



Board of Executive Directors
No-objection Procedure
Expires on 27 September 2024

PR-5226
13 September 2024
Original: Spanish
Public
Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Brazil. Proposal for an individual loan for the “*Bahia Mais Digital* Program - Digital Transformation of the Government of the State of Bahia”

Basic Information: Loan Type Specific Investment Loan (ESP)
Borrower State of Bahia
Guarantor Federative Republic of Brazil
Amount up to US\$42,000,000
Source Ordinary Capital

Inquiries to: Mariano Lafuente (mlafuente), Santiago Paz (santiagopaz) or Luis Alarcón (luisala)

Remarks: This is the seventh individual operation financed with resources from the Conditional Credit Line for Investment Projects (CCLIP) for the program “*Brasil Mais Digital*” (document PR-4878), approved pursuant to Resolution DE-23/21.

The Executive Directors are requested to inform the Secretary in writing with copy to “**SEC-EXE**”, no later than **27 September 2024 at 5:30 p.m.**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors and a record to that effect will be made in the minutes of a forthcoming meeting.

Reference: DR-398-20(3/24), GN-1838-3(6/18), GN-2246-13(10/19), DE-98/19, GN-2246-15(11/21), GN-3207(3/24), GN-2973(7/19), GN-2973-2(8/23), PR-4878(3/21), DE-23/21, PR-5211(6/24), DE-88/24

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

***BAHIA MAIS DIGITAL* PROGRAM – DIGITAL TRANSFORMATION
OF THE GOVERNMENT OF THE STATE OF BAHIA**

(BR-L1626)

**SEVENTH INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP) BR-O0010 – “*BRASIL MAIS DIGITAL*”**

LOAN PROPOSAL

This document was prepared by the project team consisting of: Mariano Lafuente (IFD/ICS), Project Team Leader; Santiago Paz (IFD/ICS) and Luis Alarcón (IFD/CMF), Alternate Project Team Leaders; Marianna González Chacón, Martina Bergues, Catherinne de la Torre, Edgardo Mosqueira, and Arturo Munte (IFD/ICS); Tiago Prado (IFD/CMF); Laisa Rachter (SCL/GDI); Ana Champloni (CSD/CCS); Vanessa Moura, José Luiz Rossi, and Haroldo Vieira (CSC/CBR); Marília Santos and Juliana Debeux (VCP/FMP); Krysia Ávila (LEG/SGO); and Denisse Wolfenzon, Fátima Cartaxo, Juan Eberhard, Flávio Galvão, and Horacio Nemeth (consultants). The team would like to thank Gastón Pierri and José Luis Hernández (IFD/ICS) for their valuable input.

In accordance with the Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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LINKS	
REQUIRED	
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2.	Monitoring and evaluation plan
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OPTIONAL	
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6.	Social and environmental strategy
7.	Compliance with the Public Utilities Policy (GN-2716-6)
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ABBREVIATIONS	
ANATEL	Agência Nacional de Telecomunicações do Brasil (National Telecommunications Agency of Brazil)
CCLIP	Conditional Credit Line for Investment Projects
CGGD	Comité Gestor de Governança Digital (Digital Governance Management Committee)
IBGE	Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics)
ICB	International competitive bidding
ICT	Information and communications technology
IRR	Internal rate of return
MEP	Monitoring and evaluation plan
NCB	National competitive bidding
PMU	Program management unit
PNAD	Pesquisa Nacional por Amostra de Domicílio (National Household Sample Survey)
PRODEB	Companhia de Processamento de Dados do Estado da Bahia (State of Bahia Data Processing Company)
SAEB	Secretaria de Administração do Estado da Bahia (State of Bahia Administration Department)
SECTI	Secretaria de Ciência, Tecnologia e Inovação do Estado da Bahia (State of Bahia Science, Technology, and Innovation Department)
SEFAZ	Secretaria de Fazenda do Estado de Bahia (State of Bahia Finance Department)
SEI	Superintendência de Estudos Econômicos e Sociais (Superintendency of Economic and Social Studies)
SOFR	Secured Overnight Financing Rate
WCAGs	Web Content Accessibility Guidelines

PROGRAM SUMMARY

BRAZIL

BAHIA MAIS DIGITAL PROGRAM – DIGITAL TRANSFORMATION OF THE GOVERNMENT OF THE STATE OF BAHIA (BR-L1626)

SEVENTH INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) “BRASIL MAIS DIGITAL” (BR-O0010)

Financial Terms and Conditions							
Borrower:				Flexible Financing Facility ^(a)			
State of Bahia				Amortization period:	24.5 years		
Guarantor:				Disbursement period:	5 years		
Federative Republic of Brazil				Grace period:	6 years ^(b)		
Executing agency:				Interest rate:	SOFR-based		
The borrower, through the State of Bahia Administration Department (SAEB)				Credit fee:	(c)		
Source	Amount (US\$)	%	Inspection and supervision fee:		(c)		
IDB (Ordinary Capital)	42,000,000	80	Weighted average life:		15.25 years		
Local	10,500,000	20	Approval currency:		U.S. dollar		
Total	52,500,000	100					
Program at a Glance							
<p>Program objective/description: The program’s general development objective is to advance the digital transformation of government in the State of Bahia, and thus increase user satisfaction and generate savings for citizens in the use of public services. Its specific development objectives are to: (i) expand digital inclusion and the supply and use of digital public services; (ii) improve the efficiency of public management through digital transformation; and (iii) enhance the effectiveness of public management through digital transformation.</p>							
<p>Special contractual conditions precedent to the first disbursement of the financing: The executing agency will provide evidence to the Bank that: (i) the regulations (<i>portaria</i>) creating the program management unit and appointing its General Coordinator, on the terms agreed upon with the Bank, have been published in the Official Gazette of the State of Bahia; and (ii) the program Operating Regulations have entered into effect on the terms agreed upon with the Bank (paragraph 3.5).</p>							
<p>Special contractual conditions for execution: Prior to initiating the execution of program activities that benefit the State of Bahia Data Processing Company (PRODEB), the Superintendency of Economic and Social Studies (SEI), the State of Bahia Science, Technology, and Innovation Department (SECTI), and the State of Bahia Finance Department (SEFAZ), the executing agency will provide the Bank with evidence that technical cooperation agreements have been signed with these entities, on the terms agreed upon with the Bank (paragraph 3.6).</p>							
Strategic Alignment							
Objectives: ^(d)	O1 <input type="checkbox"/>		O2 <input checked="" type="checkbox"/>			O3 <input checked="" type="checkbox"/>	
Operational focus areas: ^(e)	EO1 <input type="checkbox"/>	EO2-G <input checked="" type="checkbox"/> EO2-D <input checked="" type="checkbox"/>	EO3 <input checked="" type="checkbox"/>	EO4 <input type="checkbox"/>	EO5 <input type="checkbox"/>	EO6 <input checked="" type="checkbox"/>	EO7 <input type="checkbox"/>

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

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

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank’s lending charges, in accordance with the applicable policies.

^(d) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Promote sustainable regional growth).

^(e) EO1 (Biodiversity, natural capital, and climate action); EO2-G (Gender equality); EO2-D (Inclusion of diverse population groups); EO3 (Institutional capacity, rule of law, and citizen security); EO4 (Social protection and human capital development); EO5 (Productive development and innovation through the private sector); EO6 (Sustainable, resilient, and inclusive infrastructure); EO7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

1. Background and CCLIP progress

- 1.1 This program is the seventh individual loan operation under the *Brasil Mais Digital* Conditional Credit Line for Investment Projects (CCLIP) ([BR-O0010](#)), which was approved by the Board of Executive Directors on 7 April 2021, together with the first individual operation thereunder for US\$28 million (loan [5248/OC-BR](#)).¹ According to the applicable policy (GN-2246-13), the objective of this multisectoral II CCLIP is to contribute to Brazil's digital transformation by: (i) improving digital connectivity (both coverage and quality); (ii) enhancing the adoption of new technologies in the productive sector; (iii) improving public services through the implementation of new technologies; and (iv) improving the country's performance in crosscutting factors required for the digital transformation. The liaison entity is the International Affairs and Development Department, an agency of the Ministry of Planning and Budget (SEAD).²
- 1.2 The CCLIP, for up to US\$1 billion, which is to be allocated over a 10-year utilization period, is structured in four sectors and has three resource allocation channels. One of these channels is subnational,³ in which the borrowers are the states, the Federal District, and municípios with borrowing capacity under current federal government rules, for programs that contribute to the digital transformation of Brazil aligned to one or more of the CCLIP's sectors. These are: (i) digital infrastructure; (ii) digital economy; (iii) e-government; and (iv) enabling factors. This will be the eighth individual operation under the CCLIP,⁴ the sixth in the e-government sector, and the fourth for a state government entity.⁵
- 1.3 *Brasil Mais Digital* has a programmatic vision, which, in its digital government sector, is based on a strategic partnership with the federal government and the National Council of State Secretaries of Administration (CONSAD), in charge of the state digital government agenda. The Bank plays a key role—through technical assistance

¹ Resolution DE-23/21.

² Pursuant to Amendment 1 of the CCLIP Agreement (BR-O0010), signed on 30 May 2023.

