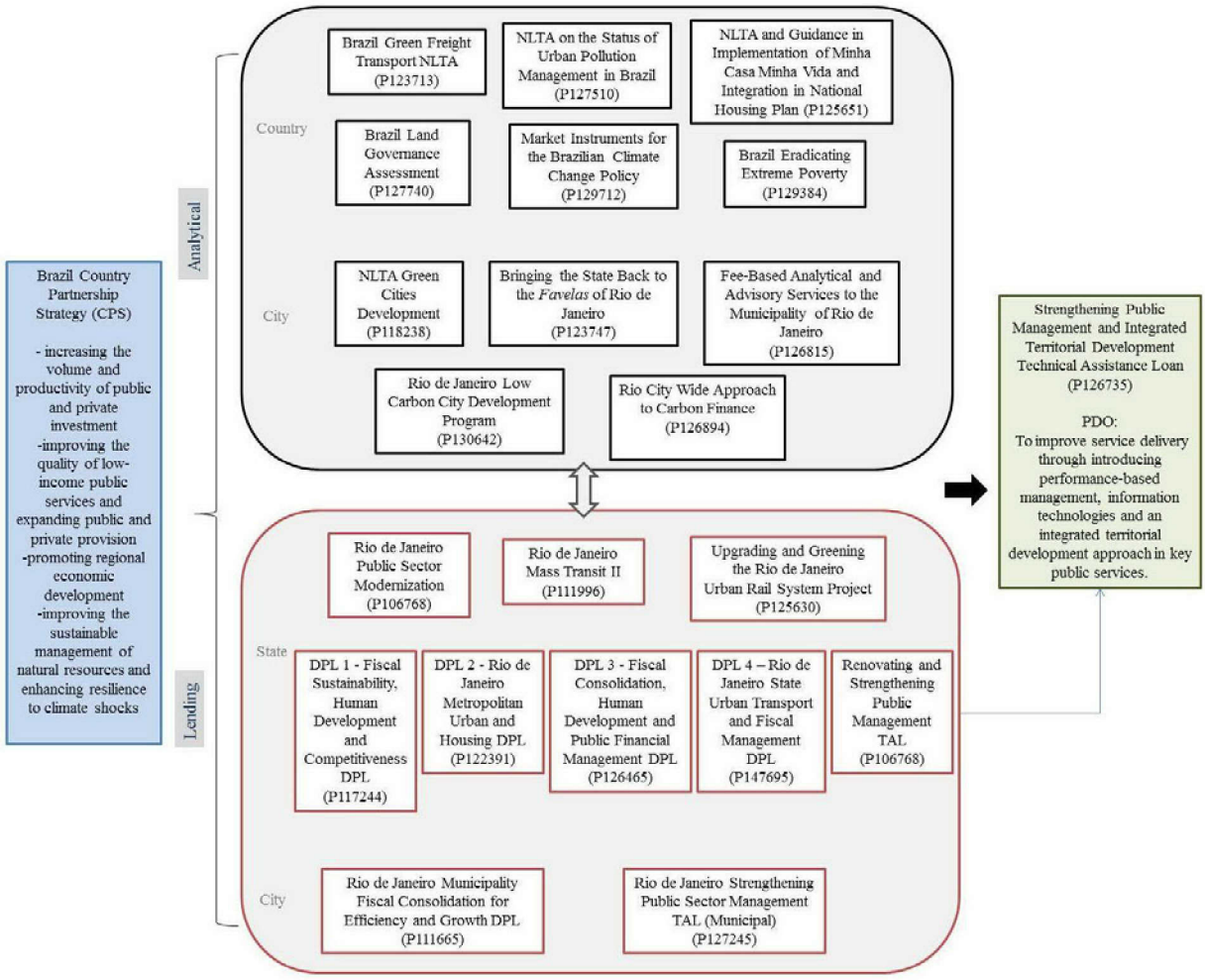
10. The activities undertaken by the proposed project support would contribute to the reduction of extreme poverty and increase in shared prosperity through their support for improved service provision at the metropolitan level and better institutional capacity at the State level. Many of the negative impacts of persistent inequality and poverty throughout the region can be addressed through the project's integrated territorial approach, which aims to provide greater access to public services and opportunities for the region's most vulnerable residents by strengthening metropolitan planning and coordination across multiple sectors.

11. The proposed operation is also in line with the Borrower's reform program to improve its effectiveness and efficiency in the provision of public services, as evidenced in its Strategic Plan for the period 2012-2031. This plan introduces a multi-sectoral approach applied to medium to long term planning and it links it with budgetary plans.

12. The proposed operation is fully consistent and closely aligned with the objectives of the World Bank Group's Country Partnership Strategy (CPS) for Brazil covering 2012-2015 (Report No. 63731-BR), discussed by the Executive Directors on November 1, 2011.[4] The proposed operation will advance the Bank's program in the first strategic objective of the CPS by implementing results-based management practices in several areas of the State, including real-estate management, education, health and social programs. These improved management systems will increase the productivity of public and private investments in the future. Furthermore, the operation will address the second strategic objective by shedding light on ways in which public services such as health and education can be improved and better reach low-income populations in the State. The project will also provide technical support to enhance low-income housing policies and increase the effectiveness of social programs aimed at improving living conditions for vulnerable populations. Activities that strengthen the metropolitan framework for governance will support the third CPS objective by allowing the state to evaluate the impact of interventions that promote regional economic development. Finally, the operation supports the fourth CPS objective through activities aimed at improving disaster risk management capacity as well as the State's early warning system for high rainfall events, building resilience to climate shocks. Finally, the operation will address the CPS directive to engage with sub-national governments. This operation engages with the State of Rio de Janeiro, with which the Bank has a long-standing and solid relationship.

[4] From 2012-2015, the Bank will focus on: (i) increasing the volume and productivity of public and private investment; (ii) improving the quality of public services for low-income households and expanding their provision through public and private channels; (iii) promoting regional economic development through improved policies, strategic infrastructure investments and support for private sector actors in frontier areas; and (iv) further improving the sustainable management of natural resources and enhancing resilience to climate shocks while maximizing contributions to local economic development and helping to meet rising global food demand.

Figure 1. Fit of Proposed Project with World Bank Analytical and Lending Program in Brazil, Rio de Janeiro State and Rio de Janeiro Municipality



Links with other Bank operations

13. Over the past years the Bank developed a close partnership with the state of Rio de Janeiro. The state's reform program received support through two Development Policy Loans (DPLs): the Fiscal Sustainability, Human Development and Competitiveness DPL (P117244, closed in December 2010), and the Metropolitan Urban and Housing DPL (P122391, closed in December 2012). A third DPL, the Fiscal Consolidation, Human Development and Public Financial Management Development Policy Loan (P126465, closing January 2014), focuses on medium-term sustainable fiscal measures as well as health and education. This third DPL is especially linked to Component 3 of the proposed operation as it supports two main pillars of tax administration: implication of registration in the synchronized taxpayer registration system with the Federal and Municipal tax administrations and implementation of the taxpayer general ledger to allow better control of debts.

14. A fourth DPL, the Enhancing Public Management for Service Delivery in Rio de Janeiro Development Policy Loan (P147695) was approved on November 21, 2013. It will focus on metropolitan mobility and fiscal management. These issues are also tackled in the proposed operation (component 1 b and 3) and will complement the DPL through studies around the *Bilhete Unico* and improvements around quality of public services including fiscal aspects. The Bank has an extensive engagement in urban transport through the Rio de Janeiro Mass Transit Project II (P111996). Finally the Bank also is supervising a Technical Assistance Loan, the Renovating and Strengthening Public Management TAL (P106768) focusing on public sector management, education, and health. The proposed operation is closely linked to this latter loan. The proposed operation expands upon the on-going TAL to support areas of metropolitan and territorial governance, public transportation, the environment and disaster risk management, housing and land regularization, and social development. In other words, the proposed technical assistance project will provide a platform for continued integrated dialogue over the several areas of the GORJ's reform and development strategy.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. The objective of the Project is to support the Borrower to improve service delivery through introducing performance-based management information technologies and an Integrated Territorial Development Approach in key public services.

16. For the purpose of this project, integrated territorial development is the approach taken by the state to harmonize and coordinate planning and service delivery at the level of the metropolitan region, operating along three dimensions: (i) cross sectoral integration of land use planning, housing, transport, disaster risk management, environment etc.; (ii) multi-jurisdictional coordination among the various municipalities and state agencies; and (iii) through a spatially integrated approach to reduce service delivery gaps between high- and low-income areas. The urban agglomeration around the City of Rio and its peripheral areas (composed of 19 municipalities) poses a territorial challenge as it suffers from the lack of a mid-level governance structure capable of tackling the continuous development of the territory and integrated planning of services.

Project Beneficiaries

17. The estimated number of beneficiaries of this operation is 16 million people, of which 8.3 million are female.[5] Though most of the activities under this project are focused on the metropolitan region, the population of Rio de Janeiro state is representative of the number of beneficiaries because of the activities in Component 1 (d) that support the installation of an early warning system for high rainfall events that will cover all municipalities of the state.

18. Overall, the activities supported by this loan are expected to have significant and positive impact on beneficiaries in terms of poverty alleviation and social development. The activities to

[5] This represents the population of Rio de Janeiro State as reported by the IBGE *(Instituto Brasileiro de Geografia e Estatística* – Brazilian Institute of Geography and Statistics) 2010 Census.

be undertaken address key issues and needs related to historical social and spatial segregation in the RJMR. They include violence, crime, and the long absence of state institutions in most informal settlements; as well as the precariousness of the metropolitan transportation system, the lack of affordable housing alternatives for lower income families, and the issue of land tenure regularization. The proposed operation will also contribute to addressing the poor coordination and fragmentation of metropolitan planning and disaster risk management. The activities are expected to bring major benefits to the poor population living in informal and precarious settlements, substandard housing, and at-risk and/or distant areas.

PDO Level Results Indicators

19. Project development objective-level results indicators are the following:

- Integrated Metropolitan Plan presented to the State Assembly for approval.
- Percentage of target population covered by *Rio Sem Miseria* core program.
- Ratio measuring the collection of the value-added tax on goods and services (ICMS) as a proportion of monthly retail sales volume.

III. PROJECT DESCRIPTION

A. Project Components

20. The proposed project will have four components. The proposed activities will encompass the following areas: public financial management, metropolitan and territorial governance, housing and land regularization, education, health, environment and disaster risk management, and social development. The proposed components are presented below: Annex 2 includes a more detailed description of the project activities.

21. **Component 1: Strengthening metropolitan management through integration and coordination in urban development, housing, transport, environment and disaster risk management (US$ 16.4 million)** (a) Strengthening of the Borrower's metropolitan governance framework through, *inter alia*: (i) monitoring and evaluation of territorial development impacts; and (ii) the development of an integrated master plan for metropolitan urban development.

(b) Strengthening of the Borrower's metropolitan transport management capacity through, *inter alia*: (i) the evaluation and consolidation of the existing transportation ticketing system (*Bilhete Único*); (ii) the definition of an action plan for the revision of the AMTU-RJ's role; and (iii) the strengthening of the AGETRANSP institutional capacity.

(c) Strengthening of the Borrower's metropolitan housing management capacity through, *inter alia*: (i) the carrying out of technical studies to develop an institutional strengthening proposal for the SEH and the CEHAB (ii) the carrying out of technical studies to design low income housing programs and integrate those programs with social programs; and (iii) the design of an integrated plan for sustainable urban land regularization.

(d) Improvement of the Borrower's disaster risk management capacity and early warning system for high rainfall events through, *inter alia*: (i) the development and implementation of

hardware for the existing Borrower's early warning system to monitor and respond to geological and hydrological disaster risks; (ii) the carrying out of a study to model the hydrological disaster warning system, including basic protocols to be used by the Borrower and its municipalities; (iii) the mapping of the Borrower's landslide and flood risks; and (iv) the carrying out of training to various Borrower's disaster risk management teams.

22. **Component 2: Improving living conditions in the most vulnerable social settings (US$ 23 million)** (a) Strengthening of the Borrower's capacity to implement an integrated and evidence –based medium-term social development strategy through, *inter alia* the support to the Borrower's restructuring and strategic planning process for social programs by: (i) developing and implementing a strategic plan for the SEASDH; (ii) carrying out technical studies to design a model for a monitoring and evaluation system, and acquisition of information management hardware and software; (iii) strengthening of existing public sector management procedures and administrative systems; and (iv) strengthening the SUAS' management and effectiveness capacity.

(b) Enhancement of the Borrower's capacity to identify, locate and support missing and involuntarily interned people through, *inter alia*: (i) the development of a software and a methodology (for reporting, classifying and analyzing data on missing people) to implement the PLID; and (ii) the extension of the MSM Information System to all the hospitals located in the Borrower's territory.

(c) (i) Strengthening of the Borrower's: (A) education management capacity including evidence-based policy making capacity for secondary education; and (B) management capacity on school infrastructure; and (ii) enhancement of the quality of secondary education, all through, *inter alia*: (1) the expansion of SEEDUC's analytical and system management capacity; (2) the evaluation of infrastructure conditions in the Borrower's secondary schools; and (3) the development and implementation of a 4-year plan to build and refurbish necessary secondary school infrastructure [6].

(d) Strengthening of the Borrower's health monitoring and evaluation processes and public hospitals' information systems through, *inter alia:*(i) the evaluation of the comparative performance of different models of organizing and delivering primary health care; and (ii) the analysis and restructuring of administrative and clinical processes in public hospitals.[7]

23. **Component 3: Strengthening core finance and taxation functions (US$ 6.1 million)** Development and adoption of new practices aimed at strengthening the Borrower's tax administration and financial management systems through, *inter alia*: (i) (I) the carrying out of technical studies to develop a methodology for estimating lost revenue due to tax waivers, (II)

[6]Newly introduced activities will expand SEEDUC's capacity through selective recruitment, improvement in data systems and financing of program impact evaluations, carry out a mapping of infrastructure in the state's secondary schools (many of which function only at night and in "borrowed" primary school buildings that are not adequate for quality secondary education), as well as create a 4-year infrastructure plan necessary for a network of high quality, full-day schools, particularly at the secondary level. The scaling up of the overall component entails increased support to the state in strengthening its capacity to manage school infrastructure. The proposed project will finance the studies described, not subsequent infrastructure work.

