

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**PRODIGITAL –
FEDERAL PROGRAM FOR DIGITAL GOVERNMENT AND INFRASTRUCTURE
(BR-L1627)**

**NINTH INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP)
“BRAZIL PLUS DIGITAL”
(BR-00010)**

LOAN PROPOSAL

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ABBREVIATIONS

BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazilian Economic and Social Development Bank)
CCLIP	Conditional credit line for investment projects
CGU	Controladoria-Geral da União (Office of the Comptroller General)
CONSAD	Conselho Nacional de Secretários de Estado da Administração (National Council of Secretaries of State for Administration)
GTD.GOV	Grupo de Transformação Digital dos Estados e Distrito Federal (Group for Digital Transformation of States and the Federal District)
ICT	Information and communication technology
IT	Information technology
PMAE	Programa de Modernização da Administração das Receitas e da Gestão Fiscal, Financeira e Patrimonial das Administrações Estaduais (Program for Modernization of Revenue Administration and Fiscal, Financial, and Asset Management of State Governments)
PMAT	Programa de Modernização da Administração Tributária e da Gestão dos Setores Sociais Básicos (Program for Modernization of Tax Administration and Management of Basic Social Sectors)
SEAID	Secretaria de Assuntos Internacionais e Desenvolvimento do Ministério do Planejamento e Orçamento (Department of International Affairs and Development of the Ministry of Planning and Budget)
TCU	Tribunal de Contas da União (Federal Court of Accounts)
WCAG	Web Content Accessibility Guidelines

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Financial Terms and Conditions						
Borrower: Brazilian Economic and Social Development Bank (BNDES)			Flexible Financing Facility^(a)			
Guarantor: Federative Republic of Brazil			Amortization period:	24.5 years		
Executing agency: BNDES			Disbursement period:	5 years		
			Grace period:	6 years ^(b)		
Source	Amount (US\$)	%	Interest rate:	SOFR-based		
IDB (Ordinary Capital):	150,000,000	83.3	Inspection and supervision fee:	^(c) N/A		
			Credit fee:	^(c) N/A		
Local:	30,000,000	16.7	Weighted average life:	15.25 years		
Total:	180,000,000	100.0	Currency of approval:	U.S. dollar		
Project at a Glance						
<p>Project objective/description: The general development objective of the ninth individual operation under the conditional credit line for investment projects (CCLIP) is to advance the digital transformation of states and municípios to increase satisfaction and generate savings for citizens and businesses in the use of public services. The specific development objectives are to: (i) boost investment in digital transformation programs for states and municípios; and (ii) expand the supply and use of digital public services.</p> <p>Special contractual condition precedent to the first disbursement of the loan: The executing agency will provide evidence to the Bank that the program Credit Regulations have entered into force on the terms agreed upon with the Bank (paragraph 3.7).</p> <p>Exceptions to Bank policies: The guarantee of the Federative Republic of Brazil will be limited to BNDES’s financial obligations under the loan (including repayment of the principal, interest payments, and other financial charges) and will not cover the performance obligations or the local counterpart contribution. Consequently, the Board of Executive Directors is asked to consider approval of a partial waiver of the Bank’s Policy on Guarantees Required from the Borrower (OP-303) – revised version (GP-104-2) (paragraph 3.4).</p>						
Strategic Alignment						
Objectives:^(d)	O1 <input type="checkbox"/>		O2 <input checked="" type="checkbox"/>		O3 <input checked="" type="checkbox"/>	
Operational focus areas:^(e)	OF1 <input type="checkbox"/>	OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input type="checkbox"/>	OF5 <input checked="" type="checkbox"/>	OF6 <input checked="" type="checkbox"/> OF7 <input type="checkbox"/>