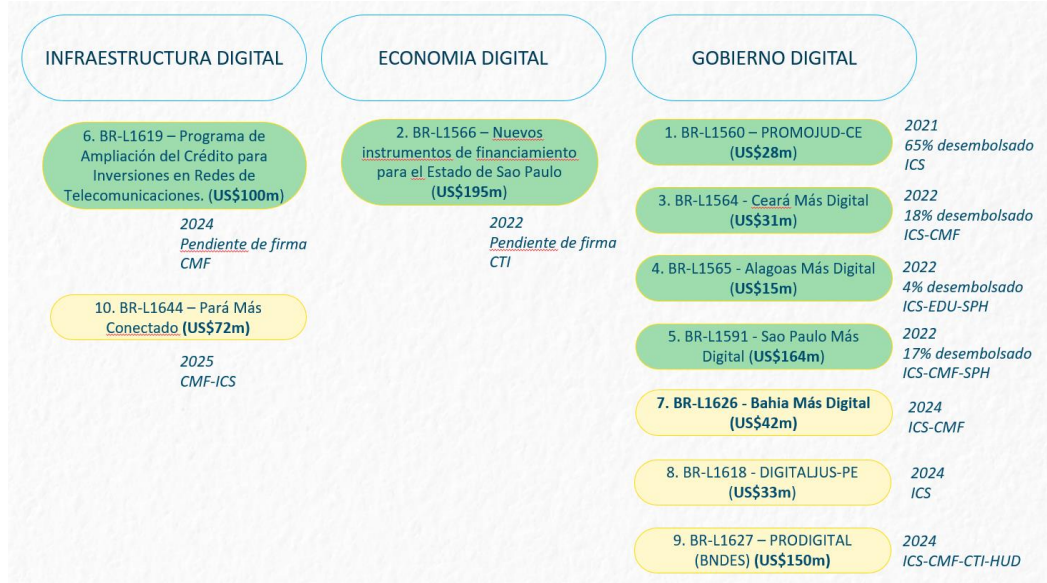
³ The other channels are: (i) the Federative Republic of Brazil for digital transformation programs in one or more of the CCLIP sectors; and (ii) national or regional development banks, which enhance the granularity and scale of financing, by making subloans to subnational entities or small and medium-sized enterprises, for specific investments that contribute to the country's digital transformation and are aligned with one or more of the CCLIP sectors.

⁴ Previous operations are: (i) Program for Modernization of the Judicial Branch of the State of Ceará – PROMOJUD ([5248/OC-BR](#)), approved in 2021 for US\$28 million, 65% of which has been disbursed, and has already achieved the following impact between 2021 and 2023: increased satisfaction of judicial services users (from 56% to 73%), and enhanced efficiency of court cases from their opening through sentencing (from 37 to 21.9 months), among others; (ii) New Innovation Financing Instruments for the State of São Paulo ([5492/OC-BR](#)), approved in 2022 for US\$195 million, pending signature; (iii) *Ceará Mais Digital* ([5516/OC-BR](#)), approved in 2022 for US\$31 million, 18% disbursed; (iv) *Alagoas Mais Digital* ([5575/OC-BR](#)), approved in 2022 for US\$15 million, with 4% disbursed; (v) *São Paulo Mais Digital* ([5579/OC-BR](#)), approved in 2022 for US\$164 million, with 17% disbursed; (vi) Program to Expand Access to Credit for Telecommunications Network Investments ([5900/OC-BR](#)), approved in 2024 for US\$100 million; (vii) Pernambuco State Justice Digital Transformation Program, in preparation; (viii) Federal Program for Government and Digital Infrastructure, in preparation; and (ix) *Pará Mais Conectado*, in preparation.

⁵ These are: (i) Ceará ([5516/OC-BR](#)); (ii) Alagoas ([5575/OC-BR](#)); and (iii) São Paulo ([5579/OC-BR](#)).

and financing—in supporting the federal government to coordinate digital government public policy at the state and municipal levels, achieving scale and impact in a federative context. Between 2021 and 2024, the CCLIP has advanced in the allocation of 75.8% of resources (see Figure 1).

Figure 1. Operations under *Brasil Mais Digital*, by CCLIP sector and status of progress



2. Background and context of Brazil

- 1.4 **Macroeconomic context.** In 2023, the Brazilian economy grew 2.9%, and inflation came in at 4.62%, within the target range. The federal government approved a new fiscal framework and consumption tax reform during the year, with the aim of strengthening fiscal sustainability and simplifying tax payments. By 2024, GDP growth of 2.68% is projected.⁶
- 1.5 **Context of post-COVID-19 pandemic developments and e-government in Brazil.** The crisis triggered by the COVID-19 pandemic accelerated the digital transformation of Brazil’s public sector. The restrictions imposed on public-facing services have boosted the digitalization of such services. At the federal government level, Brazil is among the top 20 countries in the world in the [United Nations online services subindex \(2022\)](#) and ranked second out of 198 countries in the [World Bank e-government maturity index \(2022\)](#). More than 90% of its procedures have been digitalized, thereby generating significant savings; and more than 156 million people (over 70% of the total population) have an account in the [Gov.br](#) single portal. Moreover, the National e-Government Strategy was published in 2024, which includes states and municípios.⁷ At the state level, in 2019 only 4% of services were digitalized and 31% of the states reported that the services most used by their citizens in the last year was fully available online.⁸ By 2023, however, states such as Rio Grande do Sul, Goiás, and Rio de Janeiro were providing the vast majority of

⁶ [Central Bank Focus Survey, 10 September 2024.](#)

⁷ [Decreto 12.069/2024](#)

⁸ [Centro de Estudos sobre as Tecnologias da Informação e da Comunicação \(2020\).](#)

their services online. Nonetheless, the fact that others still had low rates of digitalization reveals a highly varied degree of digital maturity.⁹

- 1.6 These advances were absorbed by a connected and digitally adapted citizenry. In a 2020 nationwide survey, 86% of the population reported being adapted to the digital world. In addition, two of the ten key activities performed online by the population in 2020 were public services (i.e., social benefits and documents).¹⁰

3. Background and context of Bahia

- 1.7 **Socioeconomic and macroeconomic contexts.** In 2023, the state of Bahia, located in Brazil’s Northeast region, had just over 14 million inhabitants, amounting to 7% of the national population; and it generated roughly 4% of Brazil’s total GDP.¹¹ Bahia has significantly improved its fiscal situation in recent years. Its payment capacity rating was upgraded from “C” in 2020 to “B” in 2021 and 2022, and then to “A” in 2023,¹² based on improvements in key revenue, expenditure, and public debt indicators, and the fulfillment of constitutionally mandated minimums for health and education spending.¹³
- 1.8 **Context of the COVID-19 pandemic.** As in the rest of the region, the relevance of digital technologies has grown exponentially in Bahia, owing to the COVID-19 pandemic. Connectivity and the new technologies have been fundamental for maintaining and expanding the delivery of public services amid restrictions on public-facing services. The state of Bahia is a pioneer in the modernization of services—it already had an online services platform in 2017 and has had an e-government policy since 2018.¹⁴ Nonetheless, the number of digital procedures performed on the BA.GOV.BR portal¹⁵ grew from 350,000 in 2019 to over 2 million in 2021. In addition, the state proceeded to digitalize 44 key services, including obtaining a driver’s license, identity card, and school enrollment.¹⁶
- 1.9 **Legal, institutional, and strategic framework.** The state government’s strategic priorities are to advance the digital transformation of the public sector, improve the quality and coverage of connectivity, and digitalize public services. The strategic objectives of the Bahia 2035 Integrated Development Plan include broadband infrastructure, improved public service offerings, and strengthening the development of disruptive technologies. The Multiyear Plan 2024-2027, submitted for Legislative Assembly approval in October 2023, envisages the creation of a special *Bahia Mais Digital* program and a e-government program, with actions to improve the governance of information and communications technologies (ICTs) and data, modernize infrastructure and connectivity, and develop the digital transformation of public management and public services. The State of Bahia Administration Department (SAEB) coordinates the state’s digital transformation and organizes,

⁹ [ABEP-TIC \(2023\)](#).

¹⁰ [IDB \(2021\)](#).

¹¹ [IBGE \(2023\)](#).

¹² [Tesouro Nacional TRANSPARENTE](#) (Transparent Treasury).

¹³ [State of Bahia transparency portal](#).

¹⁴ [SAEB Resolution 02/2018](#).

¹⁵ The platform was launched under the name “SAC Digital” and was migrated to BA.GOV.BR in November 2023, as part of a new strategy for communication and interaction with citizens. The procedures covered include the scheduling of face-to-face services.

¹⁶ With technical assistance from the Bank. See [Caldas \(2020\)](#).

structures, and steers the strategic use of ICTs and the expansion of digital services.¹⁷ In the last two years, the state has attained key digital governance milestones, including: (i) designation of the Digital Transformation Coordination as a SAEB division, to provide technical leadership in e-government;¹⁸ and (ii) creation of the Digital Governance Management Committee (CGGD) to coordinate the e-government policy of the E-government Executive Committee, to support the Management Committee.¹⁹

- 1.10 **Context of e-government in Bahia.** The state currently has a medium-high relative development level in e-government, ranking fourth out of 27 in the e-government index of Brazilian states in 2023 (scoring 129.25 points out of a maximum of 150),²⁰ with room for improvement—especially in terms of digital services delivery. Despite having a catalogue of more than 500 services, only 10.6% can be requested digitally, which represents a loss of efficiency, considering the lower transaction cost of a digital service compared to the same service provided face-to-face.²¹ Aside from its informative nature, the portal has usability shortcomings that complicate the citizen experience (47.6% reported difficulties when using state digital services),²² and it generates gaps by being inaccessible to persons with disabilities. Moreover, Bahia does not have an interoperability platform, and has not published strategies or governance data.²³
- 1.11 On the demand side, apart from the difficulty in using e-government services, the vast majority of the state’s population is prepared to use more and better digital services: in December 2020, 87.3% of citizens (slightly above the national average) reported being adapted to the digital world.²⁴ Nonetheless, 43% reported that they were unaware of e-government services, or had never used them. In addition, only 49% said they were either satisfied or very satisfied with state digital services, slightly below the national average (53%), and below the best performing state (69%). Compounding this is a lack of trust among citizens that the state government will protect personal data (just 31.7% reported trusting that the government would protect their data, almost nine percentage points below the national average).
- 1.12 **Cybersecurity in Bahia.** Brazil is the country of the region with the most cyberattacks. Although Bahia has an information security policy published in 2011, it is outdated and has not fully implemented.²⁵ At SAEB and the State of Bahia Data Processing Company (PRODEB), there are only 3 and 10 individuals, respectively, who work in cybersecurity.²⁶ In addition, the state does not have incident prevention, detection and response services. Due to this lack of capabilities, PRODEB has been able to detect and respond to 1,897 incidents in 2023. By way of comparison,

¹⁷ [State Decree 21.451 of 2022](#).

¹⁸ [State Decree 21.451 of 9 June 2022](#).

¹⁹ [State Decree 22.269 of 6 September 2023](#).

²⁰ [ABEP-TIC \(2023\)](#). The index contributes to the states’ competitiveness ranking.

²¹ [IDB \(2018\)](#).