[7]With this proposed operation, this component has been scaled up to contribute to building state capacity to improve coverage and quality of health services. The state requested that the Bank finance activities related to measuring performance of primary care delivery and analyzing administrative and clinical processes in hospitals. These activities were indicated as priorities that did not have sufficient funding.

the development of proposed revisions to the tax collection procedures, and (III) the design and implementation of diagnostic mechanisms needed to implement best practices in debt management; (ii) the implementation of a control system for the Borrower's Automobile Property Tax (IPVA); (iii) the development of procedures, processes, manuals and databases to improve the management and costing of public investment programs, to better assess medium term implications of fiscal policy decisions; and (iv) provision of training for technical specialists and managers.

24. **Component 4: Project management (US$ 2.5 million)** Provision of support for the overall management of the Project. This component will be administered day to day by the SEOBRAS UGP (see Section IV, A on implementation arrangements), however the decisions about its funding allocation will be taken by the Coordination Committee. The project will support project management and provide implementation support including technical, administrative and fiduciary support, support for monitoring and evaluation, data collection, and stakeholder involvement.

B. Project Cost and Financing

25. The project costs and financing by components are shown in Table 1.

Table 1 Project Costs and Preliminary Overview of Funds by Component

Project Components	Project cost (US$ m)	IBRD Financing	% Financing
1. Strengthening metropolitan management through integration and coordination in urban development, housing, transport, environment and disaster risk management	16.4	16.4	100%
2. Improving living conditions in the most vulnerable social settings	23.0	23.0	100%
3. Strengthening core finance and taxation functions	6.1	6.1	100%
4. Project management	2.5	2.5	100%
Total Costs			
Total Project Costs	48.0	48.0	100%
Front-End Fees*	0	0	
Total Financing Required			

*A Front End Fee equal to one quarter of one percent (0.25%) of the loan amount will be payable from the Borrower's own resources.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

26. A Project Operational Manual has been prepared and approved for this Project. The Manual presents governance measures, including institutional and implementation set up. The institutional framework for the operation, as summarized below and in Annex 3, is moderately complex due its inter-sectoral nature. However, previous experience in supervising complex Bank project with the State of Rio has been positive and the Vice-Governor's office direct involvement in project coordination will further strengthen project oversight. Activities are divided between three Project Management Units (*Unidades Gestoras de Programa*, UGPs), and overseen by a Coordination Committee. Implementation arrangements have been thoroughly discussed with the client and the Bank team in order to streamline them as much as possible, and

ensure full buy in by all stakeholders[8]. Table 2 presents implementation arrangements by component and subcomponent.

Table 2 Implementation Arrangements by Component and Subcomponent

Component	UGP	Implementing Agency	Type of Agency
Component 1: Strengthening metropolitan management			
(a) Strengthening metropolitan governance framework	SEOBRAS (State Secretariat of Public Works)	SEOBRAS	State Secretariat
(b) Strengthening metropolitan transport management capacity	SEOBRAS	State Secretariat of Transport (SETRANS)	State Secretariat
(c) Strengthening metropolitan housing management capacity	SEOBRAS	State Secretariat of Housing (SEH) Rio de Janeiro State Housing Company (CEHAB) Rio de Janeiro State Land and Mapping Institute (ITERJ)	State Secretariat Public company legally bound with SEH Public Institute legally bound with SEH
(d) Improvement of DRM capacity	SEPLAG (State Secretariat of Planning and Management)	Department of Mineral Resources (DRM) *(manages activities under SEPLAG)* State Environmental Institute (INEA) Secretaria do Estado de Defesa Civil (SEDEC)	Independent State Entity Public Institute State Secretariat
Component 2: Improving living conditions in most vulnerable social settings			
(a) Strengthening capacity to implement medium-term social development strategy	SEPLAG	State Secretariat of Social Assistance and Human Rights (SEASDH)	State Secretariat
(b) Enhancement of capacity to identify, locate and support missing people	SEFAZ	Rio de Janeiro State Public Prosecutor (MP)	Independent State Entity
(c) Strengthening education management capacity and secondary school quality	SEPLAG	State Secretariat of Education (SEEDUC)	State Secretariat
(d)Strengthening health monitoring and evaluation processes	SEPLAG	State Secretariat of Health (SES)	State Secretariat
Component 3: Strengthening core finance and taxation functions			
Development and adoption of new practices aimed at strengthening the Borrower's tax administration and financial management systems	SEFAZ (State Secretariat of Finance)	SEFAZ	State Secretariat
Component 4: Project Management			
Overall administration of project	SEOBRAS	SEOBRAS	State Secretariat

27. The three UGPs are as follows: (i) the SEPLAG UGP; (ii) the State Secretariat of Public Works (SEOBRAS) UGP; and (iii) the State Secretariat of Finance (SEFAZ) UGP. The SEPLAG UGP will manage Component 2a, 2c, 2d and Component 1d. The SEOBRAS UGP will be responsible for issues covered in Component 1a, 1b, 1c, and Component 4 covers urban development, metropolitan governance, urban transport and housing. The SEFAZ UGP will manage the finance activities under Component 3, and Component 2b. This is due to special nature of the relationship with the Public Prosecutor which the client deems best to be dealt under the SEFAZ UGP umbrella.

[8] The option of a single UGP was discarded due to insufficient capacity within SEPLAG to handle the large volume of technical assistance activities.

28. As INEA and DRM are institutions independent of the state, for the purposes of implementing Component 1d, SEPLAG will enter into cooperation agreements with INEA and DRM to ensure the institute's full commitment to carrying out project activities. Similarly, for the purposes of implementing Component 2b, SEFAZ will enter into a subsidiary agreement with the Rio de Janeiro State Public Prosecutor (MP) to ensure compliance with the project's legal requirements, as the MP is an agency unique to Brazil and does not fall under the administrative, legislative or judicial branches of government. In the same vein, ITERJ and CEHAB will enter into a subsidiary agreement with SEH, for the purpose of implementing Component 1c.

29. Each Secretariat involved in the project will identify a point of contact (POC) and each UGP will work closely with the POCs in day-to-day implementation, fiduciary aspects, and safeguards defined in the Loan Contracts, Disbursement Letter, Project Operational Manual, Project Appraisal Document, Safeguards Data Sheet, among others. Each UGP will have a minimum structure consisting of a Coordinator, Procurement Specialist and Financial Management Specialist, as specified in the Operational Manual. The UGPs have already been staffed, and the personnel have taken part in WB training for financial management and procurement. The UGP under SEOBRAS will take charge of tasks related to Interim Unaudited Financial Reports and disbursement function – this is due to the project management ramp up that SEOBRAS is undergoing, which include management of other projects with international organizations, such as the Inter-American Development Bank.

30. A Coordination Committee will be overseen by the Vice-Governor's Office and will include one representative member from each UGP. It will be responsible for facilitating inputs for overall production of documentation from the UGPs, as well as putting together all official reports due to the Bank, overseeing training of UGP staff, and overall supervision and coordination of activities among UGPs. The Committee will mediate potential conflicts and will meet every three months to oversee the smooth progression of the project and compliance with Bank policies and requirements. The Operational Manual spells out in detail all functions and mechanisms attributed to the Committee, as well as the role of each agency involved in the project.

31. Each UGP will also be in charge of supervising compliance with the Bank social and environmental safeguards triggered for the project, as well as for the sound and timely implementation of environmental management measures identified in the Environmental Framework.

B. Results Monitoring and Evaluation

32. A detailed description of the results framework is presented in Annex 1. Data for project outcome and results indicators will come from a number of sources, including several secretariats and existing administrative data systems (such as the *Rio Previdência* administrative system and the INEA Flood Warning System website). No additional resources are expected to be needed for monitoring and evaluation. Each UGP will be in charge of collecting data and complying with periodic reporting requirements as well as the end of project evaluation.

C. Sustainability

33. The GORJ has launched a comprehensive reform program to improve its effectiveness and efficiency in the provision of public services, shifting from a model of bureaucratic routines to a results-oriented focus. To this effect, in 2007 the Government launched an unprecedented strategic plan to set goals and objectives (*Plano Estratégico do Governo do Rio de Janeiro, 2007-2010*), identifying core priority areas. As a follow up, the GORJ embarked in a longer term planning exercise, creating a Strategic Plan for the period 2012-2031, and lining up long term sectorial challenges, upon which the four years budgetary plans (PPA) rely on. This effectively introduces linkages between multi-sectoral planning and medium term budgeting. The GORJ will benefit from support from the proposed operation to further build and refine its long term strategy.

34. The proposed set of activities complements and expands upon such integrated development approach in Rio de Janeiro.. Advances in the government's approach (together with increasing challenges linked to the flow of investments resulting from upcoming mega-events) require a prompt and timely engagement by the Bank with planning and scaling up efforts on several fronts, including metropolitan governance, transport, housing, and social development. The inherent interlinks between the activities supported by the proposed operation and the government's complex investment portfolio guarantee sustainability of the proposed project. Large amounts of investments are currently going into Rio State, with strong metropolitan impact, making the technical assistance activities proposed by this operation urgent and tangible as they will be linked to such undertakings.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	Substantial
Implementing Agency Risk	
- Capacity	Moderate
- Governance	Moderate
Project Risk	
- Design	Moderate
- Social and Environmental	Moderate
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Moderate
Overall Implementation Risk	Moderate

B. Overall Risk Rating Explanation

35. Overall risks during implementation are assessed as Moderate (see details in Annex 4). No major risk is foreseen as it relates to the project activities under this proposed operation. Three of the most important risks to consider include the Stakeholder Risk (Substantial), Capacity (Moderate) and Governance (Moderate). The Stakeholder Risk has been rated as

Substantial due to the risk of a loss of political support for the project from state government as well as competing claims on the funds by different Secretariats. The three UGPs are strongly committed to managing and implementing project activities, and all have been active in defining project activities and indicators. Furthermore, the Project Operational Manual clearly defines the roles and responsibilities of each Secretariat and those of the Coordination Committee made up of representatives of implementing Secretariats. The Capacity Risk has been rated Moderate due to governments' generally poor track record in implementing information technology (IT) systems, and the variation in experience with Bank procedures, procurement and safeguards among the agencies. The Bank will build on synergies from prior positive experience with these agencies to make efforts to bring them to the same level of understanding. The operation will also develop a clear, professional IT system design based on a full understanding of the functionality required and the capacity needs of the eventual users of the IT systems. The Governance Risk has also been rated Moderate due to the numerous secretariats and agencies involved, potentially complicating efforts to exercise proper oversight and execution of the project. All implementing Secretariats have agreed to the terms set out in the Project Operational Manual detailing governance mechanisms, and the Coordination Committee will ensure continuous communication and support to implementing secretariats at all stages.

VI. APPRAISAL SUMMARY

A. Economic Analysis

36. This US$48 million project supports areas that are likely to have a significant development impact on economic growth, both in the short run (environment, taxation) and in the long run (education, health, urban planning, and governance). The project will have tremendous leverage over much of the 2012-2015 multi-year plan and their investments at the metropolitan regional level. Although a detailed quantitative analysis could not be carried out due to the fact that the project supports mainly studies, the team proceeded to review literature regarding the planned activities and their potential economic impact. There is evidence that investments in the areas, for which the proposed project will provide TA, have positive and high rates of return, as is the case of education, health, and urban governance[9]. Public sector financing is fundamental in order to address upstream technical design issues around upcoming investments – to ensure that leverage of public and private resources are maximized. Additionally, since intervention relate to the metropolitan scale, these aim at dealing with externalities of urban agglomerations, planning across administrative boundaries. The World Bank value added is its convening capacity, capacity to help ensure high quality standards of the studies the project will support, and brings international experiences to Brazil. Annex 6 summarizes the details of the assessment of economic and financial benefits deriving from the proposed activities.

[9] See, for instance, the study of the Institute of Applied Economics Research (IPEA) in 2011, *Gastos com a Política Social: alavanca para o crescimento com distribuição de renda* or "Spending on Social Policy: lever for growth with income distribution", in which direct and indirect benefits of public spending are analyzed by key sectors, through a Social Accountability Matrix methodology.

B. Technical

37. The GORJ technical capability is limited in some areas. Particularly, the State needs to reinforce its institutional capacity in metropolitan governance, its ability to plan and implement inter-sectoral policies and projects focused on the territory rather than on a purely sectoral basis. The operation will therefore provide support to fill specific skill gaps, including technical quality of designs and introducing international best practices, while widening its approach to more sectors such as housing, urban transport, social development and finance.

38. The project's implementation set-up (through the UGP) will help strengthen institutional arrangements and ensure the smooth execution of activities. At the same time, several activities are designed to strengthen secretariats. For example, the IT system of the Secretariat of Housing (SEH) will be strengthened, the Secretariat of SEADSH will benefit from a re-mapping of its institutional set-up and the re-definition of priority areas. The project will support several impact evaluations, providing the basis for improved programs and performance. The Impact Evaluation approach developed for several sectors (such as the social sector and urban sector) will benefit all secretariats involved and improve their efficiency and use of resources. It will also increase sustainability of this project overtime and create the basis for evidence-based policy making to be mainstreamed.

39. Additionally, the project will foster cooperation among the secretariats. For instance, software developed by the MP will be accessible by other secretariats such as Defesa Civil, INEA, and SEADSH. All activities related to the metropolitan governance framework will require cooperation and coordination among several key secretariats, including SEOBRAS, SEH and SETRANS, among others.

C. Financial Management

40. The objectives of the financial management system for the project are: (i) to ensure that funds are used only for their intended purposes in an efficient and economical way while implementing agreed activities; (ii) to enable the preparation of accurate and timely financial reports; (iii) to ensure that funds are properly managed and flow smoothly, adequately, regularly, and predictably to implementing agencies; (iv) to enable UGPs to monitor the efficient implementation of the project; and (v) to safeguard the project assets and resources.

41. The Bank undertook an assessment of the financial management arrangements for the project. These arrangements relate to budgeting, accounting, internal controls, funds flow, financial reporting, and auditing. The assessment was intended to determine whether the arrangements: (i) enable the correct and complete recording of all transactions and balances relating to the operation; (ii) facilitate the preparation of regular, timely, and reliable financial statements; (iii) promote the safeguarding of the project's assets; and (iv) can be subject to an acceptable and regular audit. The results of the assessment are included in Annex 3, with a brief overview provided below. The Bank concluded that the arrangements satisfy its minimum requirements under OP/BP10.00 and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the project required by the World Bank.

42. While the activities financed by the project will be executed by different secretariats, the responsibility for overall financial management arrangements for the project will be vested in SEOBRAS. In this regard, SEOBRAS will be responsible for the submission of requests for withdrawal of project funds and for the preparation of periodic and annual financial statements. SEOBRAS has previous experience with operations funded by both the Bank and the Inter-American Development Bank, and will further enhance its institutional arrangements to suit the project. The overall financial management risk is considered moderate.

43. The key risks that the UGPs may face in achieving the objectives of the Financial Management system arise from the need to ensure effective supervision and coordination of arrangements for the accountability of project finances, and to comply with established internal control procedures. To mitigate these risks, SEOBRAS will establish a strong internal control system that will be properly documented and that will be subject to the supervision of the coordinating Secretariats. In addition, the state's Integrated Financial Administration System (SIAFEM) will be used for the recording of the accounting transactions related to the activities implemented by the secretariats. Annex 3 describes the fiduciary arrangements for this project in detail. Finally, central management of the project's designated account by SEFAZ will ensure that requests for payments are processed in a centralized manner in accordance with existing regulations.

D. Procurement

44. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011.The procurement risk for this operation has been rated as Substantial, given its complex implementation arrangements and multiple UGPs in charge of procurement.

45. The operation will have three agencies carrying out procurement processes (SEPLAG, SEFAZ and SEOBRAS) and the Procurement Plan will define the detailed responsibility of each agency. The agencies have procurement teams specialized in the national rules and trained on the World Bank Guidelines for Procurement. SEPLAG's procurement team is more experienced with the World Bank's guidelines and will provide assistance to SEFAZ and SEOBRAS when necessary. More detailed information about the proposed procurement arrangements can be found in Annex 3.

E. Social (including Safeguards)

46. The Involuntary Resettlement Policy (OP/BP 4.12) has been triggered due to project activities related to studies and activities in the areas of risk mapping, land tenure regularization, and metropolitan plans. To this effect a Resettlement Policy Framework (RPF) has been prepared by a team of technical experts from three state agencies (SEH, ITERJ, and SEADSH). It was subject to consultations among key stakeholder agencies between July and November 2011 and was published on November 2011 for public awareness. The RPF incorporates the lessons learned through the activities on resettlement issues carried out for the Brazilian Ministry of Cities within the Technical Assistance & Guidance in Implementation of Minha Casa Minha

Vida and Integration in National Housing Plan project (P125651). It also consolidates best practices from recent experiences with involuntary resettlement.

47. The RPF complies with Bank policies and establishes the principles and guidelines to be followed if it becomes necessary to prepare and implement involuntary resettlement plans during the project's implementation. Included in the RPF are measures to mitigate for the lack of a state regulatory framework for involuntary resettlement, consultative processes related to safeguard issues and evaluation of state capacity to consolidate and implement good practices. With respect to technical assistance activities to be provided under Components 1, the State will ensure that the terms of reference incorporate applicable Bank safeguard policies and are reviewed by the Bank as part of the routine compliance and supervision process. Annex 4 discusses the specific risks involved triggering the safeguard mentioned above.

F. Environment (including Safeguards)

48. The Environmental Assessment safeguard Policy (OP 4.01) has been triggered to ensure that proper consideration is given to mitigate potential negative environmental impacts in the context of planning for sustainable development and growth. . To this effect an Environmental Management Framework has been prepared by a technical team in INEA, it was subject to stakeholder consultation during the period August to December 2011, and it was published on December 2011 for public awareness.

49. The proposed new activities are all firmly grounded in existing Bank engagement with the GORJ, which has already been subject to extensive consultation and review. The Environmental Category of the project is B. As a precautionary measure, the Natural Habitats (OP/BP 4.04) safeguard is triggered because of the potential impact of planning and disaster risk management activities. The project does not include conversion or degradation of critical natural habitats, and no significant impact on natural habitats is foreseen. However, it does include conceptual studies and the formulation of policies on housing and land management that may have implications on natural habitats. With respect to technical assistance activities to be provided under Components 1, the State will ensure that the terms of reference are reviewed by the Bank and incorporate applicable Bank safeguard policies. Reporting and monitoring of safeguards will be part of routine compliance and supervision process. Annex 4 discusses the specific risks involved triggering the safeguard mentioned above.

Annex 1: Results Framework and Monitoring

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

PDO Level Results Indicators	Core	UOM[10]	Baseline (2012)	Cumulative Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014	2015	2016	2017			
1. Integrated Metropolitan Plan presented to the State Assembly for approval	☐	Y/N	0	N	Plan proposed to the Governor by the Metropolitan Committee	Governor presents Plan to the State Assembly for approval	n/a	Annual	Official Gazette of Rio de Janeiro	SEOBRAS
2. Population benefited by the Flood Warning System	☐	Millions of people	3.4	5.0	16.0	16.0	16.0	Annual	INEA Flood Warning System website	INEA
3. Percentage of target population covered by *Rio Sem Miséria* core program	☐	Percent	15%	35%	50%	65%	75%	Annual	SEASDH	SEASDH
4. Ratio measuring the collection of the value-added tax on goods and services (ICMS) as a proportion of monthly retail sales volume[11]	☐	Ratio	132.56	145.32	152.15	159.30	166.79	Annual	Transparency Portal- SEFAZ website and IBGE	SEFAZ
Beneficiaries										
Project beneficiaries	☒	Millions of people	3.4	n/a	16	16	16	Annual	INEA Flood Warning System website	INEA

[10] UOM = Unit of Measurement.

[11] This ratio is calculated by dividing the ICMS collected (with a baseline of 100 in 2003) by a proxy of economic performance expressed by the monthly sales volume (also with a baseline of 100 in 2003). Annual growth rate assumed is 4.7 percent.

PDO Level Results Indicators	Core	UOM[10]	Baseline (2012)	Cumulative Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014	2015	2016	2017			
Of which female (beneficiaries)	☒	Millions of people	1.8	n/a	8.3	8.3	8.3	Annual	IBGE Census 2010	IBGE

Intermediate Results and Indicators										
Intermediate Results Indicators	Core	UOM	Baseline (2011-2012)	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014	2015	2016	2017			
Intermediate Result 1 (Component 1):Strengthening metropolitan management through integration and coordination in urban development, housing, transport environment and disaster risk management 1. Framework for metropolitan governance and structural studies in the areas of housing, transport and land tenure. 2. Improve state capacity in disaster risk management, particularly to hydrological events.										
1. Metropolitan Fund is created and operationalized	☐	Y/N	0	0%	Summary of draft law sent to state legislative assembly. Approved law is published in Official Gazette	Decrees regulating new law are published in Official Gazette	Metropolitan Fund has defined resources, budget and preliminary pipeline	Annual	Official Gazette of Rio de Janeiro	SEOBRAS
2. Number of housing units regularized	☐	Titles issued	0	7,000	12,000	18,000	25,000	Annual	SEH	SEH
3. Operationalization of new metropolitan agency for	☐	Y/N	0	0	0	Metropolitan Committee submits proposal to Governor	Governor approves proposal and submits to state	Annual	SETRANS	SETRANS

Intermediate Results and Indicators										
Intermediate Results Indicators	**Core**	**UOM**	**Baseline (2011-2012)**	**Target Values**				**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**
				2014	**2015**	**2016**	**2017**			
transport							legislative assembly[12]			
4. Disaster risk policy formulated	☐	Y/N	0	0	0	Policy/ Program Designed and submitted to GRAC[13]	Governor presents Policy Program to the State Assembly for approval	Annual	Project M&E system	INEA
Intermediate Result 2 (Component 2): Improving living conditions in the most vulnerable social settings 1. Increased capacity and improved effectiveness and monitoring of state social programs 2. Increased capacity of state programs for chemically dependent drug users										
5. Percentage of SEASDH programs included in M&E system	☐	Percent	0	0%	0%	50%	75%	Annual	SEASDH	SEASDH
6. Number of hospitals and clinics in the State of Rio de Janeiro integrated into the *Módulo de Saúde Mental* network	☐	Number of hospital and clinics	0	23	35	50	65	Annual	MP	MP
Intermediate Result 3 (Component 2): **Improving living conditions in the most vulnerable social settings:** Strengthening education management capacity and secondary education quality1. Strengthened technical capacity for evidence-based policy making										

[12] There exists the risk that the Governor will not approve the proposal, in which case this activity and the subsequent activity will not be completed.
[13] Grupo Integrado de Ações Coordenadas – Integrated Group of Coordinated Actions, created by State Decree 43599/2012.

Intermediate Results and Indicators										
Intermediate Results Indicators	**Core**	**UOM**	**Baseline (2011-2012)**	**Target Values**				**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**
				2014	**2015**	**2016**	**2017**			
2. Diagnostic assessment of secondary school infrastructure 3. Multi-year infrastructure improvement plan										
7.Comprehensive Annual Report on SEEDUC's policies and results produced and publicly disseminated within 5 months of the previous school year	☐	Report	0	1	1	1	1	Annual	State and national test scores, school census data, administrative and finance data and program impact evaluations	SEEDUC
Intermediate Result 4 (Component 2):Improving living conditions in the most vulnerable social settings: Health management and information systems 1. Increased attention to the quality of health services delivery 2. Data available for evidence-based decision making to improve the cost efficiency of healthcare services										
8. UPAs reporting the full cost of medical services by Cost Center in their Annual Reports (also reported on SES website)	☐	UPAs	0	0	4	6	8	Annual	Superintendent of Contracts and Management	SES
9. Number of hospitals that have had management processes evaluated and indicators identified for	☐	Hospitals	0	0	8	8	12	Annual	Superintendent of individual Units	SES

Intermediate Results and Indicators										
Intermediate Results Indicators	**Core**	**UOM**	**Baseline (2011-2012)**	**Target Values**				**Frequency**	**Data Source/ Methodology**	**Responsibility for Data Collection**
				2014	**2015**	**2016**	**2017**			
quality of service delivery										
Intermediate Result 5(Component 3): Strengthening core finance and taxation functions 1. Increased capacity and effectiveness with implementation of information management systems.										
10. Percentage of notification of tax law infraction reaching the targeted tax payer within the same year[14]	☐	Percent	48%	70%	80%	85%	85%	Annual	SEFAZ Report from Tax Collection Superintendence	SEFAZ

[14] The State Secretariat of Finance carries out an administrative procedure to charge violators of the state tax law (Decreto-Lei 5/1975). This procedure is called *Auto de Infração*. The infraction cannot be charged until the violator is notified of the infraction, after which point the violator may exercise their right to argue the merit of the infraction through processes established in State Decree 2.473/1979.

Annex 2: Detailed Project Description

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

1. The proposed project activities aim to strengthen metropolitan management in Rio de Janeiro by targeting multiple sectors in a comprehensive manner. This will be achieved through four components, encompassing the areas of public financial management, metropolitan and territorial governance, housing and land regularization, education, health, environment and disaster risk management, and social development. Collectively, these components contribute to the proposed project development objective: to support the Borrower to improve service delivery through introducing performance-based management information technologies and an Integrated Territorial Development Approach in key public services.

2. **Component 1: Strengthening metropolitan management through integration and coordination in urban development, housing, transport, environment and disaster risk management** (US$16.4 million). This component is comprised of four subcomponents. The first subcomponent, strengthening the metropolitan governance framework, includes the following activities: (i) monitoring and evaluation of territorial development impacts; and (ii) the development of an integrated master plan for metropolitan urban development. The second subcomponent, strengthening metropolitan transport management capacity, includes the following activities: (iii) the evaluation and consolidation of the existing transportation ticketing system (*Bilhete Único*); (iv) the definition of an action plan for the revision of the AMTU-RJ's role; and (v) the strengthening of the AGETRANSP institutional capacity. The third subcomponent, strengthening metropolitan housing management capacity, includes the following activities: (vi) the carrying out of technical studies to develop an institutional strengthening proposal for the SEH and the CEHAB; (vii) the carrying out of technical studies to design low income housing programs and integrate those programs with social programs; and (viii) the design of an integrated plan for sustainable urban land regularization. The fourth subcomponent, improvement of disaster risk management capacity, includes the following activities: (ix) the development and implementation of hardware for the existing Borrower's early warning system to monitor and respond to geological and hydrological disaster risks; (x) the carrying out of a study to model the hydrological disaster warning system, including basic protocols to be used by the Borrower and its municipalities; (xi) the mapping of the Borrower's landslide and flood risks; and (xii) the carrying out of training to various Borrower's disaster risk management teams; (xiii) improving the sustainability of investments made in *Projeto Iguaçu*, in the *Baixada Fluminense*; (xiv) structuring and optimization of a database of risks and natural disasters; and (xv) technical assistance for developing technical documents, specifications, and terms of reference.

3. The institutional aspects of this component will trigger a collective learning process among private and public stakeholders in the metropolitan region. It involves policy roundtables, strategic planning processes, workshops, and study tours coordinated by the state government. Moreover, it will serve to consolidate the gradual creation and negotiation of an institutional framework for the improved and coordinated planning, management, and delivery of a series of environmental, urban, and socioeconomic services at the metropolitan level. The proposed project will contribute by providing a broad-based and participatory arena for the establishment

of an integrated metropolitan development strategy that will build upon and improve existing sector-based planning and management exercises that lack adequate communication among the various players. In addition to the traditional (municipal) master planning processes, the proposed project will generate value added by establishing medium- and long-term strategic development targets for the metropolitan area that are linked to stakeholders, investment plans, time horizons, and implementation indicators. Additionally, disaster risk management activities will support the development of a disaster risk management policy/program, which will entail a participatory process to institutionalize disaster risk management in the state. These activities will strengthen identification, hazard monitoring, and early warning systems to better understand the geological and hydrological risks that the state faces. An inter-institutional disaster risk management working group formed by state organizations will further strengthen the state's ability to respond to disasters, as municipalities have little means to do so.

4. **Component 2: Improving living conditions in the most vulnerable social settings** (US$ 23 million). This component is comprised of four subcomponents. The first subcomponent, strengthening capacity to implement medium-term social development strategy, includes the following activities: (i) developing and implementing a strategic plan for the SEASDH; (ii) carrying out technical studies to design a model for a monitoring and evaluation system, and acquisition of information management hardware and software; (iii) strengthening existing public sector management procedures and administrative systems; and (iv) strengthening the SUAS' management and effectiveness capacity. The second subcomponent, enhancement of capacity to identify, locate and support missing people, supports the following activities through, *inter alia*:(i) the development of a software and a methodology (for reporting, classifying and analyzing data on missing people) to implement the PLID; and (ii) the extension of the MSM Information System to all the hospitals located in the Borrower's territory. The third subcomponent, is divided in two parts: part (i) strengthening education management capacity and secondary school quality, which includes the following activities: (A) the expansion of SEEDUC's analytical and system management capacity; and (B) management capacity on school infrastructure; and part (ii) enhancement of the quality of secondary education, all through, *inter alia,* the following activities: (1) the expansion of SEEDUC's analytical and system management capacity; (2) the evaluation of infrastructure conditions in the Borrower's secondary schools; and (3) the development and implementation of a 4-year plan to build and refurbish necessary school infrastructure. The fourth subcomponent, strengthening of the Borrower's health monitoring and evaluation processes and public hospitals' information systems, includes, *inter alia*, the following activities: (i) the evaluation of the comparative performance of different models of organizing and delivering primary health care; and (ii) the analysis and restructuring of administrative and clinical processes in public hospitals.