²² [IDB \(2021b\)](#). The best performing state had a percentage of 24%.

²³ [IDB \(2021a\)](#).

²⁴ [IDB \(2021b\)](#). Survey of a representative sample of the Bahian population. Responses reported by interviewees, which may differ from official connectivity statistics.

²⁵ [State of Bahia \(2024\)](#).

²⁶ Relevamiento GTD.GOV.

Uruguay, with a population approximately four times smaller than Bahia, detected 4,968 incidents in the same period.²⁷

- 1.13 **Connectivity and digital infrastructure in Bahia.** The Bahia government's data traffic demand has grown with the digitization of government processes and public service delivery. Over the past five years, the state has invested in the *Infovia Digital da Bahia* project, a fiber optic multiservice data communication network run by PRODEB, which serves the metropolitan area of the city of Salvador de Bahia. Implementation of this network has expanded transmission capacity by more than 300%. Citizens' access to digital services depends on their ability to connect to the Internet. In 2019, 12.3% of the state's municípios lacked fixed Internet coverage.²⁸ Moreover, in 2023, 15.92% the state's population did not have access to fourth generation (4G) mobile broadband coverage,²⁹ and the corresponding figure for the rural population was estimated at 54.89%. Additionally, only 40% of municípios have the infrastructure needed to provide user-free Internet access as a public service. In addition to ample data on coverage in Brazil, figures also reveal inequalities among digitally excluded population groups. According to the 2022 Household ICT survey, the largest population groups subject to digital exclusion are black and multiracial (*pardo*). Data relating digital coverage to ethnicity reveal disparities in municípios with low connectivity coverage (less than 50% of the population covered): whereas 36.8% of white individuals do not have broadband service coverage, the percentage is significantly higher (at 63.1%) among other population groups (black, Asian (*amarelo*), multiracial (*pardo*) and Indigenous). Data obtained from the C2DB project show that 31.6% of the 1,305 Quilombola communities in Brazil had fixed broadband coverage in 2022.³⁰ These Internet coverage deficiencies make it more difficult for citizens to access digital services, and they determine the state's potential to deliver them more efficiently. They also have an impact on the productive development and social inclusion of the most vulnerable population.
- 1.14 **The general problem** to be addressed by this program concerns disparities in the efficiency and coverage of digital public services provided by the Bahia state government, and the population's satisfaction with them. The specific problems and their determinants are analyzed below.
- 1.15 **Digital inclusion gaps, and disparities in the supply and use of digital public services.** This problem is mainly due to: (i) gaps in Internet access for citizens in more remote parts of the state (paragraph 1.13); (ii) shortcomings in the digital services platform, including: (a) lack of accessibility for persons with various disabilities,³¹ despite the fact that 10% of the state's population suffers from some type of disability,³² and the use of technical and complex language in interactions with citizens; and

²⁷ [Government of Uruguay \(2023\)](#).

²⁸ [MUNIC IBGE \(2019\)](#).

²⁹ [Panorama ANATEL](#).

³⁰ Afro-descendants (black and multiracial) represent 81% of the population (PNAD, 2022). In addition, the state is the federative unit with the largest Quilombola population, representing 29.90% of the total Quilombola population as censused (IBGE, 2022).

³¹ Currently, the platform only guarantees accessibility for the visually impaired. However, the federal government and the State of Bahia follow the W3C Web Content Accessibility Guidelines (WCAG) 2.0. These guidelines explain how to make web content more accessible to persons with various disabilities, covering visual, hearing, physical, speech, cognitive, language, learning and neurological impairments (WCAG 2.1). The guidelines also improve the usability of web content for older people and benefit all users overall.

³² [PNAD \(2022\)](#).

(b) inefficiencies generated by several of the existing digital services, owing to their outdated technology and design; (iii) online public services that are mainly informative, with just 10.6% of them available for transactions wholly online; (iv) gender disparity in the number of digital transactions on the service platform (only 34% performed by women);³³ (v) deficiencies in the digital identification of citizens, a key requirement for effective public services delivery;³⁴ (vi) deficient digital services offerings;³⁵ and (vii) insufficient support provided for the digital transformation of Bahian municípios.

- 1.16 **Gaps in the use of information technology for government business that make the state less efficient.** This is primarily due to: (i) the fact that public services are mainly provided face-to-face, making them much more costly (paragraph 1.18); (ii) deficiencies in the online payment procedure of the digital services platform; and (iii) the coexistence of multiple non-integrated and outdated corporate tools and systems and overlapping databases, which generate inefficiencies and do not allow for cross-referencing, either at the administrative level or for mission activities.
- 1.17 **Gaps in the use of information technology for government business make the state less effective.** This is primarily attributable to: (i) the lack of crosscutting governance in data, cybersecurity, and e-government management; (ii) digital skills gaps among public servants in the information technology area;³⁶ (iii) outdated digital mapping and deficient and incomplete georeferenced territorial information, which prevents adequate sector maps from being generated for policy design and implementation;³⁷ (iv) inadequate data transmission capacity of the *Infovia Digital da Bahia* network, which averages 5 gigabytes per second owing to the growth of traffic demand; (v) insufficient geographic scope of the *Infovia Digital da Bahia* network, which only serves part of the metropolitan area of Salvador and needs to be expanded to cover municípios with an estimated population of 300,000 people who have recently been incorporated into the conurbation; (vi) state data centers that use

³³ The platform has 5 million citizens registered, of which 53% are men and 47% are women. According to [IDB \(2021\)](#), there were gender disparities in the adaptation of Bahia's citizens to the digital environment: 52% of men are fully adapted, compared to 46% of women. A small proportion of the population, 5% of men and 11% of women, had not yet adapted, or had faced difficulties in their adaptation process. In terms of frequency of access, 45% of men and 38% of women use digital services on a daily basis, while 3% of men and 12% of women have had to fulfill procedures in person. In relation to persons who have faced difficulties in completing online procedures in the last 12 months, 14% of men and 32% of women cite lack of information as a barrier to carrying out digital services.

³⁴ Although the BA.GOV.BR platform is integrated with Gov.Br (federal government authentication), there are no biometric mechanisms.

³⁵ Systems that are not integrated with the BA.GOV.BR platform, with multiple databases that are not interoperable. This lack of integration hinders service delivery, creates information silos, and causes system inefficiencies.

³⁶ In a survey of 173 information technology specialists in all state departments conducted in October 2023, 37% considered their digital capacities to be "poorly or partially developed." In addition, 75% reported that they had not received training in the last year, and 85% had not obtained any certification on digital government issues in the last three years. Moreover, 54% of digital specialists were between 45 and 62 years of age.

³⁷ The state currently only has data for 62.65% of its territory, which prevents proper planning of key public policies, including previous studies for wind and solar energy investments, water resource and vegetation management, and land use, as well as studies to define territorial boundaries.

ageing electrical systems with no redundancy or disaster recovery procedures implemented;³⁸ and (vii) insufficient cybersecurity infrastructure and services.³⁹

- 1.18 **Empirical evidence.** The literature shows that digital public services are quicker (by 74% on average), less expensive to deliver (an average unit cost reduction of 39.9% for the government),⁴⁰ and less vulnerable to corruption. Thus, greater digitalization enhances public sector efficiency and generates savings for society, among other benefits.⁴¹ The literature also shows that the reduction in public service transaction times is the main factor increasing citizen satisfaction.⁴² The digitalization of internal management systems also enhances efficiency, since it shortens service delivery times and reduces costs for the state.⁴³ Lastly, the use of biometric systems in the provision of public services improves their effectiveness and efficiency.⁴⁴
- 1.19 **The Bank's experience in the country and lessons learned.** The Bank has extensive experience with digital investments to improve management in Brazil's public sector (e.g., in the social security, transparency and public asset management, and justice sectors),⁴⁵ as well as in digital services (paragraph 1.21) and fiscal modernization.⁴⁶ Since 2019, the Bank has maintained a strategic partnership with Brazil in e-government, both through the *Brasil Mais Digital* CCLIP and its individual operations (paragraphs 1.1 and 1.2), and through technical assistance provided to: (i) the federal government, especially in cybersecurity and federative cooperation; (ii) states, especially as the main technical sponsor of the Digital Transformation Group of State and Federal District Governments (GTD.GOV), created in 2019, and currently involving all 27 federative units; and (iii) municípios, mainly through the [Rede Gov.Br](#) platform that enables self-diagnostic assessment and preparation of investment plans in e-government, with 1,225 municípios registered as of May 2024. The Bank has also recently completed extensive analytical work on the topics of the operation ([optional link 4](#)). The lessons learned from these programs that were incorporated include: (i) the importance of coordinating digital transformation policies across government levels (paragraph 1.31); (ii) defining the program's expected targets, taking into account successful experiences in other states, and the use of benchmarking tools between states (results matrix); and (iii) combining the digitalization of administrative processes with the processes of delivering services to citizens (paragraphs 1.31 and 1.32); and (iv) identify interventions and better plan their implementation through the use of the CCLIP tool, which allows for scale and impact in a federative context (paragraphs 1.31, 1.32, and 1.33).

³⁸ As a result, it was necessary to shut down all systems housed in the PRODEB data center in order to perform maintenance. In 2022 a 30-hour outage was required.

³⁹ See paragraph 1.12.

⁴⁰ [Pizzolato and Venijio \(2022\)](#).

⁴¹ [IDB \(2018\)](#).

⁴² IDB ([2016](#) and [2020](#)), Simplifying Lives.

⁴³ [De Michele, R. and G. Pierri \(2020\)](#); [Banerjee, A. et al \(2016\)](#).

⁴⁴ [Muralidharan, K. et al \(2014\)](#); [Cristia et al \(2022\)](#).

⁴⁵ (i) PROPREV II (loan [2791/OC-BR](#)) for US\$10 million, approved in 2012 and now closed; (ii) Strengthening of Prevention and Combat to Corruption in the Public Management (loan [2919/OC-BR](#)) for US\$18 million, approved in 2013 and now closed; (iii) Program for Modernization of Federal Government Immovable Assets ([loan 2580/OC-BR](#)) for US\$15 million, approved in 2011 and now closed; and (iv) loan [5248/OC-BR](#) (paragraph 1.2), respectively.