(a) The first subcomponent will focus on strengthening the capacity of the state to implement an integrated and evidence-based medium-term social development strategy. The state has a mandate to formulate, coordinate, and implement public policies for social assistance, food security, income transfer, and the promotion of citizenship, in coordination with federal and municipal entities as well as nongovernmental organizations. To manage social programs, the state has merged several state institutions, resulting in a complex structure with 6 undersecretaries, 16 superintendents, 11 councils and 2 foundations, as well as several advisories and an ombudsman's office. The state has been making important efforts to improve its

efficiency and effectiveness through better integration of its various actions, programs, and target groups in order to face the challenges of providing social services and programs (such as fragmentation, overlaps, and unmet demand). In addition to those described above, activities included in this subcomponent will consist of organizational restructuring and strategic planning process for social programs and Support to the strategic priorities of the state for social development.

(b) The second subcomponent focuses on the strengthening of the Borrower's capacity to identify and locate vulnerable missing people such as those displaced by natural disasters, through the scaling-up of the Program for the Identification and Localization of Missing People (PLID). The PLID system uses the Business Process Management methodology to identify, design, measure, control, and improve administrative routines associated with the identification and localization of vulnerable missing people. The system rationalizes the flow of data between different actors in the systems to provide a low cost and more efficient method of maintaining active databases of missing people. This data can be cross-referenced with information on any unidentified people that are found. Catalogued information includes details such as distinctive scars or tattoos. The system currently includes information on more than 6,700 missing people. The activities of this subcomponent will include develop improved IT systems for the reporting, classification and analysis of information on missing people; and capacity development for users of PLID.

The second subcomponent also addresses the need to strengthen the Borrower's system for the protection of the rights of citizens involuntarily interned for psychiatric reasons as well as those suffering from mental illnesses, through the roll-out of the *Módulo Saúde Mental* (MSM) electronic information system. This system was developed to address a gap in the management of information pertaining to these individuals and their respective needs in terms of protective and judicial actions. The MSM system provides an electronic means to upload and manage the information that institutions submit to the MP when patients are involuntarily interned, for example, for alcohol or drug addiction or mental illness. The objective of the system is to ensure more efficient protection of their rights and response to their needs, as well as to support more effective accountability and oversight over their care. Furthermore, the system aims to provide generalized information on demand for public mental health services. The MSM system was designed to be rolled-out over four stages. The first two stages of the program – which covered the development of the relevant software and piloting – have been completed, and it currently houses information pertaining to more than 7,700 cases. The activities of this subcomponent will support the implementation of phases 3 and 4, through Expansion of the program and integration with other databases and Training and capacity building.

(c) The third sub-component focuses on strengthening the state's evidence-based policy-making capacity for secondary education, the management capacity on school infrastructure and the quality of secondary education. As secondary school has been identified as the worst-performing segment of the Rio state school system, newly introduced activities focus on supporting key issues that are particular to this level.[15]To improve learning results in secondary schools, this

[15] It should be noted that the proposed operation is only one part of the Bank's program with SEEDUC in the state of Rio de Janeiro. The PRO-GESTAO TAL (P106768) and third DPL (P126465) address weaknesses at the primary school level and system-wide.

sub-component will strengthen capacity in conducting studies and managing data systems, particularly in connection with annual school targets and the newly introduced annual report on performance. The annual report directly compares the spending, teacher inputs (pupil-teacher ratios, teaching force composition, infrastructure quality and other inputs) with performance indicators (learning, pass rates, achievement of school targets, bonus pay). In the future, the report will also include classroom observation data at the level of individual secondary schools and school districts. The report has created a degree of transparency to how well individual schools and school districts are performing in relation to their resources that before was impossible to achieve (and indeed, does not exist elsewhere in Brazil). This transparency on results is expected to increase accountability that will stimulate low-performing schools to improve.

As a result of the assessment of the state's current needs in the education sector, newly introduced activities will expand SEEDUC's capacity through selective recruitment, improvement in data systems, carry out a mapping of infrastructure in the state's secondary schools (many of which function only at night and in "borrowed" primary school buildings that are not adequate for quality secondary education), as well as create a 4-year infrastructure plan necessary for a network of high quality, full-day schools, particularly at the secondary level.[16]

(d) The fourth subcomponent focuses on strengthening health monitoring and to improve evaluation processes and public hospital information systems. The proposed operation scales up activities to contribute to building state capacity to improve coverage and quality of health services, through (i) Evaluation of the comparative performance of different models to organizing and delivering primary health care; (ii) Analyze and restructure administrative and clinical processes in public hospitals.

5. **Component 3: Strengthening core finance and taxation functions** (US$ 6.1 million). *This component supports the state in carrying out studies and adopting new practices aimed at strengthening tax administration and financial management systems.* Activities supported by this component include: (i) the carrying out of technical studies to develop a methodology for estimating lost revenue due to tax waivers; (ii) the development of proposed revisions to the tax collection procedures; (iii) the design and implementation of diagnostic mechanisms needed to implement best practices in debt management; (iv) the implementation of a control system for the Borrower's Automobile Property Tax (IPVA); (v) the development of procedures, processes, manuals and databases to improve the management and costing of public investment programs, to better assess medium term implications of fiscal policy decisions; and (vi) the provision of training for technical specialists and managers.

6. This component is closely linked with the Fiscal Consolidation, Human Development and Public Financial Management DPL (P126465) for the state of Rio. Activities under this component will strengthen procedures needed to maintain fiscal discipline and strategic allocation of resources that is aligned with Government priorities and efficient service delivery. The activities supported are divided in three subcomponents on *Tax policy, Tax administration* and *Public investment management and costing.*

[16] The proposed project will finance the studies described, not subsequent infrastructure work.

7. **Component 4: Project management** (US$2.5 million). *This component will finance activities related to the overall administration of the project.* In order to cover project administration costs, this component is created to adequately reflect the project's administration needs. The project will support project management and provide implementation support including technical, administrative and fiduciary support, support for monitoring and evaluation, data collection, and stakeholder involvement.

Annex 3: Implementation Arrangements

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

Project Institutional and Implementation Arrangements

1. Implementation details about the projects are in the main text of the PAD, Section IV, A. This Annex will include only additional information on coverage of each UGP (Figure A3-1), the role of each agency in the project (Table A3-1) and highlights key institutional responsibilities in terms of production of reports and document, as detailed in the Operations Manual.

Figure A3-1. Institutional Arrangements for Project

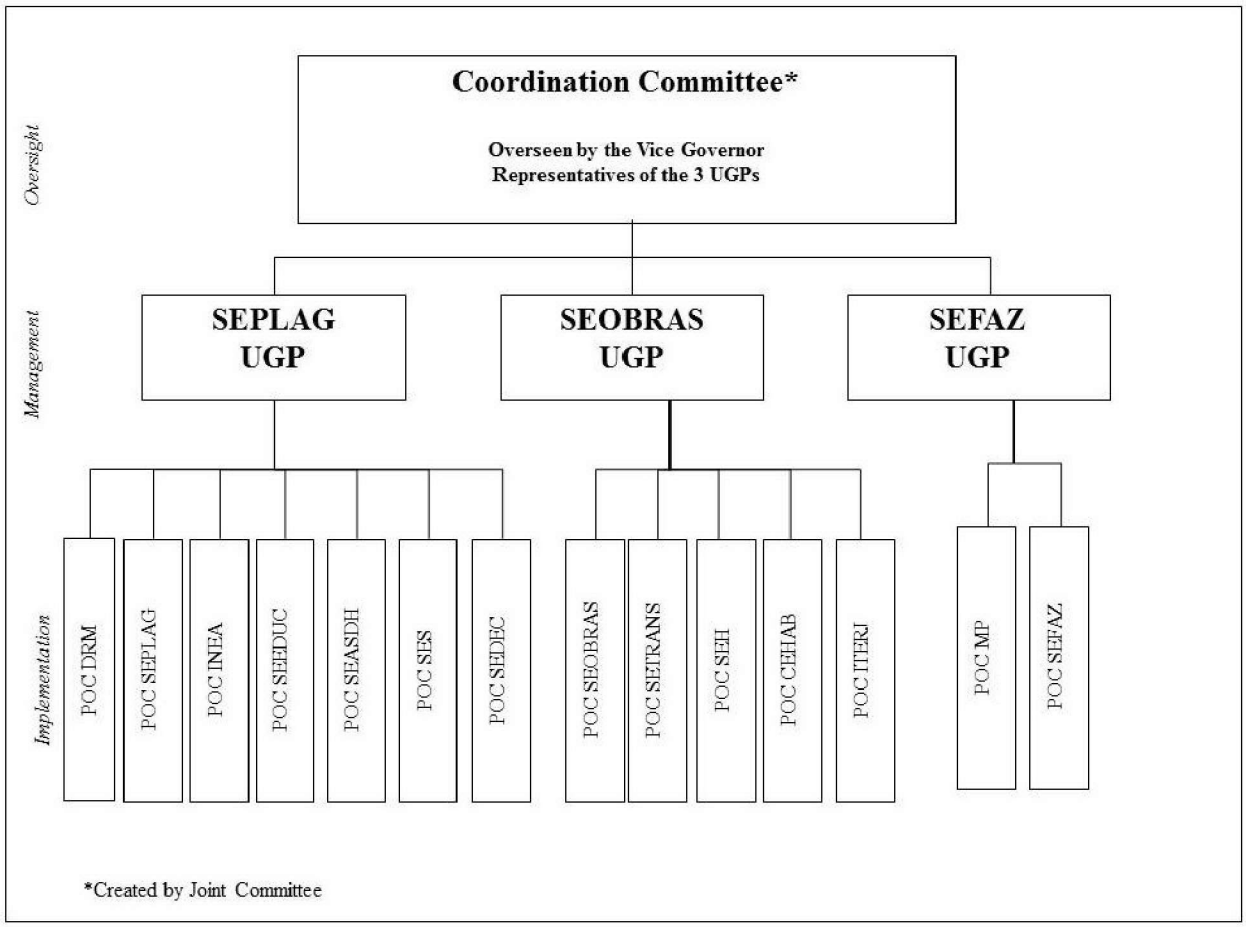


Table A3-1. Agencies Involved in Project and Defined Roles

Implementing Agency	UGP	Type of Agency	Agency Role in Project
State Secretariat of Planning and Management (SEPLAG)	SEPLAG UGP	State Secretariat	Responsible for managing Components 2a, 2c, 2d and 1d under SEPLAG UGP. Participates in the Coordination Committee.[17]
State Secretariat of Education (SEEDUC)	SEPLAG UGP	State Secretariat	Responsible for the implementation of Component 2c education activities.

[17] See Annex 2 for a list of component activities.

State Secretariat of Health (SES)	SEPLAG UGP	State Secretariat	Responsible for the implementation of Component 2d health activities.
Department of Mineral Resources (DRM)	SEPLAG UGP	Independent State Entity	Responsible for managing Component 1d under SEPLAG.
State Secretariat of Public Works (SEOBRAS)	SEOBRAS UGP	State Secretariat	Responsible for managing Component 1a, 1b, 1c and Component 4 activities under SEOBRAS UGP. Participates in the Coordination Committee. Responsible for the implementation of select Component 1a metropolitan governance activities.
State Secretariat of Transport (SETRANS)		State Secretariat	Responsible for the implementation of select Component 1b transportation activities.
State Secretariat of Housing (SEH) Rio de Janeiro State Housing Company (CEHAB) Rio de Janeiro State Land and Mapping Institute (ITERJ)		State Secretariat Public company legally bound with SEH Public Institute legally bound with SEH	Responsible for the implementation of select Component 1c housing activities.
State Environmental Institute (INEA)	SEPLAG UGP	Public Institute	Responsible for the implementation of select Component 1d disaster risk management activities.
Secretaria do Estado de Defesa Civil (SEDEC)	SEPLAG UGP	State Secretariat	Responsible for the implementation of select Component 1d disaster risk management activities.
State Secretariat of Social Assistance and Human Rights (SEASDH)	SEPLAG UGP	State Secretariat	Responsible for the implementation of select Component 2a social development activities.
Rio de Janeiro State Public Prosecutor (MP)	SEFAZ UGP	Independent State Entity	Responsible for the implementation of select Component 2b activities.
State Secretariat of Finance (SEFAZ)	SEFAZ UGP	State Secretariat	Responsible for managing Component 3 and 2b under SEFAZ UGP. Participates in the Coordination Committee. Responsible for the implementation of Component 3 financial management activities.

Table A3-2. Institutional Responsibilities for the Production of Documents and Reports

Interim Unaudited Financial Reports (IFRs)	SEOBRAS
Disbursement Requests (including installments)	SEOBRAS
Procurement Plan	Prepared jointly by the UGPs Sent for No Objection by the Vice-Governor's Representative *(adopting new procurement rules)*
Project Report	Prepared jointly by the UGPs Sent by the Vice-Governor's Representative
Project Operational Manual	Prepared jointly by the UGPs Sent by the Vice-Governor's Representative
Safeguards (creation of Environmental and Social Framework and supervision of its application)	UGPs for respective component, unified by Vice-Governor Safeguards report included in Project Report
Auditing	SEFAZ UGP – one contract for the audit of loan
Records from Committee meetings (every 3 months)	Vice-Governor's Representative consolidates and sends to the Bank
Monitoring Project Indicators	UGPs consolidate data with respective POCs. Vice-Governor's Office integrates it into the Project Report.

Financial Management, Disbursements and Procurement

2. The table below depicts the institutional arrangements that are relevant to the project's financial management arrangements.