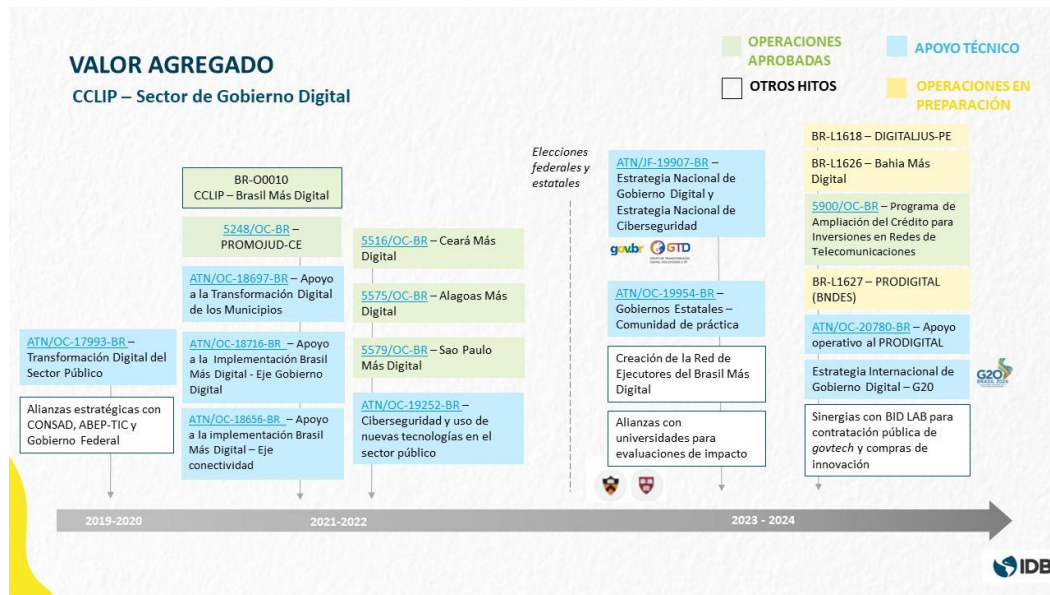
⁴⁶ [PROFISCO I](#) (US\$500 million, 2008) and [PROFISCO II](#) (US\$900 million, 2017).

- 1.20 **The Bank's experience in the region and lessons learned.** This program will leverage the Bank's experience with public sector digital transformation projects, namely: Support to the E-government Strategy (loan [4867/OC-UR](#)) and the Program for Improvement of Public Services and State-Citizen Interaction (loan [3625/OC-UR](#)), both in Uruguay; the Panama Online Program (loan [3683/OC-PN](#)), in Panama; and the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises (loan [4399/OC-PE](#)) in Peru. The Bank also has significant experience in analytical work on e-government and connectivity.⁴⁷ The proposed program incorporates lessons learned such as: (i) strengthening the capacities of the executing agency through specific specialized assistance services that enable successful implementation of complex technological products (paragraphs 1.31, 1.32, 1.33, 2.4(c), and 3.1); (ii) maintaining a flexible design to be able to adapt more nimbly to technological changes that may occur during implementation (all components); (iii) maintaining an omnichannel approach to service enhancement to reach the entire population (paragraph 1.32); and (iv) supporting change management activities, owing to difficulties in introducing digital transformation processes (paragraph 1.33).
- 1.21 **Complementarity with other IDB Group operations in Brazil, and value added by the Bank.** The program will be complemented by PROFISCO II-Bahia ([4970/OC-BR](#)) approved in 2020 for US\$40 million. This is financing the modernization of ICT procurement tools, a transparency portal, and a Big Data solution, complementary with Component 1 (paragraph 1.31). The program will also seek synergies with other e-government programs supporting state governments under the *Brasil Mais Digital* CCLIP ([BR-00010](#)), such as loans [5516/OC-BR](#), [5575/OC-BR](#) and [5579/OC-BR](#) (paragraph 1.2). In particular, the state of Bahia will benefit from lessons learned and the possibility of sharing terms of reference and solutions for similar outputs under the CCLIP's Executing Agencies Network (created in December 2023). These operations, along with the Bank's strategic partnerships with the federal government, including the preparation of the national e-government strategy, the updating of the cybersecurity strategy, and with the states through GTD.GOV, are emblematic of the IDB Group's value added in e-government in Brazil. In the specific case of Bahia, the Bank has supported the modernization of public management through the National Program to Support the Modernization and Planning of the States and the Federal District (PNAGE) (loan [1718/OC-BR](#)) approved in 2006 for US\$93 million and now closed; and in 2019 it supported the digitalization of key public services through client-support technical cooperation to strengthen transparency in Brazil (operation [ATN/FI-16777-BR](#)), approved in 2018 for US\$350,000 and now closed. Lastly, synergies with IDB Lab will be explored for GovTech public procurement and to encourage innovative public procurement.
- 1.22 **Related technical cooperation operations.** An operational support technical cooperation operation—*Brasil Mais Digital* Implementation Support – Digital Government Axis II (operation [ATN/OC-19954-BR](#))—was approved in 2023 for US\$400,000, 44.93% of which has been disbursed. This is available to support the initial design and implementation of this and other programs of the e-government

⁴⁷ Examples include [Guía de Transformación Digital del Gobierno \(2022\)](#), [El Fin del Trámite Eterno \(2018\)](#), [Ciberseguridad \(2016 and 2020\)](#), [Simplifying Lives \(2016 and 2020\)](#), and [Transformación Digital y Empleo Público: El Futuro del Trabajo del Gobierno \(2021\)](#), and [Strategies and Business Models for Improving Broadband Connectivity in Latin America and the Caribbean: Guidelines for the Planning, Investment, and Rollout of Broadband Networks](#).

axis under the *Brasil Mais Digital* CCLIP, through the preparation of complex terms of reference and contracting of consulting services for operational support.

Figure 2. The Bank's value added for the digital government agenda of Brazil (2019-2024)



- 1.23 **Strategic alignment.** The program is consistent with the IDB Group's Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligns with the following objectives: (i) addressing climate change, since it helps curb greenhouse gas emissions, by reducing emissions from transportation following the digitalization of public services, the program's climate financing represents an estimated 14.09% of the resources provided by the Bank to finance the operation ([optional link 5](#)); and (ii) bolstering sustainable regional growth, since it invests in sustainable, resilient, and inclusive digital infrastructure. The program is also aligned with the following operational focus areas: (i) gender equality and inclusion of diverse population groups; (ii) institutional capacity, rule of law, and citizen security; and (iii) sustainable, resilient, and inclusive infrastructure, through investments in digital infrastructure (connectivity).
- 1.24 The program is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (GN-2587-2), in its public sector management and financing component. Additionally, the operation is aligned with the IDB Group Country Strategy with Brazil 2019-2022⁴⁸ (GN-2973-3) through its strategic objectives of: (i) Promot[ing] e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises; and (ii) Building a more effective government. It also contributes to its crosscutting objectives of innovation and digital transformation, gender equity and diversity, and climate change. Lastly, the operation is included in the Update to Annex III of the 2024 Operations Program Report (GN-3207-3).
- 1.25 **Paris Agreement.** This operation has been reviewed using the Paris Alignment Implementation Approach (GN-3142-1), and is deemed to be: (i) aligned to the Paris Agreement adaptation target; and (ii) aligned to the Paris Agreement mitigation

⁴⁸ The validity of this strategy was extended until 15 November 2024 in the context of the transition to a new one.

target based on a specific analysis. Verification of alignment was based on consideration of the following elements: (i) the financing of the data center expansion and modernization is not inconsistent with the targets of Brazil's Nationally Determined Contribution (NDC); (ii) investments related to data center modernization must meet the sustainability criteria required by internationally recognized certifications such as [LEED BD + C: Data Centers](#), [BREEAM](#), or [CEEDA](#), or the relevant ISO standards; and (iii) no hydrofluorocarbon ventilation systems will be financed.

- 1.26 **Green finance.** According to the Green Finance Tracking Methodology at the IDB Group (GN-3101), 18.36% of the operation represents green finance, in the form of investments in the state's digital mapping that will strengthen environmental management systems. The sum of climate and green finance amounts to 32.45% of the operation's resources ([optional link 5](#)).
- 1.27 **Gender and diversity considerations.** The operation contributes to closing the gender and diversity gaps mentioned above, through the following activities: (i) development and implementation of a digital literacy strategy for women, through communication actions and training workshops, based on a diagnostic assessment and analysis of needs for better adaptation to the digital world, including greater access and use of digital services on the BA.GOV.BR platform (paragraph 1.32); (ii) expansion of accessibility on the BA.GOV.BR platform for persons with various disabilities, by performing a diagnostic assessment and designing an action plan to incorporate new accessibility features, following the W3C Web Content Accessibility Guidelines (WCAG) 2.1 (paragraph 1.32); and (iii) the expansion of connectivity infrastructure for user-free Internet access, through Wi-Fi access points for municípios in more remote parts of the state, from public buildings and squares, making it possible to serve the majority Afro-descendant and Indigenous population (paragraph 1.33). In addition, the program is aligned with the Framework for Action on Employment with a Gender Perspective (OP-2289-1 and GN-3057).
- 1.28 **Consideration of technological innovations.** This operation will execute projects that have innovative components, including: (i) the implementation of a state data belt with big data and data lake interoperability, generating efficiencies in public policy management and enhancing service quality (paragraph 1.31); (ii) the use of artificial intelligence tools to support policy and management decision-making (paragraph 1.31); and (iii) the implementation of innovative cybersecurity policies and solutions, including an operations security center equipped with incident detection and response tools, as well as tools and methodologies for secure software development (paragraph 1.33).
- 1.29 **Compliance with the Public Utilities Policy.** The program complies with the objectives, economic viability, and financial sustainability principles and conditions set out in the Public Utilities Policy (GN-2716-6), by guaranteeing state budget funding to provide user-free Internet access as a public service, in public buildings and squares of municípios in more remote parts of the state, thereby seeking to serve the most disadvantaged communities and groups, and making use of the existing public infrastructure (see [optional link 3](#) and [optional link 7](#)).