Table A3-3. Institutional Arrangements for Financial Management

			STATE AGENCY		
			SEOBRAS	**SEFAZ, SEPLAG UGPs**	**SEFAZ and SEPLAG**
TRANSACTION CYCLE STAGE	**Budget Preparation**		Contributes to budget proposals	Contributes to budget proposals	*SEPLAG* finalizes budget
	Budget execution	**Commitment**	Procurement	Procurement	Procurement
		Verification	Contract management	Contract management	Contract management
		Payment	Sends Request for payment to Treasury	Sends Request for payment to Treasury	*Treasury* makes payments to suppliers
	Record keeping		- Record transaction information in Integrated Financial Administration System for States and Municipalities (SIAFEM) - Maintains Project specific records - Submits disbursement requests to the Bank	- Record transaction information in SIAFEM - Maintain project specific records	
	Financial Reporting		Prepares periodic financial reports		

3. *Planning and Budgeting*. The state's budgeting systems will be used for the purposes of the project. The state's budget documents include four-year plans (Plano Pluri-Annual - PPA), the budget preparation regulations (Lei de Diretrizes Orçamentárias - LDO), and the annual budget (Lei Orçamentária Annual - LOA). The state's budget will reflect the appropriate amount of funds corresponding to the project within the budget appropriation for SEOBRAS. A project budget has been drawn up and included in the Project Appraisal Document. Annual budgets for the project will be pulled from the disbursement schedule. The annual budget will be prepared based on the policy guidelines issued by implementing agencies.

4. *Budget Execution Cycle and the Budget Descentralization Framework* The budget cycle in Brazil comprises three phases: commitment (*empenho*), verification (*liquidação*), and payment (*pagamento*). The individual secretariats will be responsible for the first two phases in the cycle in accordance with the procurement plan. The transaction data for all the phases will be recorded in the state's Integrated Financial Administration System (SIAFEM).

5. Funding for project activities to be implemented by the other secretariats will be allocated under a procedure known as "budget decentralization" (*descentralização de creditos*

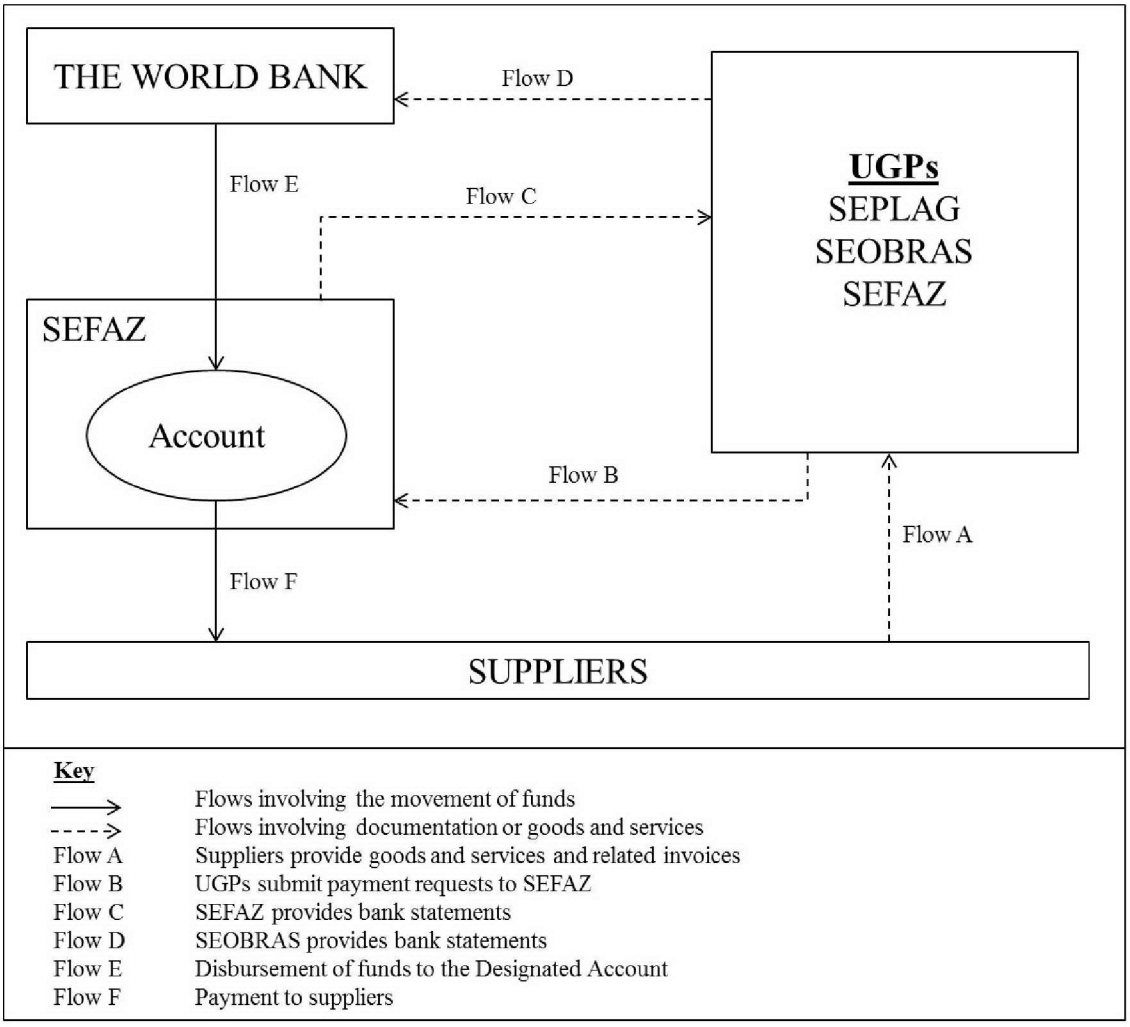
orçamentários). This framework is governed by a Decree Nº 42.436 of April 30, 2010. The decree specifies the responsibilities of the Sectoral Agency to which the budget allocation is primarily made (herein referred to as the central agency) and the agencies executing the activities for which the budget allocation is decentralized ("executing agency"). The decree is a formal instrument the central agency cedes budget allocations to executing agencies to implement activities whose objectives are agreed upon and for which the central agency has primary responsibility. The Decree provides for the application of the relevant financial management laws and regulations to such transactions, and establishes the requirements under the arrangement. These include the need to prepare a work program with established objectives. The Decree also requires agreement of the arrangement to be documented in a *Portaria* or Joint Resolution (*Resolução Conjunta*), models of which are annexed to it. The *portaria* would describe the objectives and expected results under the arrangement and the amounts subject to the budget allocation decentralization. Such a *portaria* should be prepared on an annual basis. The *Portaria* also establishes the requirement for the executing agencies to maintain accounting records to which the central agency has unfettered access for monitoring purposes.

6. *Internal Controls and Procedures.* The internal control environment for the proposed project appears reasonable. The project will be implemented within the state's internal control environment, which is based on a series of laws and regulations. Principal among these is the Public Accountability Law of 1964, which establishes the principles for financial management at all levels of government. The state has also issued a manual for internal control procedures that contains ample guidance on procedures to be followed in undertaking public transactions. These and subsequent regulations provide for adequate segregation of duties, supervision, quality control reviews, reconciliation, internal audits, and independent external audits. Finally, an Operational Manual will be developed to reflect the procedures to be adopted with the operation. The state has an internal audit agency whose duty is to help ensure the continuing adequacy of the internal control environment.

7. *Flow of Funds: Bank Accounts.* A new bank account will be set up and maintained for the purpose of the proposed operation. This designated account will be segregated. The account will be maintained in Brazilian Reais at Banco Bradesco S/A. It will be managed using the state's procedures by SEFAZ in the name of SEOBRAS.

8. *Disbursement of Bank Funds to the Implementing Agencies.* Disbursements may be made on the basis of advances, reimbursements and direct payments. Supporting documentation required for documenting eligible expenditures paid from the designated account and for reimbursements will include Statements of Expenditure (SOEs), and Summary Sheets with Records. Direct payments will be documented by Records. The designated account will have a Fixed Ceiling of BRL 6,000,000, and the frequency for reporting eligible expenditures paid from the designated account will be quarterly. The Minimum Application Size will be US$ 100,000 equivalent. The Project will have a four month Application Deadline Date (Grace Period). Retroactive Financing up to an aggregate amount not to exceed $9,600,000 equivalent is available, for payments made prior to the date of the Loan Agreement but on or after July 17, 2013, but in no case more than one year prior to the date of the Loan Agreement.

Figure A3-2. Funds Flow Mechanism



9. *Payment to Suppliers.* Payments to suppliers will be made in accordance with government regulations. At the end of the transaction cycle and once all controls are implemented, the UGPs will send a request for payment to the Treasury. The payment will then be made once the Treasury ensures that compliance with all relevant procedures has been met.

10. *Accounting Systems and Procedures*. To maintain their accounting records, secretariats of the state of Rio de Janeiro conform to Brazilian Accounting Rules (NBC). The public accounting law of 1964[18] establishes high level accounting principles and the National Treasury Secretariat is responsible for issuing manuals documenting and detailing accounting procedures. Brazil is currently undertaking a revision of public sector accounting, and intends to complete the adoption of international public sector accounting standards for all levels of government by 2013.

[18]Law 4320/64

11. *Financial Management Manual.* The accounting systems, policies, and procedures employed in the accounting and managing for project funds are documented in the project's Operational Manual. The manual will be used by staff as a reference manual; by the World Bank to assess the continuing adequacy of project accounting, reporting and control systems; and by the auditors to assess project accounting systems and controls as well as in designing specific project audit procedures. In addition, the manual will document the arrangements made for recording project impacts, outcomes, outputs, and inputs that are required to assess progress toward the achievement of project objectives.

12. *Accounting System.* All accounting transactions related to the project's activities will be recorded using the state's Integrated Financial Management System (SIAFEM). SIAFEM also plays a key role in ensuring the implementation of the internal controls through built-in procedures that are required to be undertaken during the budget execution process. SIAFEM has been used as the primary financial information system on a number of Bank projects in the Rio de Janeiro. It has been the subject of various reviews that have concluded that although its architecture is outdated, it fulfills the Bank's fiduciary financial management requirements. There are plans to upgrade and update it in light of the state's impending adoption of international public sector accounting standards.

13. Accounts are computerized and prepared by the *Contadoria Geral do Estado* (within the Secretariat of Finance). For the proposed project, the financial management specialist in the SEPLAG UGP will use information from the SIAFEM, together with payment records, to prepare project reports using Excel spreadsheets. While this method is sufficient for the level of proposed transactions, there are plans to obtain a more efficient accounting software package to maintain the project's accounts. The Bank will support the project in the installation of this accounting software. For the operation and before the acquisition of the accounting software, SEOBRAS will access the SIAFEM records in order to prepare the project's financial reports. The supporting documentation for the transactions will be maintained by the UGPs, and access to these will be granted to auditors for the purposes of verification.

14. *Financial Reporting.* The proposed operation will use the same reporting formats for the various periodic financial reports. The financial reports will be designed to provide quality and timely information to project management, implementing agencies, and various stakeholders on project performance.

15. The UGP in SEOBRAS will prepare and submit to the Bank semi-annual IFRs no later than thirty days after the end of each semester. IFRs will make use of existing financial reporting information entered in SIAFEM by the secretariats. These will include: a statement of sources and uses of funds by disbursement category, showing actual and budgeted expenditures, and including a variance and cumulative (project-to-date; year-to-date and for the period) analysis; a statement of uses of funds by project activity or component, showing actual and budgeted expenditures, including a variance and cumulative (project-to-date; year-to-date and for the period, by financing source) analysis.

16. *Internal Auditing Arrangements.* The state's public financial management system features strong internal controls, with rules and controls on commitments. However, the internal audit agency (the *Auditoria Geral do Estado,* AGE) has a number of weaknesses that limit its

effectiveness. It currently reports to SEFAZ and is responsible for providing management assurance on the functioning of the internal control system. Although still limited, it also plays a role in assessing value for money aspects of budget execution by government agencies. The state intends to reform the institutional structure of the AGE in order to enhance its independence. As a result of this reform the AGE will report directly to the governor. The government is also undertaking a major recruitment and training exercise to ensure that the office is well staffed to carry out its mandate.

17. *External Auditing Arrangements*. The audit of the annual financial statements for the proposed project will be carried out by a private firm of auditors that will be selected according to criteria that meet the World Bank's requirements in terms of independence, qualifications, and experience. They will conduct the audit based on terms of reference approved by the World Bank that will ensure that the audit is conducted in accordance with acceptable auditing standards. The audited financial statements together with the auditor's report and management letter covering identified internal control and accounting system weaknesses will be submitted to the World Bank within six months after the end of each financial year. The Bank will review the audit report and will periodically determine whether audit recommendations are satisfactorily implemented.

18. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated Jan 2011, "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated Jan 2011, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed upon between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the current project implementation needs and improvements in institutional capacity.

19. *Procurement of Goods*. Goods procured under this project would include IT equipment. The procurement will be done using the Bank's Standard Bidding Documents (SBD) for all International Competitive Bidding (ICB) and National SBD agreed with or satisfactory to the Bank.

20. *Procurement of Non-Consulting Services.* Non-consulting services under the project would include: various training events, workshops, seminars, etc. logistics such as hotel services, catering, travel services and printing services. The procurement will be done using the Bank's SBD for all ICB and National SBD agreed with or satisfactory to the Bank, as well as "Shopping" and directing contracting, as applicable.

21. *Selection of Consultants.* Consulting services under the project would include: engineering services, various studies and projects for management, IT systems, impact evaluation, in-service training, quality accreditation, supply chain management, etc. Short lists of consultants for services estimated to cost less than US$500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of

the Consultant Guidelines. The need to engage universities, government research institutions, public training institutions, non-governmental organizations, or any special organizations was not identified during project preparation.

22. *Operating Costs.* During project preparation, it was agreed that operating costs will include costs, which would not have been incurred by the respective UGP, absent the Project, for operation and maintenance of vehicles, repairs, fuel, spare parts and insurance, maintenance of the Project's monitoring and information system, travel and per diem costs for technical staff carrying out supervisory and quality control activities, equipment and computer maintenance, office supplies, utilities, and rent for office facilities, but excluding expenditures for salaries and related benefits. The operating costs to be financed by the project will be implemented using the implementing agency's administrative procedures, reviewed and found acceptable to the Bank.

23. *Others.* The need for special arrangements for scholarships, grants, etc, was not identified during project preparation. The procurement procedures and standard bidding documents to be used for each procurement method, as well as model contracts for works and goods procured, are presented in the Project Operational Manual.