B. Objectives, components, and cost

- 1.30 **Objective of the seventh individual operation under the CCLIP.** The program's general development objective is to advance the digital transformation of government in the State of Bahia, and thus increase user satisfaction and generate

savings for citizens in the use of public services. Its specific development objectives are to: (i) expand digital inclusion and the supply and use of digital public services; (ii) improve the efficiency of public management through digital transformation; and (iii) enhance the effectiveness of public management through digital transformation.

- 1.31 **Component 1. Digital transformation of public management (IDB: US\$15.9 million; Local: US\$4.9 million; Total: US\$20.8 million).** This component will contribute to improving the efficiency and effectiveness of public management. It will finance support to:⁴⁹ (i) develop e-government, data, and cybersecurity strategies; (ii) strengthen the state's ICT capacities;⁵⁰ (iii) implement an innovation laboratory;⁵¹ (iv) modernize corporate tools and systems;⁵² (v) improve and expand digital mapping;⁵³ (vi) implement digital tools to improve public management efficiency;⁵⁴ and (vii) design and implement a change management strategy.
- 1.32 **Component 2. Digital transformation of public services (IDB: US\$7.7 million; Local: US\$4 million; Total: US\$11.7 million).** This component will help expand the supply and use of digital public services, and make public management more efficient. It will finance support to: (i) modernize the state's digital services platform and payment portal, including universal access facilities for persons with disabilities;⁵⁵ (ii) digitalize and automate state public services;⁵⁶ (iii) develop and implement a digital literacy strategy for the state's population, prioritizing women;⁵⁷ (iv) implement biometric recognition; and (v) design a smart cities program (*InovaCidade*).⁵⁸

⁴⁹ Specialized individual consultants will be hired for the preparation of terms of reference and quality control for all technologically complex products. A more detailed description of the activities to be financed for each product is provided in [optional link 3](#).

⁵⁰ Consulting services to identify professional profiles and organizational structures, the necessary skills, and training for public servants on digital issues, prioritizing digital governance, cybersecurity, and data.

⁵¹ Physical space adaptation, equipment, and consulting services for the development of an innovation policy and innovative procurement model in the State.

⁵² Electronic case file, citizen service and scheduling system, and implementation of a data belt to integrate legacy systems and data sets.

⁵³ Expansion of the cartographic database, with better scale and 100% coverage of the state, to support decision making.

⁵⁴ Implementation of cost management model by service unit (schools, hospitals and others) and control panel.

⁵⁵ An initial diagnostic will be conducted to evaluate the platform's degree of accessibility, and an action plan will be designed to incorporate the new accessibility facilities for persons with all types of disabilities, following the W3C Web Content Accessibility Guidelines (WCAG) 2.1. The action plan will also include the integration of legacy systems and web portal, mobile and face-to-face customer service channels (omnichannel approach); modernization of the payment portal to enable online payments and instantaneous recognition; and improvements in the search for and supply of information on services.

⁵⁶ Approximately 300 priority services will be made fully digital.

⁵⁷ The activity adopts a differentiated approach specifically for women: (i) diagnostic assessment and analysis of specific needs: study to identify women's needs, addressing aspects such as level of prior knowledge, socioeconomic barriers, and specific practical needs; (ii) communication actions targeting women: use of communication channels that are accessible to and most frequently used by women; (iii) training workshops designed for women, adapted in content and methodology, to ensure that women feel comfortable and empowered during the learning process; (iv) facilitation of access to digital services: measures to ensure access to devices and connectivity, such as community centers to facilitate digital access; and (v) cultural and gender sensitivity: implementation strategies with sensitivity to cultural norms and gender dynamics that may influence women's participation in these trainings.

⁵⁸ Modeling of a program for Bahian municípios.

- 1.33 **Component 3. Digital infrastructure and connectivity (IDB: US\$16.7 million; Local: US\$1.6 million; Total: US\$18.3 million).** This component will contribute to expanding digital inclusion and making public management more effective. It will finance support to: (i) expand and modernize the *Infovia Digital da Bahia* network;⁵⁹ (ii) expand connectivity infrastructure to provide user-free Internet access as a public service in more remote parts of the state, where the population is mostly Afro-descendant or Indigenous;⁶⁰ (iii) strengthen the resilience of the state's data center;⁶¹ and (iv) strengthen the state's cybersecurity infrastructure and services.⁶²
- 1.34 **Program administration (Total - IDB: US\$1.7 million).** Financing will be provided for program administration, evaluation, and audits.
- 1.35 Expenses that are eligible for program financing include specialized consulting services, goods and nonconsulting services (including the procurement of equipment, software, and training), as well as small-scale works to modernize cabling and infrastructure for connectivity and to adapt an existing space for the innovation laboratory.
- 1.36 **Beneficiaries.** The program's direct beneficiaries will be citizens (14 million) and firms that use Bahia state services, whose satisfaction will increase owing to the wider availability and greater efficiency of digital services, including time savings and cost reductions for both users and the government. Women in particular (52.7% of the population) will benefit by increasing their use of digital services. The expansion of connectivity will benefit approximately 300,000 citizens, as well as firms and institutions in more remote parts of the state, especially the most vulnerable population of the municípios served. Lastly, the state's civil servants (140,000 in total and 1,900 in the SAEB) will benefit by having their digital capacities strengthened; and public institutions will benefit by becoming more effective and efficient in delivering their services, thanks to greater digitalization.

C. Key results indicators

- 1.37 **Expected impact and outcomes.** Achievement of the program's general development objective will be measured by the extent to which the citizens of Bahia become more satisfied with the provision of state digital public services; by the reduction in the percentage of citizens who report difficulties using such services; and by the savings that their digitalization generates for society. Achievement of the program's specific development objectives will be measured through indicators such as: (i) increase in the percentage of prioritized public services available in digital format; (ii) increase in the number of transactions on digital channels; (iii) increase in the number of citizens registered with BA.GOV.BR; (iv) municípios with the infrastructure needed to provide user-free Internet access as a public service; (v) economic benefits due to the digitalization transformation of government; (vi) improvement in the digital skills of the state's information technology specialists; (vii) increase in communities of the state of Bahia covered by digital mapping;

⁵⁹ Expansion of *Infovia Digital da Bahia*'s traffic capacity, small-scale infrastructure modernization works and extension to encompass new municípios in the Salvador conurbation.

⁶⁰ Implementation of Wi-Fi hotspots in public places.

⁶¹ Modernization of the electrical system and both infrastructure and services needed to interconnect the state's three main data centers to obtain redundancy and make the system more resilient.

⁶² Cybersecurity operations center (SOC) and strengthening of the PRODEB cybersecurity unit using consulting and technological tools.

(viii) expansion of the transmission capacity of *Infovia Digital da Bahia*; and
 (ix) cybersecurity incidents detected and processed.

- 1.38 **Economic analysis.** A cost-benefit analysis was performed to determine the program’s internal rate of return (IRR) and its economic viability. The program’s two main quantifiable benefits stem from cost reductions for citizens and the state government, thanks to increased digitalization of services. The evaluation concludes that the program’s benefits outweigh its costs, assuming conservative benefit parameters and without considering all possible sources. The latter include fewer serious cybersecurity incidents, and savings obtained by standardizing state web portals and the citizen payment portal. The program’s net present value in the base case scenario is approximately US\$16.8 million, and its IRR is 25%. All assumptions were formulated as conservatively as possible, with benefits starting mainly in year 2 or later. Various sensitivity analyses were performed based on substantially lower-value assumptions, all of which generated an IRR above 16% ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Origin and use of resources.** The program will be structured as a Specific Investment Loan (SIL), which is justified by the fact that it has clearly defined activities. Its total cost will be US\$52.5 million, of which US\$42 million (80%) will be financed with resources from the Bank’s Ordinary Capital and US\$10.5 million (20%) from the local counterpart contribution.

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

Component	IDB	Local	Total	%
Component 1. Digital transformation of public management	15.9	4.9	20.8	39.6
1.1 Development of e-government, data, and cybersecurity strategies	0.4	-	0.4	0.8
1.2 Strengthening of state ICT capacities	0.7	-	0.7	1.3
1.3 Implementation of an innovation laboratory	1.0	-	1.0	1.9
1.4 Modernization of corporate tools and systems	1.1	2.5	3.6	6.8
1.5 Improvement and expansion of digital mapping	7.4	2.4	9.8	18.7
1.6 Digital tools to improve public management efficiency implemented	5.0	-	5.0	9.5
1.7 Design and implementation of a change management strategy	0.3	-	0.3	0.6
Component 2. Digital transformation of public services	7.7	4.0	11.7	22.3
2.1 Improvement of the digital services platform and state payment portal, including universal accessibility facilities for persons with disabilities	2.5	2.0	4.5	8.6
2.2 Digitalization and automation of state public services	3.2	2.0	5.2	9.9
2.3 Development and implementation of a digital literacy strategy for the state’s population, prioritizing women	0.3	-	0.3	0.6
2.4 Implementation of biometric recognition	1.2	-	1.2	2.3
2.5 Design of the <i>InovaCidade</i> smart cities program	0.5	-	0.5	1.0
Component 3. Digital infrastructure and connectivity	16.7	1.6	18.3	34.9
3.1 Modernization and expansion of <i>Infovia Digital da Bahia</i>	2.3	-	2.3	4.4
3.2 Expansion of connectivity infrastructure for user-free public in more remote parts of the state, where the population is mostly Afro-descendant or Indigenous.	3.6	1.6	5.2	9.9
3.3 Strengthening of the resilience of the state’s data center	5.6	-	5.6	10.7
3.4 Strengthening of cybersecurity infrastructure and services	5.2	-	5.2	9.9

Component	IDB	Local	Total	%
Program administration, evaluation, and audits	1.7	-	1.7	3.2
Total	42.0	10.5	52.5	100.0

*The amounts quoted for each output are indicative and nonbinding.

- 2.2 The loan proceeds will be disbursed over a five-year period as outlined in Table 2. The execution period was defined on the basis of the average time needed to design and implement the program’s proposed activities.

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

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	4.20	10.68	10.95	11.85	4.32	42.00
Local	1.05	2.44	2.70	2.85	1.46	10.50
Total	5.25	13.12	13.65	14.70	5.78	52.50
%	10	25	26	28	11	100.00

B. Environmental and social risks

- 2.3 In accordance with the Environmental and Social Policy Framework (ESPF) (GN-2965-23), this is classified as a Category “C” operation, because it is expected to cause minimal or no negative environmental or social impacts. Environmental and Social Performance Standards (ESPS) 1, 2, and 10 were triggered; and actions specified in the environmental and social strategy will be considered during project design ([optional link 6](#)).

C. Other risks and key issues

- 2.4 Five medium-high risks were identified in the design stage:
- a. **Human resources.** If the suppliers of ICT activities experience volatile and high rates of staff turnover, owing to strong market demand for the respective profiles, there could be a delay in the program execution timetable. To mitigate this, monitoring of market conditions is proposed with a view to ensuring that the terms of reference for the deliverables of the critical path output contain specific clauses on labor and the execution milestones, and to impose contractual penalties for each day of delay by the contracted company (this will be specified in the program [Operating Regulations](#)).
 - b. **Human resources.** The digital transformation promoted by the program could prompt resistance to change at key program institutions, in which case the adoption or intended use of the outputs might not occur and, consequently, the expected targets in the results matrix might not be achieved. To mitigate this, the development and implementation of a change management plan (paragraph 1.31) and the involvement of the CGGD in its implementation are proposed.
 - c. **Human resources.** If the professional staff of the institutions participating in the program lack experience in the procurement of complex technological products, these could prove to be inadequate or insufficient, resulting in a failure to achieve the expected targets of the results matrix. To mitigate this, part of the funding for these outputs will be used to engage technical consulting services (paragraph 1.20)

- d. **Technical design.** If SAEB and PRODEB have little capacity to implement cybersecurity measures to support the government's digital transformation, new vulnerabilities could be introduced to government-managed platforms. To mitigate this, the program will finance the development of a cybersecurity strategy (paragraph 1.31), strengthening both the resilience of the state's data center and cybersecurity infrastructure and services (paragraph 1.33). In addition, specific cybersecurity clauses will be included in the terms of reference for procurement.
 - e. **Governance system.** In the event of difficulties in interagency coordination for program implementation between the SAEB and PRODEB, the Superintendency of Economic and Social Affairs (SEI), the State of Bahia Science, Technology, and Innovation Department (SECTI), and/or the State of Bahia Finance Department (SEFAZ), outcomes involving different SAEB beneficiaries could be delayed, leading to delays in program implementation. To mitigate this, these institutions' participation in program design will be secured, and a technical cooperation agreement will be signed between the SAEB and each of the participating institutions (paragraph 3.6).
- 2.5 **Program sustainability.** The investments made and program results are expected to be sustainable, based mainly on: (i) efficiency gains, with savings exceeding the investments made ([optional link 1](#)); (ii) the sustainability strategy for the technology investments (paragraph 2.6); (iii) strengthening of the digital capacities of career civil servants in the SAEB and other priority departments, including the possibility of reaching agreements for investments in training with the Universidade Corporativa do Serviço Público de Bahia; and (iv) the program's alignment with the state's medium- and long-term strategic priorities and plans (paragraph 1.9).
- 2.6 **Sustainability of technology and cybersecurity investments.** The program will maximize the sustainability of its technology investments by: (i) using PRODEB as the integrator of many of the investments, considering its role as the operational arm of digital transformation and support for all of the state's technology solutions (paragraphs 1.31 and 1.32); and (ii) implementing methodologies and tools for the development of secure software, which will be permanently incorporated into the production process (paragraph 1.33). The program will also develop ICT and cybersecurity capabilities through: (i) strategy development (paragraph 1.31); (ii) strengthening of organizational units (paragraph 1.31); (iii) staff training (paragraph 1.31); and (iv) incorporation of platforms and data center resilience improvements (paragraph 1.33). Once the interventions and organizational, process, and strategic reforms have been completed, the trained human capital and deployed infrastructure will be maintained over time. However, the state will have to commit to ensuring the continuity and maintenance of the platforms. By strengthening organizational units, optimizing management processes, and training human capital, the program anticipates a technology transfer to these units, which will mitigate maintenance costs.
- 2.7 **Sustainability of connectivity investments.** The program will maximize the sustainability of *Infovia Digital da Bahia* investments in connectivity infrastructure, by avoiding the need for transmission links to be outsourced owing to insufficient network capacity in places where *Infovia Digital da Bahia* is already present, and by ensuring that its modernization can meet the technical requirements demanded by the new public services. The sustainability of investments in connectivity infrastructure, to provide user-free Internet access as a public service, will be

maximized by: sharing the transmission links that connect the government units, for the purpose of carrying this traffic securely; and by integrating their network management and service monitoring under the infrastructure of the *Infovia Digital da Bahia* network operations center, which will ensure their operation and improve the level of service that they deliver.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the State of Bahia, with the Federative Republic of Brazil serving as guarantor of the financial obligations arising from the loan.⁶³ The State of Bahia will also serve as executing agency through the SAEB. The results of the institutional capacity analysis indicate that the SAEB has capacity to manage the actions to be undertaken by the operation.⁶⁴ It was determined that the executing agency needs capacity strengthening, mainly in: (i) project management; (ii) procurement and financial management; (iii) technical quality management (for complex technology products); and (iv) the management of environmental, social, security, and occupational health safeguards. Accordingly: (i) a program management unit (PMU) will be set up within the SAEB's organizational structure, with participation by civil servants and external consultants. Its staff will include a procurement, monitoring, and evaluation coordinator (who will be supported by five project assistants, two procurement assistants, and one monitoring and evaluation assistant) (paragraph 3.2); (ii) the PMU will receive training in the Bank's procurement and financial management policies and procedures, and will have a financial management coordinator (supported by two assistants), in addition to the procurement assistants, one of whom will have experience with Bank policies (paragraph 3.2); and (iii) the PMU will be supported by individual consultants specialized in preparing terms of reference and quality control for complex technology products (paragraph 2.4(c)).
- 3.2 **Program implementation, management, and coordination mechanisms.** The PMU will be attached administratively to the SAEB, and will be responsible for program management, including the planning, monitoring, financial management, procurement, and coordination of evaluation and audit functions. It will have a core team that will work full time on the program, consisting of the following: a general coordinator; an administrative and financial coordinator; and a procurement, monitoring, and evaluation coordinator.⁶⁵
- 3.3 **Interagency coordination mechanisms.** Due to the program's crosscutting nature, the SAEB will receive technical support and the commitment of the other institutions participating in the program, including the PRODEB, SEI, SECTI, and SEFAZ, with a view to ensuring effective execution that fosters the sustainability of the investments. These entities will provide technical support to the executing agency in

⁶³ See External Financing Commission (COFIEX) [Resolution 41](#), dated 6 September 2023, authorizing preparation of the operation.

⁶⁴ A total of 62 conditions were analyzed: 43 were identified as strengths, nine as areas with room for improvement, nine as weaknesses that need strengthening, and one as not applicable.

⁶⁵ It will also have an administrative advisor; a financial advisor; two procurement advisors; five project advisors; and a monitoring advisor, as well as a part-time legal advisor. All positions will be filled by civil servants, with the exception of the five project advisors and one of the procurement advisors, who will be hired with the loan proceeds. For further details, see the program [Operating Regulations](#).

their areas of competency for: (i) the preparation of studies, projects, technical specifications, terms of reference, and other actions required by the bidding processes; (ii) support for contract management and the technical quality control of deliveries; and (iii) the operation and maintenance of procured goods and services. This support will be formalized through a technical cooperation agreement, on terms agreed upon with the Bank, including integration and information exchange mechanisms (paragraph 3.6). Work will be coordinated among the participating entities, under SAEB leadership, and interoperability will be promoted between systems and digital tools. Moreover, in line with the digital governance framework in Bahia, work will be coordinated to ensure the effective implementation of crosscutting outputs such as the digitalization of state services, the strengthening of data governance, the Data Belt, and the modernization of corporate systems (paragraph 1.31).

- 3.4 The program [Operating Regulations](#) will provide details of the operation's execution and will include, at minimum: (i) the program's organizational structure; (ii) functions of the PMU; (iii) program and interagency coordination mechanisms; (iv) arrangements for programming, monitoring, and evaluation of results; (v) guidelines for financial, auditing, and procurement processes; and (vi) the financial management rules.
- 3.5 **Special contractual conditions precedent to the first disbursement of the financing. The executing agency will provide evidence to the Bank that: (i) the regulations (*portaria*) creating the program management unit and appointing its General Coordinator, on the terms agreed upon with the Bank, have been published in the Official Gazette of the State of Bahia (paragraph 3.1); and (ii) the program [Operating Regulations](#) have entered into effect on the terms agreed upon with the Bank (paragraph 3.4).** These conditions are necessary to: (i) ensure the quality and comprehensiveness of the program; and (ii) establish the guidelines, procedures, and coordination mechanisms to be followed by the executing agency for successful implementation of the program.
- 3.6 **Special contractual condition for execution.** Before executing program activities benefiting the PRODEB, SEI, SECTI and SEFAZ, the executing agency will provide evidence to the Bank that a technical cooperation agreement has been signed with these entities, on the terms agreed upon with the Bank, defining their responsibilities in the execution of such activities.
- 3.7 **Procurement of works, goods, consulting services, and nonconsulting services.** Procurements financed from the loan proceeds will be conducted in accordance with the respective Bank policies—the Policy for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15), and the Policy for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15).
- 3.8 **Retroactive financing and recognition of expenses.** The Bank may retroactively finance, chargeable against the loan proceeds, up to US\$2.1 million (5% of the proposed loan amount), and recognize from the local contribution, up to US\$1.05 million (10% of the estimated local contribution) in eligible expenditures for goods and nonconsulting services under Components 2 and 3, incurred by the borrower before the loan approval date, provided that requirements substantially similar to those established in the loan agreement have been met. The amounts in question would enable the borrower to support up-front activities that are crucial for

more expeditious implementation of the program.⁶⁶ Such expenditures will have been incurred on or after the official start date of the operation⁶⁷ (28 September 2023), but will not, under any circumstances, include expenditures incurred more than 18 months before the loan approval date.