24. Taking into consideration the existing capacity of SEPLAG, SEOBRAS and SEFAZ and the fact that the procurement risk has been rated as substantial, the prior review and procurement method thresholds were defined as follows:

Table A3-4. Procurement Method Thresholds

Expenditure category	Contract value threshold (US$ thousands)	Procurement method	Processes subject to prior review
Goods and Non-consulting services	*> 500*	*International Competitive Bidding (ICB)*	*All processes*
	500≥ < 100	*National Competitive Bidding (NCB)*	*First two processes and all cases to cost over US$150,000*
	< 100	*Shopping*	*First two processes*
Consulting (firms)[19]	*> 300*	*Quality- and Cost-Based Selection/Quality-Based Selection (QCBS/QBS)*	*All processes*
	≤ 300	*Least Cost Selection/Consultants' Qualifications/Source of Funds (LCS/CQS/SOF)*	*First processes in each method and all cases above US$150,000*
Individual consultants		*Section V in the Guidelines*	*All cases above US$ 50,000 and all single-source contracts*

[19]Short list of consultants for services, estimated to cost less than $500,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Direct contracting			*All cases regardless of the amounts involved*

25. All bidding documents and respective contracts, regardless of procurement method, are required to have the anticorruption (A/C) clause in the bidding documents and the contract as a condition for eligibility for expenditures.

26. Procurement activities will be carried out by the State Secretariat of Planning and Management (SEPLAG), beyond SEPLAG the procurement activities will be carried out by the State Secretariat of Public Works (SEOBRAS) and the State Secretariat of Finance (SEFAZ). An assessment of the capacity of the new implementing agencies to implement procurement actions for the project was carried out in July and December, 2011. The assessment reviewed the organizational structure for implementing the project and the interaction between the staff responsible for procurement. The major issue identified was the lack of specialized procurement staff in the implementing agency. An action plan was agreed to during project preparation to strengthen the procurement team.

27. A Procurement Plan of November 13, 2013 for project implementation provides the basis for the procurement methods and will define the detailed responsibility of each agency. The agencies have procurement teams specialized in the national rules and were trained on the World Bank Guidelines for Procurement. The SEPLAG's procurement team is more experienced on the World Bank's Guidelines and will provide assistance to SEFAZ and SEOBRAS when necessary. The plan will be updated (in agreement with the project team) annually or as required to reflect current project implementation needs and improvements in institutional capacity.

28. The Details of Procurement Arrangements Involving International Competition are as follows:

Consulting Services

(a) List of consulting assignments with short-list of international firms above US$ 300,000.

1	2	3	4	5
Description of Assignment	**Estimated Cost US 1,000**	**Selection Method**	**Review by Bank (Prior / Post)**	**Expected Proposals Submission Date**
Strengthening of existing public sector management procedures and administrative systems	2,786	QCBS	Prior	13-Jun-2014
Elaboration of an Integrated Plan for developing the Rio de Janeiro Metropolitan Region. Technical study to integrate metropolitan plans for housing, public works, transport, sanitation and other sectors.	3,200	QCBS	Prior	14-Mar-2014
Creation of an Operational Manual to identify vacant or underutilized areas for housing. Identification of areas on Avenida Brasil between Deodoro and Campo Grande and feasibility study for a pilot project in one of the identified areas.	714	QCBS	Prior	12-Jul-2014

Development of a model for large, mixed-use housing nucleus integrated with social policies. Feasibility studies, including one on the economic and financial structure of this model in the Rio de Janeiro Metropolitan Region.	914	QCBS	Prior	11-Sep-2014
Studies to identify liabilities and negotiation and regularization strategies for housing developments and develop a condominium management and maintenance strategy for future developments.	674	QCBS	Prior	11-Sep-2014
Design an Integrated Plan for Sustainable Urban Land Regularization (integration with other state interventions, diagnostic of state programs and municipal initiatives)	614	QCBS	Prior	11-Sep-2014
Mapping of landslide and other mass movements.	900	QCBS	Prior	12-Jul-2014
Improvement in the integrated management of risks and disasters.	1,400	QCBS	Prior	11-Sep-2014
Technical studies to design a model for an M&E system for social programs, evaluation of main programs, and capacity building activities.	1,600	QCBS	Prior	11-Sep-2014
Development of information management hardware and software and development of an information system to monitor programs. Training for SEASDH staff.	1,500	QCBS	Prior	11-Sep-2014
Technical studies to develop a strategic plan for SEASDH activities and management of processes.	840	QCBS	Prior	11-Sep-2014
Building SEEDUC technical capacity for studies and evidence-based policy	1,170	QCBS	Prior	11-Sep-2014
Development and implementation of a 4-year plan to build and refurbish the infrastructure necessary for a network of high quality, full-day schools, particularly at the secondary level	2,410	QCBS	Prior	14-May-2014
Evaluation of the comparative performance of different approaches to organizing and delivering primary care	1,500	QCBS	Prior	12-Jul-2014
Acquisition of information management hardware and software and development of an information system to identify and locate missing people, and capacity building for users of PLID (staff in Polícia Civil, ISP, SNSP, IML, and Disque Denúncia).	1,200	QCBS	Prior	12-Jul-2014
Expansion of MSM and integration of the system with other relevant databases, and capacity building for users of PMSM (Promotorias de Justiça, Gestores e Unidades de Saúde, hospitals, and CAPS).	1,740	QCBS	Prior	14-May-2014
Technical studies for a diagnostic of mechanisms needed to implement best practices in debt management and training of technical specialists.	1,050	QCBS	Prior	14-Mar-2014
Implementation of a control system for the Automobile Property Tax (IPVA) administrated by the State Secretariat of Finance.	1,490	QCBS	Prior	12-Jul-2014
Creation of a common database for all investment projects in the state, a costing methodology and training of technical specialists.	700	QCBS	Prior	11-Sep-2014
Hiring of a consulting firm to support the UGPs	2,000	QCBS	Prior	04-May-2014

(b) Consultancy services (firms) above US$ 300,000 and all single source selection of consultants will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US$ 500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Environmental and Social

29. Environmental Assessment. The proposed operation is expected to have positive environmental impacts, given its focus on improving the capacity of key state government institutions. Institutional capacity improvements have important environmental and social implications, allowing the state to adopt sustainable practices, especially those related to housing and land titling programs.

30. The project includes primarily conceptual studies and activities related to institutional strengthening, which are likely to have minimal or no direct adverse environmental impacts. Some subcomponents (such as the metropolitan master plan, the housing policy, and the land management program) have potential indirect environmental and social implications. For this reason, the project has been rated category B and safeguard policies have been triggered for Environmental Assessment (OP/BP 4.01). The Environmental Assessment Safeguard is mandatory to all projects that may potentially have an environmental or social impact. The Natural Habitats (OP/BP 4.04) and Involuntary Resettlement (OP/BP 4.12) safeguards have also been triggered.

31. The Borrower prepared and will follow an Environmental Management Framework that assesses potential environmental impacts for all activities, as well as a Resettlement Policy Framework (RPF). These were published. The EMF and RPF address screening and eligibility of activities and guidelines for the effective and timely implementation of environmental safeguards during project implementation. They include conceptual frameworks for environmental activities supported by the project that may have indirect environmental implications. An independent consultation with key stakeholders was conducted and its findings were disclosed as part of the reports.

32. Component 1 will support activities for the development of a framework for metropolitan governance and structural studies in the areas of housing, transport, land tenure, environment and disaster risk management. Recognizing the potential environmental impacts these sectors can have the State has set this component with the purpose of consolidating the gradual creation and negotiation of an institutional framework for the improved and coordinated planning, management, and delivery of a series of environmental, urban, and socioeconomic services at the metropolitan level. Component 1d will support activities aimed at improving disaster risk management capacity.

33. The project will provide a broad-based and participatory arena for the establishment of an integrated metropolitan development strategy that will build upon and improve existing

sector-based planning and management exercises that lack adequate communication among the various players including a special emphasis on the environment. In addition to the traditional (municipal) master planning processes, the proposed project will generate value added by establishing medium- and long-term strategic development targets for the metropolitan area that are linked to stakeholders, investment plans, time horizons, and implementation indicators while taking environmental implications fully into account.

34. Natural Habitats (OP/BP 4.04). The project does not include conversion or degradation of critical natural habitats, and no significant impact on natural habitats is foreseen. However, it does include conceptual studies and the formulation of policies on housing and land management that may have implications on natural habitats. The natural habitats safeguard is triggered as a precaution to mitigate potential impacts on natural habitats. Additionally, OP 4.04 may be related to urban development activities that foresee the preparation of a metropolitan master plan, given the territorial dimension of such activities. Project activities will give preference to those that do not cause negative impacts on natural habitats. Where such impacts are inevitable the appropriate measures to avoid, mitigate and where appropriate compensate for them will be implemented.

35. Involuntary Resettlement (OP/BP 4.12). Adopting a precautionary approach, the project has triggered the Involuntary Resettlement Safeguard Policy (OP/BP 4.12) because adverse social consequences and disputes may eventually arise from the government's disaster risk management and urban territorial development policies. These policies may yield adverse social consequences and disputes because they could involve the resettlement of families living in precarious settlements and/or in areas at very high risk of massive landslides or flooding. A Resettlement Policy Framework (RPF) was selected as the proper instrument for this operation because the areas to be affected cannot be identified beforehand. The RPF was properly prepared by a team made up of technical experts from three state agencies (SEH, ITERJ and SEADSH), and incorporates the lessons learned through the AAA on resettlement issues for the Brazilian Ministry of Cities. It also consolidates best practices from recent experiences with involuntary resettlement. The RPF complies with Bank policies and establishes the principles and guidelines to be followed if it becomes necessary to prepare and implement involuntary resettlement plans during the project's implementation. Included in the RPF are measures to mitigate for the lack of a state regulatory framework for involuntary resettlement.

36. In Rio de Janeiro, as elsewhere in Brazil, involuntary resettlement is dealt with in accordance with the legislation on land expropriation. However, Rio de Janeiro has recently introduced a new state legislation (State Decree 41.148/2008) that provides guidelines that include (i) the participation of the affected people in all stages of the resettlement process, (ii) the provision of resettlement options, (iii) strong mechanisms of communication with the population, and (iv) extensive consultation processes with main stakeholders to address their concerns throughout the resettlement processes. However, there are gaps between this legislation and Bank procedures, particularly related to (i) the compensation of affected people who lack land tenure rights, (ii) compensation for losses related to economic displacement, (iii) compensation according with the replacement value, and (iv) the provision of easily accessible and responsive grievance mechanisms.

37. The RPF properly addresses these outstanding issues. *Note that any mitigation action in response to involuntary resettlement needs will not be financed by the Bank, but financed and carried out with State funds.*

38. Adverse social consequences and disputes may arise from the Government's disaster risk management policy that could involve the resettlement of families living in areas at very high risk of massive landslides. The Resettlement Policy Framework prepared by the client has set the guidelines to be followed if involuntary resettlement is deemed necessary during project implementation. The framework pays special attention to (i) the evaluation of the state's capacity to consolidate and implement these recently-instituted good practices, and (ii) the identification of the state`s need for technical assistance to support capacity building (in each relevant agency) and to strengthen its resettlement policy. The new RPF also emphasizes consultative processes related to safeguard issues.

39. *Institutional Arrangements related to Environmental Safeguards.* INEA is the State Environmental Agency and is fully involved in the preparation of the project. It will also be responsible for Component 1d which might have potential impact on Natural Habitats. Each Project Implementation Unit is responsible for their environmental management and will follow the guidelines established in the EMF under guidance from INEA. Each Secretariat has its own environmental staff and the Project implementation will have staff dedicated to following compliance as stipulated in the EMF and also according to State and National legislation.

Annex 4: Operational Risk Assessment Framework (ORAF)

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

Stage: Board

Project Stakeholder Risks	**Rating**	**Substantial**		
Description: State of Rio de Janeiro is leading the preparation of the project and is planning complimentary urban development investments. There is a risk of a loss of political support for the project from state government. There is also a risk of competing claims on the funds by different Secretariats.	**Risk Management:** State Secretariats of Planning (SEPLAG), Public Works (SEOBRAS) and Finance (SEFAZ) are strongly committed to managing and implementing project activities. All have been active in defining project activities and indicators and are committed to reporting on progress throughout the project life. The Operation Manual clearly defines the roles and responsibilities of each Secretariat and those of the Coordination Committee made up of representatives of implementing Secretariats. The Vice-Governor's Office will oversee the Coordination Committee responsible for coordinating deliverables and communication with the Bank.			
	Resp: SEPLAG, SEOBRAS, SEFAZ, Coordination Committee	**Stage:** Prep and Imp	**Due Date :**06/30/2017	**Status:** On going
Implementing Agency Risks (including fiduciary)				
Capacity	**Rating:**	**Moderate**		
Description: Governments generally have a poor track record in implementing information technology (IT) systems. The project will build on synergies from the positive experience of the PRÓ-GESTÃO UGP's work with Bank procedures. Experience with Bank procedures in procurement* and safeguards will be uneven among the agencies participating in the proposed operation, therefore efforts will be needed to bring everybody on same level Inability to handle managerial and procedural requirement for project implementation, including fiduciary and safeguard issues. The overall FM was determined to be moderate by the project FM assessment. There is a risk in SEFAZ's ability to generate timely and accurately FM reports. **More detailed assessment of procurement risk is in Section VI D.*	**Risk Management:** IT systems: The Real Property Management system has already been developed. For other systems, the project will develop a clear, professional design based on a full understanding of the functionality required and the capacity needs of the eventual users. The health systems will draw on other states' efforts to develop cost-accounting systems (e.g. Ceará). Bank supervision will monitor these activities to ensure their implementation.			
	Resp: SEPLAG, SEOBRAS, SEFAZ	**Stage:** Prep and Imp	**Due Date :**06/30/2017	**Status:** On going
	Risk Management: The Bank will work closely during preparation and implementation to build capacity in safeguards. Both the UGP staff and secretariat staff will be offered safeguards training.			
	Resp: SEPLAG, SEOBRAS, SEFAZ, Bank	**Stage:** Imp	**Due Date :**03/15/2014	**Status:** Not yet Due
	Risk Management: Exhaustive information on the arrangements and inputs to be delivered will be provided. The institutional arrangements heavily leverage the UGP that is already experienced with procedures in procurement and safeguards. Training for the two new UGPs is already underway.			
	Resp: SEPLAG, SEOBRAS, SEFAZ	**Stage:** Prep and Imp	**Due Date:**06/30/2017	**Status:** On going