- 3.9 **Disbursements and justification of advances.** Disbursements will be made in United States dollars in the form of advances of funds, based on the program's actual liquidity needs for a period of up to six months. For advances subsequent to the first one, at least 80% of the total cumulative balance of advances pending justification must be accounted for. The loan proceeds will be managed by the executing agency through an exclusive bank account that makes it possible to identify them and perform bank reconciliations, and to receive and manage program resources, as established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12).
- 3.10 **Audits.** The program's financial statements will be audited annually by the State of Bahia Audit Office (*Tribunal de Contas*), or by a Bank-eligible independent external audit firm to be contracted by the executing agency. The audited financial statements will be submitted to the Bank within 120 days after the end of each fiscal year (1 January to 31 December of each year), in accordance with the procedures and terms of reference previously agreed upon with the Bank. The program's final audited financial statements will be submitted no later than 120 days after the date of the last disbursement, or any extensions thereof.

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring by the executing agency.** Monitoring will be based on: (i) the results matrix; (ii) the [multiyear execution plan](#); (iii) the [annual work plan](#); (iv) the [monitoring and evaluation plan](#); (v) the [procurement plan](#); (vi) the program risk management matrix; (vii) the progress monitoring report (PMR); (viii) semiannual progress reports; and (ix) the program's audited financial statements. The PMU will prepare consolidated semiannual progress reports for review by the Bank, submitted within 60 days after the end of each six-month period.
- 3.12 **Evaluation.** The program will be evaluated against the annual outcome and output targets and indicators specified in the project's results matrix. The program [Operating Regulations](#) and the [monitoring and evaluation plan](#) provide for an independent midterm and final evaluation. The borrower will prepare and submit a midterm evaluation report to the Bank 90 days from the date that 50% of the funds have been disbursed, or upon 36 months of implementation, whichever occurs first. It will also send the Bank a final evaluation report to serve as input for the project completion report, 90 days after the date on which 95% of the loan proceeds have been disbursed. The contents of both reports are detailed in the [monitoring and evaluation plan](#).
- 3.13 **Impact evaluation.** To generate knowledge on the effectiveness of specific digital services projects, an impact assessment will be performed using the difference-in-differences model, to measure variations in the demand for digital services, as a result of their digitalization, and in citizen satisfaction, with the services that remain

⁶⁶ Activities are expected to be financed under outputs 2.1, 2.2, 3.1 and 3.4.

⁶⁷ In accordance with Annex 1 "Sovereign Guaranteed Operations – Summary Chart of Processing" of Operational Policy PR-200.

face-to-face serving as control group ([monitoring and evaluation plan](#)). This type of impact assessment allows for causal attribution of the program's benefits.

IV. ELIGIBILITY CRITERIA

- 4.1 This is the seventh individual operation under the *Brasil Mais Digital* CCLIP (BR-O0010), the first with the SAEB as executing agency, and the sixth pertaining to the e-government sector. As such, it satisfies all of the eligibility criteria defined in the Bank's policy applicable to the CCLIP (GN-2246-13, section III(1)) and the respective operational guidelines (OP-1622-3, section III(B)). With respect to the CCLIP: (i) its objectives are included among the priorities defined in the IDB Group Country Strategy with Brazil 2019-2022 (GN-2973-3) (paragraph 1.24); and (ii) the Ministry of Planning and Budget is empowered, as the liaison entity, to coordinate and monitor the overall work program of all CCLIP sectors included, so that it can verify that it is on track to achieve its multisector objectives (paragraph 1.1). In addition, for this individual operation: (i) a complete analysis made of the executing agency's institutional capacity found it to have the capacity needed for execution, while also identifying areas that need strengthening for adequate program implementation (paragraph 3.1), along with potential risks (paragraph 2.4); (ii) the operation contributes to the CCLIP's multisector objectives, since it helps improve public services by implementing new technologies, strengthening connectivity, and enhancing performance in crosscutting factors necessary for digital transformation (paragraphs 1.1 and 1.30); (iii) the operation is included in the CCLIP's e-government sector, since it mainly promotes the digital transformation of the public sector (paragraphs 1.1 and 1.2); and (iv) the loan proposal envisages actions in the areas for improvement identified in the executing agency's institutional capacity assessment. These relate mainly to project management, financial and procurement management, and technical quality management (for complex technology products) (paragraph 3.1).

Development Effectiveness Matrix		
Summary		BR-L1626
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	<ul style="list-style-type: none"> -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security -Sustainable, resilient, and inclusive infrastructure 	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	(i) Use e-government and digital solutions to promote transparency, accountability, and efficiency, improving services to citizens and businesses; and (ii) build a more effective government
Country Program Results Matrix	GN-3207-3	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.2
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		1.8
4. Ex ante Economic Analysis		5.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		0.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Support in the preparation of the initial project proposal, economic analysis and analysis mission (ATN/OC-19954-BR)

Evaluability Assessment Note: The general objective is to advance the digital transformation of the government of the state of Bahia to increase satisfaction and generate savings for the citizens in the use of public services. The operation will finance actions aimed at fostering the digital transformation of public management and public services. The project will also finance actions to improve digital infrastructure and connectivity.

The project has a solid diagnosis and shows as the main problem gaps in satisfaction, efficiency and coverage in digital public services provided by the government of the state of Bahia. This problem is related, in part, to gaps in digital inclusion, supply and use of digital public services; gaps in the use of Information Technologies for government management that lead to greater inefficiency of the state; and gaps in the use of Information Technologies for government management that lead to limited effectiveness of the state. However, two outcome indicators are not SMART and the target for many indicators are not justified with evidence. The economic analysis quantifies benefits in terms of savings from the provision of digital services. The exercise yields an IRR of 25% and presents a couple of sensitivity analyses. One of the assumptions in the analysis is not supported by evidence from similar experiences or studies.

The monitoring and evaluation plan proposes a reflexive evaluation (before and after methodology) for most of the indicators associated with the program's specific objectives and the general objective. An impact evaluation, using a difference-in-difference methodology, is proposed to estimate the impact of the program on the number of procedures completed.

The project obtained an Environmental and Social rating in category C, derived from the fact that minimal or no negative environmental or social impacts are expected. The project has an overall medium-low risk rating, highlighting four risks: (i) delays due to high turnover of ICT suppliers, (ii) resistance to digital transformation changes, (iii) inadequate delivery of complex technology products, and (iv) difficulties in institutional coordination. Mitigation measures have been proposed.

RESULTS MATRIX

Program objective:	The program's specific development objectives are to: (i) expand digital inclusion and the supply and use of digital public services; (ii) improve the efficiency of public management through digital transformation; and (iii) enhance the effectiveness of public management through digital transformation. Achievement of these objectives will contribute to the general development objective of advancing the digital transformation of the government of the State of Bahia, and thus increase satisfaction with and generate savings for citizens in the use of public services.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Advance the digital transformation of government in the State of Bahia, and thus increase satisfaction and generate savings for citizens in the use of public services							
Satisfaction among Bahian citizens with digital public services offerings	Percentage of users	49.0	2020	2028	69.0	IDB (2021) . The survey will be repeated in 2028	Variables measuring the number of users who are satisfied or very satisfied will be used. The target is equivalent to the score of the best performing federative unit in 2020 (Acre).
Citizens who report having difficulties using digital public services in the state of Bahia	Percentage of users	47.6	2020	2028	24.0		The target is equivalent to the score of the best performing federative unit in 2020 (Federal District).
Savings generated for society resulting from the digitalization of public services through the <i>Bahia Mais Digital</i> Program.	Millions of reais	0	2023	2028	111.8	State of Bahia Administration Department (SAEB)	Cumulative savings obtained from increasing the proportion of services that are digital and their volume, which will shift from mainly physical to a digital format. For the methodology see the economic analysis .

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of program	Means of verification	Comments
Specific development objective 1: Expand digital inclusion and the supply and use of digital public services										
Prioritized public services available in digital format	Percentage of services	10.6	2023	10.6	10.6	35.0	60.0	83.0	SAEB	Of 412 priority services, 44 have been digitalized and 300 will be transformed over the course of the program
Transactions executed by citizens through digital channels	Millions of transactions	2.6	2022	2.6	3.1	3.6	4.1	5.1	SAEB	Includes web portal and agendas. See the economic analysis . Pro-gender. Just 34% of digital transactions were made by women in 2022.
	Women	0.9	2022	-	-	-	-	2.0		
	Men	1.7	2022	-	-	-	-	3.1		
Citizens registered in BA.GOV.BR	Millions of citizens	5.0	2023	5.0	5.2	6.0	6.7	7.5	SAEB	Bahia has a population of approximately 14 million. The federal government has 70% of the population registered.
Municípios with infrastructure to provide user-free Internet access as a public service	Percentage of municípios	40	2023	40	40	50	60	90	State of Bahia Data Processing Company (PRODEB)	Pro-diversity: because the population that will benefit from this activity is mostly of Afro-descendant and Indigenous origin. The service will be provided in all of the state's municípios, with at least one free Internet access point, by migrating the <i>Conecta Bahia</i> kits and creating new points, operated under the <i>Infovia Digital</i> systems.
Specific development objective 2: Improve the efficiency of public management through digital transformation										
Economic benefits attributable to the digital transformation of government	Millions of reais (2022)	28.3	2022	56.6	90.4	129.7	174.4	230	SAEB	The economic benefit is defined as the cost reduction attributable to digital transformation. Cumulative. In the final year of the program, it is expected to represent 0.36% of the government budget. For methodology see the economic analysis .

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of program	Means of verification	Comments
Specific development objective 3: Enhance the effectiveness of public management through digital transformation										
Digital skills of state information and communications technology (ICT) staff	Percentage of staff	15	2023	15	15	35	45	60	Digital capacities survey – SAEB	Question: In the last three years, have you obtained certification in digital transformation or the use of new technologies in the public sector?
Communities of the state of Bahia covered by digital mapping	Percentage of territory	62.6	2023	62.6	62.6	70.0	80.0	90.0	Superintendency of Economic and Social Affairs (SEI)	Scale of 1:25,000. Digital mapping improves, <i>inter alia</i> , decision-making for territorial and environmental management, social programs, rural production, and infrastructure investments.
Cybersecurity incidents detected and prosecuted	Number of incidents per year	1,897	2023	1,897	2,200	2,700	3,200	4,000	PRODEB	Uruguay, with a population of approximately one quarter of Bahia's, processed 4,968 annual incidents in 2023.
Average effective use made of <i>Infovia Digital</i> by public institutions	Gigabytes per second	5	2023	5	5	10	30	60	PRODEB	Expansion of transmission capacity and annual use trend. Makes the state more effective by improving the connectivity of public institutions, increasing speed, and enhancing access to new digital tools.