	Risk Management: The inherent FM risk will be mitigated by existing and additional controls. The FM Information System will be assessed to evaluate whether it can handle FM requirements. Development of the FMS database will maintain FM information and ensure that reports are generated for management review and monitoring purposes. This will include registers/ledgers to monitor the status of: contractual payments with suppliers, consultants, and contractors; advances; fixed assets; cash; and bank accounts.			
	Resp: SEFAZ	**Stage:** Prep and Imp	**Due Date:**06/30/2017	**Status:** On going
Governance	**Rating:**	**Moderate**		
Description: Given complexity and multi-secretariats and agency involved, it could be difficult to exercise proper oversight and execution of the project. However, previous experience with government agencies has been positive. SEPLAG has been successfully overseeing the original project so far. SEOBRAS is committed to the successful oversight of the activities of the project and the experience of their engagement with the DPL has been positive. SEFAZ is also strongly involved in implementation oversight of all loan operations contracted by the state. Implementation arrangements will be detailed in the Operational Manual. The Vice-Governor's office will support project coordination and oversight. Complex institutional framework and competing priorities would create a challenge to project oversight. A moderate risk lies in the ability of municipalities to implement legal and policy frameworks for the treatment of drug users. Not all municipalities have complied with guidelines established by the MP in this area. There is also the possibility that the MP could use information provided by the M&E system implemented by the Bank to sue the state, in which case the Bank's relationship with the state may be affected.	**Risk Management:** The Coordination Committee will ensure communication and support to implementing Secretariats at all stages to ensure the successful design of appropriate governance measures. All implementing Secretariats have agreed to the terms set out in the Operational Manual detailing governance mechanisms.			
	Resp: Coordination Committee	**Stage:** Prep and Imp	**Due Date:**06/30/2017	**Status:** On going
	Risk Management: While not all municipalities have complied with MP guidelines in the past, this will not necessarily impact project activities since they consist of (i) running a diagnostic of municipal capacity and (ii) offering capacity building to the municipalities. This diagnostic will reveal whether the difficulties arise from inability to comply or lack of commitment to the MP agenda. It is possible that not all municipalities will be willing to adhere, therefore target indicators take this into consideration (60% of municipalities are expected to participate by project end). This target is based on preliminary contacts with the municipalities. The team has discussed the possibility of class action against the state and/or municipalities with the Governor, who is aware of the possibility and willing to take the risk as this activity is deemed crucial. The state government and the state MP have a good relationship and are working together to address issues related to the *Módulo de Saúde Mental* and missing persons database in the state of Rio. Continued and tight supervision of procurement processes will be exercised; including keeping closely involved the procurement specialist and team in the process and procurement audits.			
	Resp: MP	**Stage:** Prep and Imp	**Due Date:**06/30/2017	**Status:** On going
Project Risks				
Design	**Rating:**	**Moderate**		
Description: The multi-sectoral nature of the project makes clear implementation, coordination and oversight rules crucial. There is a risk of fragmentation in project implementation.	**Risk Management:** Regular quarterly meetings will be held to facilitate coordination and identify potential problems at an early stage between SEPLAG and the line secretariats. Three UGPs will oversee components of the project, develop clear implementation mechanisms, and coordinate activities in the context of the three project management teams.			
	Resp: SEPLAG, SEOBRAS, SEFAZ,	**Stage:** Imp	**Due Date:**06/30/2017	**Status:** Not Yet

	Coordination Committee			Due
Social & Environmental	**Rating:**	**Moderate**		
Description: The activities are not expected to generate negative environmental or social impacts. Nonetheless, some activities should be closely monitored to ensure that they do not lead to future safeguard risks. The Natural Habitats and Involuntary Resettlement safeguards were triggered. Some of the activities could provoke negative environmental impacts, social disputes (e.g. recommendations from disaster risk management components) or resettlement issues (e.g. mapping outcomes).	**Risk Management:** The State has engaged in strong dialogue and extensive consultation in the project preparation. This will be continued through implementation, and will be given high priority in light of recent protests. Specific activities will be closely monitored to ensure that they do not have adverse impacts. Environmental and Social Assessments were carried out by the client with support from Bank specialists. As a result, an Environmental Management Framework and a Resettlement Policy Framework were prepared for the project.			
	Resp: SEPLAG, SEOBRAS, SEFAZ	**Stage:** Prep and Imp	**Due Date:** 06/30/2017	**Status:** On going
Program & Donor	**Rating:**	**Low**		
Description: The project is part of broader Government and Bank engagement on integrated territorial development in Rio de Janeiro, including three DPLs already closed and a fourth in preparation. Several Trust Funds have also supported advisory services to the state including PSIA, SFLAC funds and Korean Trust Fund. Low risk of withdrawal of funds or programmatic support for the project.	**Risk Management:**			
	Resp:	**Stage:**	**Due Date:**	**Status:**
Delivery Monitoring & Sustainability	**Rating:**	**Moderate**		
Description: The number of components and Secretariats involved in this project increase the risk that monitoring progress and delivery of information will be delayed. Some implementing Secretariats may find it difficult to oversee the implementation of activities outside of their own Secretariat.	**Risk Management:** Mechanisms and responsibilities for delivering project documents and information are clearly defined in the Operational Manual, which describes in detail all implementing Secretariats responsibilities and the rules guiding the Coordination Committee. An emphasis has been placed on state-wide integrated planning and the implementation of information management systems in the project activities, encouraging the availability and integration of databases across sectors. This will increase the sustainability of improvements made in public management and integrated territorial development.			
	Resp: SEPLAG, SEOBRAS, SEFAZ, Coordination Committee	**Stage:** Imp	**Due Date:**06/30/2017	**Status:** Not Yet Due
Overall Risk				
Overall Implementation Risk	**Rating:**	**Moderate**		
Description: The most important risks are the risk of loss of political support for the Project from State government, as well as competing claims on the funds by different Secretariats. Additionally, the number of Secretariats and agencies involved may potentially complicate efforts to exercise proper oversight and execution of the project. These risks and corresponding mitigation measures will be closely monitored during implementation.				

Annex 5: Implementation Support Plan

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

Strategy and Approach for Implementation Support

1. The Implementation Support Strategy design draws upon the risk profile of the Operational Risk Assessment Framework (ORAF, Annex 4) and aims to enhance the client's quality of delivery of the proposed investments. This strategy is focused on risk mitigation measures as per the ORAF and regular Bank implementation support, including technical, institutional, social and environmental safeguards, and fiduciary aspects.

2. The proposed Implementation Support Strategy includes the following main elements:

(a) The Project will be supervised by a headquarters-based team which will coordinate with the Country Office in Brazil as necessary.

(b) Implementation support will start immediately after Board Approval to finalize and initiate the procurement of the Project's key activities. Frequency of supervision missions is expected to be higher at the beginning of implementation (possibly up to four per year) and decrease to two to three missions per year after the Project reaches a good implementation pace.

(c) Fiduciary and safeguards trainings will be provided early on to the project implementation staff and the Bank's fiduciary and safeguards staff will initially provide support and advice to their counterparts in addition to their implementation support function.

(d) The Implementation Support Plan will be revised regularly on the basis of project progress and continuous risk assessment.

Implementation Support Plan

3. **Technical Support.** While most of the investments contemplated under the Project are not technically highly complex, the Bank team will be required to ensure that coordination amongst implementing institutions and inter-institutional arrangements receive full support. Specifically:

(a) *Component 1.* The metropolitan management component supports integration and coordination in urban development, housing, transport, environment and disaster risk management. Supervision of the works will require that the Bank's team have solid technical experience regarding each of these sectors and provide support in coordinating amongst the institutions implementing activities within these sectors.

(b) *Component 2.* The social development component will support the state in the education and health sectors. Bank team expertise will likely be required to support the preparation of a strategic plan for the SEASDH as well as carry out technical studies to design a monitoring and evaluation model for the agency.

(c) *Component 3.* The tax administration and financial management component will benefit from support by Bank team members with technical expertise in carrying out studies and developing procedures to improve management and costing of public investment programs.

4. **Fiduciary Support.** As a result of the fiduciary assessment, an action plan has been suggested on both FM and procurement in addition to closer initial supervision needs. Specifically:

(a) *Procurement:* The Bank supervision team will: (i) Provide training to the Project staff; (ii) provide advice and support to the Procurement Specialists in the UGP; (iii) review procurement documents and provide timely feedback to the UGP; and (iv) monitor procurement progress against the Procurement Plan.

(b) *Financial Management:* FM supervision would include on-site and off-site supervisions. On-site supervision missions will be carried out at least twice a year to the extent possible during the first year and later calibrated to once a year. Off-site supervisions will comprise desk reviews of interim financial reports and audited financial statements.

5. **Safeguards support.** Regular safeguards support for implementation will be important throughout project implementation. Support for addressing resettlement issues is required for studies related to risk mapping, land tenure regularization, and metropolitan plans. Environmental safeguards support will also be required to ensure that metropolitan planning activities account for potential negative environmental impacts.

6. Implementation main focus. The following table summarizes the main focus of implementation during the life of the Project.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Getting the Project underway and generating goodwill With early results	Project management, technical support in housing, transport, environment, disaster risk management, social, health, education and fiscal areas	150 percent of supervision budget	Begin project activities related to housing regularization, disaster risk management, health sectors, financial management

12-48months	Developing good practices, implementing activities	Project management, technical support in urban development, social, fiscal areas	Normal supervision budget	Improve speed and efficiency of implementation of all three components
Closing	Drawing lessons learned	Project management, monitoring and evaluation	Normal supervision budget	Complete works and activities

Skills Mix Required

7. The following table summarizes the proposed skill mix and number of staff weeks in the initial phase of project implementation. It is expected that demand will decrease and change with time.

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leader	8	2-3	headquarters-based
Sector Specialist (Urban)	10	4-6	Two people
Environmental Specialist	2	1	
Social Specialist	4	4	Two people
Procurement Specialist	8	4	Two people (first two years)
Financial Management Specialist	2	1	
Disbursement Specialist	2	0	
Disaster Risk Management Specialist	3	2-3	
Education Specialist	3	2-3	
Health Specialist	3	2-3	
Fiscal Specialist	3	2-3	
Operations Analyst	4	2-3	

Partners

Client	State of Rio de Janeiro	Borrower
UGP	SEPLAG, SEOBRAS, SEFAZ	Implementing Agency
Project Partner Institutions	SEEDUC, DRM, SETRANS, INEA, SHE, CEHAB, ITERJ, SEDEC, MP, SES	Each partner has its own roles/responsibilities for specific activities under the Project. (Annex 3)

Annex 6: Economic and Financial Analysis

BRAZIL: Strengthening Public Management and Integrated Territorial Development Technical Assistance Project

1. This US$48 million project is linked to US$1,770 million investment in the state DPLs[20]. Overall, the program supports areas that are likely to have a significant impact on economic growth, both in the short run (environment, taxation) and in the long run (education, health, urban planning, and governance). The program will have tremendous leverage over much of the 2012-2015 multi-year plan and their investments at the metropolitan region level. There is ample evidence that the areas supported have positive and high rates of return, as is the case of education, health, and urban governance. As a project supporting a broad government program, a quantitative economic assessment was not undertaken. An ideal economic analysis for an investment project would provide an estimate of the present value of the stream of economic benefits from the project net of project costs. Such an ideal approach is not possible in this case, given that most of the specific benefits will be improved institutional capacity and performance that generally cannot be accurately translated into dollars or *reais*. Moreover, for the most part, it is impossible to ascribe efficiency and effectiveness gains directly and exclusively to the specific activities of the proposed project. Still, several project activities have evident fiscal and economic impacts that can be articulated, even if not fully quantified in advance.

2. Various aspects of the design of the activities help to ensure that investments represent the lowest-cost, best alternative. Two main design features help meet this goal. First, the process of selection of studies was demand-driven which helps ensure that scarce resources flow where they are most needed and that selected activities are the best alternatives. Second, the now-established use of project frameworks (*projetos padrão*) and cost parameters for the most common types of activities demanded ensures that the efficient selection models are implemented while decreasing associated search and information costs. Internal rates of return have been estimated for the most common types of investments – for which the proposed technical assistance would provide support - and range between 15 and 25 percent[21]. The analysis was based on the Social Accounting Matrix model proposed by IPEA[22]and assumed constant benefits over the project life cycle. Sensitivity analysis showed that these activities are reasonably robust in relation to decreases in output and prices, and increases in production costs. Benefit-cost ratios are high (greater than 2.0) for the main types of activities analyzed bringing short term benefits. Analysis of these activities also suggests that investments are generally financially sustainable and often would lead if not to full cost recovery, at least to a more efficient use of resources in the medium term. For instance, it is expected that improvements in tax functions and the restructuring of processes will bring immediate gains in additional tax

[20] The Fiscal Sustainability, Human Development and Competitiveness DPL (P117244, closed in December 2010); the Metropolitan Urban and Housing DPL (P122391, closed in December 2012); the Fiscal Consolidation, Human Development and Public Financial Management Development Policy Loan (P126465, closing January 2014) and the Enhancing Public Management for Service Delivery in Rio de Janeiro Development Policy Loan (P147695, approved on November 21, 2013)

[21] For instance, the IRR for activities leading to investments at metropolitan level yield an IRR of about 25 percent, while for housing it was calculated to be around 16 percent, for social activities around 20 percent, and for the health sector activities around 14 percent.

[22]Instituto de Pesquisa Economica Aplicada (IPEA), 2011. *Gastos com a Politica Social: alavanca para o crescimento com distribuição de renda.* Rio de Janeiro.

revenues. Also, in the case of improved governance and urban transport modes, the improved frameworks will allow for increased attractiveness and competitiveness of the territory, and the improved allocation of productive factors in the economy.

3. The proposed operation includes several technical assistance activities in a range of sectors. These activities will underpin the reform agenda of the government of the state of Rio de Janeiro and provide the technical assistance backbone for the "Fiscal Consolidation, Human Development and Public Financial Management DPL" (P122391), Rio de Janeiro state Development Policy Loan. The anticipated impacts of the newly introduced activities in each project component are described in the table below.

Table A6-1. Economic and Fiscal Impacts of Selected Project Activities

Selected Activities	Economic Impact	Fiscal Impact
Component 1: *Strengthening Metropolitan Management through Integration and Coordination in Urban Development, Housing, Transport, Environment and Disaster Risk Management*		
Creation and implementation of a monitoring and evaluation system to measure the impact and quality of interventions in the metropolitan region.	Optimization of the distribution of resources in the territory, resulting in increased regional productivity.	Development of efficient governance programs based on performance indicators that measure the quality of outcomes may reduce public spending.
Proposal to reform institutional arrangements for the management of metropolitan development, including a revision of State Law 87/97 and other norms of metropolitan governance.	Improvements in the management and implementation of urban and metropolitan interventions.	Reduced public spending resulting from greater efficiency in projects developed in the metropolitan region.
Elaboration of an Integrated Plan for developing the Rio de Janeiro Metropolitan Region. Technical study to integrate metropolitan plans for housing, public works, transport, sanitation and other sectors.	Economic development of the Rio de Janeiro Metropolitan Region due to the existence of integrated actions in diverse areas such as environmental sanitation, housing, and public transport.	Improved distribution of public resources due to more efficient planning that takes integrated actions and policies into consideration for the metropolitan territory.
Digital mapping of the metropolitan region's urban areas.	Greater intervention capacity of the public authority empowered by relevant technical information about the metropolitan territory.	More precise territorial information, which may result in increased precision in allocation of resources and spending.
Evaluation of the *BilheteÚnico* transportation ticketing system. Study of alternatives for the system's expansion. Detailed terms of reference for the development of the expanded metropolitan system.	Expansion of the system may create positive externalities for the metropolis, such as greater mobility, which may increase economic productivity.	Possible increase in public spending on the state and municipal level due to government subsidies.