OUTPUTS

Indicator	Unit of Measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Component 1: Digital transformation of public management											
1.1. Digital governance, data, and cybersecurity strategies developed	Strategies	0	2023	1	2	0	0	0	3	Program management unit (PMU) report	

Indicator	Unit of Measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
1.2. State ICT capabilities strengthened	Report ¹	0	2023	1	1	1	1	1	5	PMU report	
1.3. Innovation laboratory implemented	Laboratory	0	2023	0	0	1	0	0	1		
1.4. Corporate tools and systems modernized	Report	0	2023	0	1	1	1	1	4		
1.5. Digital mapping enhanced and expanded	Report	0	2023	1	1	1	1	1	5		
1.6. Digital tools to improve public management efficiency implemented	Report	0	2023	0	0	1	1	1	3		
1.7. Change management strategy designed and implemented	Report	0	2023	1	1	1	1	1	5		
1.8 Institutions with strengthened digital technology and managerial capacity	Number	0	2023	0	0	0	0	1	1		Final Evaluation – PMU

¹ All reports indicated as unit of measure among the outputs will provide details of progress achieved each year. For detailed information on the scope of each output, see [optional link 3](#).

Indicator	Unit of Measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Component 2: Digital transformation of public services											
2.1. Digital services platform and state payment portal modernized, including universal accessibility facilities for persons with disabilities	Report	0	2023	0	1	1	1	1	4	PMU report	Pro-diversity. See monitoring and evaluation plan .
2.2. State public services digitalized and automated	Number of services	44	2023	0	0	100	100	100	344	PMU report	
2.3. Strategy to enhance digital literacy among the state's population, prioritizing women, developed and implemented	Strategy	0	2023	0	1	0	0	0	1		Pro-gender. See monitoring and evaluation plan .
2.4. Biometric recognition implemented	Tool	0	2023	0	0	0	0	1	1		
2.5. Smart cities program (<i>InovaCidade</i>) designed	Program	0	2023	0	0	1	0	0	1		
Component 3: Digital infrastructure and connectivity											
3.1. <i>Infovia Digital da Bahia</i> modernized and expanded	Report	0	2023	0	0	1	1	1	3	PMU report	

Indicator	Unit of Measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
3.2. Expansion of connectivity infrastructure to provide user-free Internet access as a public service in more remote parts of the state, where the population is mainly Afro-descendant and Indigenous	Report	0	2023	1	1	1	1	1	5		Pro-diversity
3.3. Resilience of the state's data center strengthened	Report	0	2023	0	1	1	1	1	4		
3.4. State cybersecurity infrastructure and services strengthened	Report	0	2023	1	1	1	1	1	5		

Country: Brazil Division : IFD/ICS Operation number: BR-L1626 Year: 2024

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, acting through the State of Bahia Administration Department (SAEB)

Operation name: *Bahia Mais Digital* Program – Digital Transformation of the Government of the State of Bahia (BR-L1626). Seventh Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0010 – “*Brasil Mais Digital*”

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation¹

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

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The SAEB will take responsibility for the operation’s fiduciary execution, by setting up a program management unit (PMU) to be in charge of the program’s technical, administrative, financial, and procurement management. Each of the areas of fiduciary execution (procurement and financial) will have a team of full-time staff to execute the corresponding actions.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional capacity analysis of the SAEB found that the department has adequate institutional capacity to address fiduciary issues. However, since it has no previous experience with multilateral lending agencies, individual technical consultants will be hired to support both financial and procurement management. In addition, training will be provided to the PMU team to update content on the Bank’s procurement and financial policies.
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4. Fiduciary risks and risk response: No medium-high or high-level fiduciary risks were identified.
5. Policies and guidelines applicable to the operation: the applicable guidelines will be document OP-273-12 for financial management, and documents GN-2349-15 and GN-2350-15 for procurement management.

¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank’s validation.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

<p>Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the one stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or the reimbursement of expenditures chargeable against the loan proceeds, the agreed-upon exchange rate will be the buying rate set by the Central Bank of Brazil on the day before the reimbursement request, or justification of expenses, is actually submitted to the Bank.</p> <p>Type of audit: During program execution, audited financial statements will be submitted annually, no later than 120 days after each fiscal year-end. The program’s external audit will be performed by a Bank-eligible external firm. The program’s final audited financial statements will be submitted no later than 120 days after the last disbursement date, or any extensions thereof.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The procurement of works, goods, and nonconsulting services executed under the Bank’s procurement policies (GN-2349-15) and requiring international competitive bidding (ICB) will use the Bank’s standard bidding documents. Consulting services will be selected and contracted in accordance with the consultant selection policies (GN-2350-15) using the standard request for proposals issued by the Bank.								
<input checked="" type="checkbox"/>	Use of country systems	The online reverse auction modality (<i>pregão eletrônico</i>) will be used to procure off-the-shelf goods and services in amounts below the ICB thresholds. The operation’s procurement plan will indicate the procurements to be executed through the country system, within the approved scope.								
<input checked="" type="checkbox"/>	Advance procurement, retroactive financing, and recognition of expenses	The Bank may retroactively finance, chargeable against the loan proceeds, up to US\$2.1 million (5% of the proposed loan amount), and recognize from the local contribution, up to US\$1.05 million (10% of the estimated local contribution) in eligible expenditures on goods and nonconsulting services under Components 2 and 3, incurred by the borrower before the loan approval date, provided that requirements substantially similar to those established in the loan agreement have been met. The amounts in question would enable the borrower to support up-front activities that are crucial for more expeditious implementation of the program. ² Such expenditures will have been incurred on or after the official start date of the operation ³ (28 September 2023), but will not, under any circumstances, include expenditures incurred more than 18 months before the loan approval date.								
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except where ex ante supervision is justified. For procurements executed using country systems, supervision will be conducted using the country supervision system. Use of the (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined for each selection process. Ex post reviews will be conducted according to the project supervision plan, which may be modified during execution. The threshold amounts for ex post review are as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Executing agency</th> <th>Works</th> <th>Goods/services</th> <th>Consulting services</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">SAEB</td> <td style="text-align: center;">US\$10 million</td> <td style="text-align: center;">US\$5 million</td> <td style="text-align: center;">US\$1 million</td> </tr> </tbody> </table>	Executing agency	Works	Goods/services	Consulting services	SAEB	US\$10 million	US\$5 million	US\$1 million
Executing agency	Works	Goods/services	Consulting services							
SAEB	US\$10 million	US\$5 million	US\$1 million							

² Activities are expected to be financed under outputs 2.1, 2.2, 3.1, and 3.4.

³ In accordance with Annex 1 “Sovereign Guaranteed Operations – Summary Chart of Processing” of Operational Policy PR-200.

Main procurements

Procurement description	Selection method	Estimated date (quarter)	Estimated amount (US\$ thousands)
Goods			
Equipment for <i>Infovia Digital da Bahia</i> modernization and expansion	Country systems	2025, Q4	2,300
Systems integration hardware		2026, Q1	1,127
Technological tools for modernization of corporate systems		2024, Q1	1,080
Firms			
Strengthening the cybersecurity unit of the State of Bahia Data Processing Company (PRODEB)	Quality- and cost-based selection (QCBS)	2025, Q1	2,000
Technical assistance for service and infrastructure procurement processes		2024, Q4	2,240
Acceleration of the public services digitalization process		2025, Q1	2,662
Expansion of the mapping base with a scale of 1:25,000		2025, Q1	4,900

The procurement plan can be accessed [here](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budgeting	The program's annual programming and budget will be prepared by the PMU in coordination with the Budget and Management Support Office (APG). The program's annual budget proposal will be included in the Annual Budget Law of the State of Bahia, which will allocate the funds needed for timely execution of both the loan proceeds and the local counterpart funding.
<input checked="" type="checkbox"/>	Treasury and disbursement management	Disbursements will be made in U.S. dollars in the form of advances of funds. The amount of each advance will be determined by a projection of financial execution for up to 180 days. For advances subsequent to the first one, at least 80% of the total funds previously advanced and not yet justified must be accounted for. The financing will be administered through a commercial bank account, which will be used exclusively to receive and manage the loan proceeds.
<input checked="" type="checkbox"/>	Internal control and internal audit	Operation of the SAEB's internal controls will be supervised through SAEB's internal control coordination facility—Law 13,204 of 2014, regulated by Decree 21,421 of 2022—the SAEB Internal Regulations defining internal control responsibilities.
<input checked="" type="checkbox"/>	External control and financial reporting	The program's external audit will be performed either by an external audit firm acceptable to the Bank, or by a Bank-eligible independent firm, or else by the State of Bahia Audit Office (<i>Tribunal de Contas</i>). During program execution, audited financial statements will be submitted annually no later than 120 days after each fiscal year-end. The program's final audited financial statements will be submitted no later than 120 days after the last disbursement date, or any extension thereof.

<input checked="" type="checkbox"/>	Financial supervision of the operation	The operation requires ex-post financial supervision of disbursements, for which the audited financial statements will provide the main inputs. Desk reviews may be performed on an ongoing basis, under the responsibility of the financial specialist, based on analysis of disbursement requests from the executing agency. Onsite or virtual fiduciary supervision visits will also be conducted annually.
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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/24

Brazil. Loan ____/OC-BR to the State of Bahia. Bahia Mais Digital Program – Digital Transformation of the Government of the State of Bahia. Seventh Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0010 – “*Brasil Mais Digital*”

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the State of Bahia, as borrower, and with the Federative Republic of Brazil, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Bahia Mais Digital Program – Digital Transformation of the Government of the State of Bahia, which constitutes the seventh individual operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0010 – “*Brasil Mais Digital*”, approved by Resolution DE-23/21 on 7 April 2021. Such financing will be for the amount of up to US\$42,000,000, from the resources of the Bank’s Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2024)