Selected Activities	Economic Impact	Fiscal Impact
Definition of an action plan for the revision of the Metropolitan Urban Transport Agency's (AMTU-RJ) role in the region. Strengthen capacity for the creation of public policy and improve intersectoral cooperation. Feasibility study to create a metropolitan agency model. Model a more effective state role in responding to current demand.	Improvements in metropolitan public transport may result in substantial economic gains due to the reduction in time spent in traffic, for example.	More efficient procedures and processes may economize public resources.
Strengthen capacity of the Public Services Regulating Agency (AGETRANSP). Feasibility study to create a central location and system for regulatory information that AGETRANSP can access in the event of a crisis.	Greater regulation capacity strengthens the agency from the perspective of concessionaries, which incentivizes the meeting of contractual goals for investment and operational quality. Increased resources in the sector with the participation of the private sector.	Development of concession practices and participation of the private sector in public services may result in a decrease in public spending as a total of investments in the urban transport sector.
Technical studies to develop an institutional strengthening proposal for the State Secretariat for Housing (SEH) and the State Housing Company (CEHAB).	Institutional strengthening may increase the capacity of interventions and effectiveness of housing policies.	Public savings may result from a more robust institutional management of SEH and CEHAB.
Technical studies to design portfolio programs and integration with social programs. Technical study systematizing urban parameters for new plots of land in areas of social interest.	Provision of housing for populations without previous access. Regional economic growth may result from new constructions and a reduction in the housing deficit.	Development of housing programs may increase efficiency by more adequately directing spending and avoiding risky uses of public resources. New plots of land, once adequately occupied, will generate new sources of tax revenue.
Creation of an Operational Manual to identify vacant or underutilized areas for housing. Identification of areas on Avenida Brasil between Deodoro and Campo Grande and feasibility study for a pilot project in one of the identified areas.		
Development of a model for large, mixed-use housing nucleus integrated with social policies. Feasibility studies, including one on the economic and financial structure of this model in the Rio de Janeiro Metropolitan Region.	Large, mixed-use housing nuclei bring positive externalities to the local economy due to the concentration in a specific area of a defined, relatively homogenous consumer market.	New sources of tax revenue due to new housing nuclei with great potential for growth due to the structuring of PPPs.

Selected Activities	Economic Impact	Fiscal Impact
Studies to identify liabilities and negotiation and regularization strategies for housing developments and develop a condominium management and maintenance strategy for future developments.	Making the real estate market more dynamic. Increasing the value of regularized real estate and their surroundings. Increase in productivity of work associated with the improved quality of living situation.	Increase in tax revenues due to regularized real estate.
Design an Integrated Plan for Sustainable Urban Land Regularization (integration with other state interventions, diagnostic of state programs and municipal initiatives)	Potential increase in the value of real estate in regularized areas. Increase in productivity of work associated with the improved living situation.	
Building capacity of public representatives and civil society organized for land regularization and implementation of housing programs.		
Workshop to launch the Housing Plan.	Promotion of the ordered and planned expansion of areas for housing, avoiding irregular occupation and all associated negative externalities.	Guarantee that the housing expansion develops in a regular manner implies a reduction in lost tax revenues due to irregular occupation.
Guarantee the sustainability of investments made in *Projeto Iguaçu*, in the *Baixada Fluminense*.	Greater efficiency of investments for the revitalization of the *Baixada Fluminense* may result in a quicker economic recovery for the region.	Recuperation and increased dynamism in the economic activity in the region may increase flows of tax revenue.
Structuring and optimization of a database of risks and natural disasters.	Mitigation of negative economic impacts due to extreme climactic events.	Possible reduction in future public spending with the recuperation of areas affected by extreme climactic events.
Improvement in the integrated management of risks and disasters.	Maintenance of economic activity in areas of risk due to the reduced uncertainties related to extreme climactic events.	
Mapping of landslide and flood risks.	Increased value of land and increased dynamism to the real estate market.	
Monitoring equipment, including emergency response vehicles to respond to landslides and floods.	Greater foresight mitigates the impact of extreme climactic events, reducing the risk of productive investments and increasing economic potential.	
Building technical capacity, training to various inter-secretariat teams involved in disaster risk management.	Increasing potential of positive impacts with greater efficiency of activities due to greater technical capacity.	
Technical assistance for developing technical documents, specifications, and terms of reference.		

Selected Activities	Economic Impact	Fiscal Impact
Component 2:*Improving Living Conditions in the Most Vulnerable Social Settings*		
Technical studies to design a model for an M&E system for social programs, evaluation of main programs, and capacity building activities.	Monitoring and evaluation of projects allows for greater efficiency, keeping spending constant. Possibility of new individuals entering the workforce, increasing productivity. Increased administrative and organizational capacity, resulting in improved utilization of human capital involved in activities.	Greater efficiency in specific programs can reduce costs, keeping the level of activity constant. Possible overall reduction in fiscal spending.
Acquisition of information management hardware and software and development of an information system to monitor programs. Training for SEASDH staff.	Optimization of the flow of information and its security, resulting in faster and reliable information management. Increased operational capacity.	Reduced spending on obsolete methods of information storage. Mitigation of risks in managing confidential data. Optimization of resource distribution, resulting in public savings.
Technical studies to develop a strategic plan for SEASDH activities and management of processes.	Increased efficiency in activities carried out by the Secretariat. Reduction in inequalities and productive insertion of families in the workforce may increase economic activity.	Fiscal goals may be included in the management of SEASDH, ensuring greater control over spending, avoiding wasted resources. Increase in efficiency of administrative structure may reduce costs.
Technical studies and workshops to develop the social agenda in pacified territories.	Reinsertion of pacified territories in the productive dynamic of the metropolis through the provision of more products and services, generating positive externalities in the region.	Increase in tax revenues due to the fiscal regularization of economic activity in the pacified areas.
Technical studies and workshops to develop improved management and strategic design of the state Extreme Poverty Eradication Plan.	Exchange of knowledge, creating better understanding of the demands of the program. Insertion of excluded families in the economy, increasing productivity.	Efficient allocation of public resources. Income transfer policies negatively impact the state budget; however, the increase in economic activity generates new sources of tax revenue.
Strengthening the management and effectiveness of the Universal Social Assistance System (SUAS).	Increase in social security of families will likely result in their increased participation in economic productivity. A stronger Social Assistance system may result in reduced poverty and inequality.	Successful social assistance activities will reduce the costs of attending to citizens in dire or emergency situations.
Technical studies to design and implement a methodology for the State Human Rights Plan (PEDH II), to be discussed for approval in regional and state conferences.	Insertion of citizens previously excluded results in an increase in demand, stimulating the productivity and economic activity.	Successful social assistance activities will reduce the costs of attending to citizens suffering due to inequality.
Technical studies and workshops addressing social policies and the states' main social programs.	Bringing citizens out of extreme poverty results in development at the local, regional and metropolitan level due to the increased level of economic activity.	Increase in formal economic activity results in an increase in state tax revenues.

Selected Activities	Economic Impact	Fiscal Impact
. Acquisition of information management hardware and software and development of an information system to identify and locate missing people.	Families and friends suffer significant health, work, quality of life, emotional, relationship, economic and other impacts associated with a missing person. Better and more useful information to identify and locate missing people may reduce these negative impacts.	In the medium term, the improvement in treatment of mental health patients will contribute to a reduction in public spending, particularly in public health and penitentiary systems, in addition to the possibility of social and economic reinsertion of the individual, increasing tax revenues.
Expansion of MSM and integration of the system with other relevant databases.	Improved protection and treatment of mental health patients may result in gains in social capital and economic productivity.	
Capacity building for users of PLID (staff in Polícia Civil, ISP, SNSP, IML, and Disque Denúncia) and MSM (Promotorias de Justiça, Gestores e Unidades de Saúde, hospitals, and CAPS).	Better information about mental health patients may contribute to their productive reinsertion into society.	
Expand SEEDUC's analytical and system management capacity through selective recruitment, improvement in data systems, and financing of program impact evaluations.	More accurate, policy-relevant, and timely data will be available to support more efficient resource allocation decisions. Rigorous evaluations of key programs will support more productive investment/program decisions.	Management decisions based on "real-time" system performance data and rigorous evaluation evidence will increase spending efficiency.
Identify school infrastructure issues and investment priorities to permit increased hours of instruction for secondary school students.	Increased hours of secondary school instruction and a reduction in the share of students in (3-4 hour) night shifts can be expected to improve graduation rates and learning results, which should increase individual graduates' productivity and contribute to unemployment reduction and productivity growth.	Improved infrastructure and longer hours of instruction have a fiscal cost. However, these will be offset by reductions in the very high repetition rate in the Rio state system. Higher secondary graduation rates should also be correlated with higher employment and worker productivity, which have positive impact on tax receipts.
Evaluation of the comparative performance of different approaches to organizing and delivering primary care.	More efficient strategies for family health programs are fundamental for this policy to have a positive impact, particularly: refinement of health service delivery, and increased community awareness and involvement in decision-making in public health. These aspects are expected to increase economic productivity.	An indirect consequence of greater community involvement may be increased efficiency in the distribution of resources within the family health programs.
Analyze and restructure administrative and clinical processes in state hospitals.	Improvements in hospital management reduce time spent on patient consultations and increases the number of patients attended. Besides improving public health indicators, these changes may result in increased economic productivity.	Per capita public health spending is reduced due to a decreased number of complications and readmissions as well as lower exposure time to illnesses in hospitals.

Selected Activities	Economic Impact	Fiscal Impact
Component 3:*Strengthening Core Finance and Taxation Functions*		
Technical studies to develop a methodology for estimating lost revenue due to tax waivers.	Mapping tax waivers allows more effective activities in many economic sectors, making them more competitive and incentivizing economic growth.	Identifying tax waivers by sector and by period allows sectoral and temporal analyses as the basis of crucial decision making by public managers.
Technical studies to revise tax collection procedures.	Increased access to financing for companies due to improved tax collection procedures. Increases in public coffers make possible the creation of new tax waivers that can increase competitiveness and economic growth.	Programs that allow entities to pay taxes in installments, as in São Paulo, have been very successful in recuperating lost revenue.
Implementation of a control system for the Automobile Property Tax (IPVA) administrated by the State Secretariat of Finance.	Increase in anticipated tax collection of IPVA allows managers greater control and planning abilities for the use of their resources as well as the possibility of granting new tax incentives.	A control system for IPVA collection will facilitate and increase the rate at which taxes are collected. Real time interaction with entities in the identification of payments will increase efficiency.
Creation of a common database for all investment projects in the state and training of technical specialists.	A database will allow managers to access more information for planning of future activities, as well as improved management of current activities, guaranteeing clarity and effectiveness of state investments.	Improvement in transparency of control over the use of financial resources.
Technical studies for a diagnostic of mechanisms needed to implement best practices in debt management and training of technical specialists.	Access to the best resources and experts to evaluate financing options and their respective conditions, allowing the Secretariat to better define long-term goals and strategies in order to avoid short-sighted decisions.	Training technical specialists and refining the tools available to them increases their capacity to execute state goals. This may increase the state's ability to access new lines of financing and facilitates relations with investors, creditors and risk rating agencies.

ESPÍRITO SANTO

MINAS GERAIS

SÃO PAULO

ATLANTIC OCEAN

ATLANTIC OCEAN

RIO DE JANEIRO

To Governador Valadares

To Vitória

To Belo Horizonte

To São Paulo

Varre-Sai
Porciúncula
Natividade
Laje do Muriaé
Itaperuna
Bom Jesus do Itabapoana
Rio Itabapoana
São José de Ubá
Miracema
Italva
Cardoso Moreira
São Francisco de Itabapoana
Santo Antônio de Pádua
Cambuci
Rio Muriaé
Rio Paraíba do Sul
Aperibé
Itaocara
São Fidélis
São João da Barra
Campos dos Goytacazes
São Sebastião do Alto
Santa Maria Madalena
Carmo
Cantagalo
Macuco
Cordeiro
Trajano de Morais
Duas Barras
Conceição de Macabu
Quissamã
Carapebus
Bom Jardim
São José do Vale do Rio Preto
Sumidouro
Sapucaia
Comendor Levy Gasparian
Paraíba do Sul
Três Rios
Areal
Rio das Flores
Valença
Rio Piabanha
Nova Friburgo
Macaé
Rio Macaé
Cachoeiras de Macacu
Casimiro de Abreu
Rio das Ostras
Teresópolis
Petrópolis
Guapimirim
Rio Macacu
Magé
Silva Jardim
Vassouras
Paty do Alferes
Miguel Pereira
Barra do Piraí
Engenheiro Paulo de Frontin
Mendes
Paracambi
Japeri
Rio Piraí
Pinheiral
Volta Redonda
Barra Mansa
Porto Real
Quatis
Resende
Itatiaia
Rio Claro
Queimados
Belford Roxo
Duque de Caxias
Nova Iguaçu
Mesquita
Nilópolis
São João de Meriti
Seropédica
Itaguaí
Itaboraí
Tanguá
Rio Bonito
Armação dos Búzios
São Gonçalo
Niterói
Maricá
Saquarema
Araruama
Iguaba Grande
São Pedro da Aldeia
Cabo Frio
Arraial do Cabo
Mangaratiba
Angra dos Reis
Parati
Baía de Sepetiba
Baía da Ilha Grande
Ilha Grande
23° S
44° W

BRAZIL
RIO DE JANEIRO METROPOLITAN AREA

- RIO DE JANEIRO METROPOLITAN AREA
- HIGHWAYS
- HIGHWAYS UNDER CONSTRUCTION
- NATIONAL ROADS
- NATIONAL ROADS UNDER CONSTRUCTION
- RAILROADS
- PLANNED RAILROADS
- MUNICIPAL CAPITALS
- STATE BOUNDARIES
- MUNICIPAL BOUNDARIES

Source: www.dnit.gov.br

0 25 50
KILOMETERS

This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.