- ^(a) Under the terms of the Flexible Financing Facility (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 document 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.
- ^(e) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- ^(f) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); and OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **CCLIP background and progress.** This is the ninth individual loan operation under the conditional credit line for investment projects (CCLIP) for the “Brazil Plus Digital” Program ([BR-O0010](#)),¹ approved by the Board of Executive Directors on 7 April 2021, along with the first individual operation (loan [5248/OC-BR](#) for US\$28 million).² The objective of the CCLIP, which is structured as a Multisector Modality II under the Bank’s CCLIP policy (GN-2246-13), is to contribute to Brazil’s digital transformation by: (i) enhancing digital connectivity (coverage and quality); (ii) increasing 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 digital transformation. The liaison entity is the Department of International Affairs and Development of the Ministry of Planning and Budget (SEAID).³
- 1.2 The CCLIP is for up to US\$1 billion, to be allocated over a drawdown period of 10 years, with three resource allocation channels structured around four sectors. One of these channels is national or regional development banks⁴ that enhance the capillarity and scale of financing by making subloans to multiple subnational entities for specific investments that contribute to the country’s digital transformation and are aligned with one or more of the CCLIP sectors. These sectors are: (i) digital infrastructure; (ii) digital economy; (iii) e-government; and (iv) enabling factors. This is the seventh individual operation under the CCLIP in the e-government sector, and the first to have a national development bank as the executing agency.
- 1.3 The “Brazil Plus Digital” Program has a programmatic vision that, in its e-government sector, is based on a strategic partnership with the federal government and the National Council of Secretaries of States for Administration (CONSAD) under the state e-government agenda. Through technical assistance and financing, the Bank plays a key role in supporting the federal government in

¹ The 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, 66% disbursed; (ii) New Innovation Financing Instruments for the State of São Paulo ([5492/OC-BR](#)), approved in 2022 for US\$195 million, pending signature; (iii) Program for Digital Transformation of the Government of the State of Ceará (“Ceará Plus Digital” Program) ([5516/OC-BR](#)), approved in 2022 for US\$31 million, 18% disbursed; (iv) Digital Transformation of the Government of the State of Alagoas (“Alagoas Plus Digital” Program) ([5575/OC-BR](#)), approved in 2022 for US\$15 million, 18% disbursed; (v) “São Paulo Plus Digital” Program ([5579/OC-BR](#)), approved in 2022 for US\$164 million, 30% disbursed; (vi) Credit Expansion Program for Investments in Telecommunications Networks (5900/OC-BR), approved in 2024 for US\$100 million, pending signature; (vii) Bahia Mais Digital Program ([5926/OC-BR](#)), approved in 2024 for US\$42 million, pending signature; and (viii) Digital Transformation of the Judicial Branch of the State of Pernambuco, approved in 2024 for US\$32.8 million, pending signature. In addition, the Pará Mais Conectado project is now in preparation, with approval expected in 2025. The 10 operations on record amount to US\$830 million, which is 83% of the total CCLIP. Four of these operations began execution relatively recently.

² Resolution DE-23/21.

³ Pursuant to Amendment 1 to CCLIP Agreement [BR-O0010](#), signed on 30 May 2023.

⁴ The other channels are: (i) federal: federal government entities that request loans for digital transformation programs in one or more of the CCLIP’s sectors; and (ii) subnational: the borrowers are the states, the Federal District, and municípios with borrowing capacity under current federal government rules, for programs that contribute to Brazil’s digital transformation in one or more of the CCLIP’s sectors.

coordinating e-government public policy at the state and municipal levels, achieving scale and impact in a federative context. Between 2021 and 2024, the CCLIP has made progress in allocating over 83% of the resources (see Figure 1). The operations in the e-government sector were designed using common impact indicators⁵ and similar results indicators, which promotes greater scale and impact.

Figure 1. Operations under Brazil Plus Digital, by CCLIP sector and progress status



Source: Prepared by the authors.

- 1.4 **Macroeconomic context.** After growing 2.9%⁶ in 2023, Brazil's economic performance continues to show strength in 2024. The economy recorded positive growth in the first three quarters of the year, with increases of 1.1%, 1.4%, and 0.9% over the prior quarter, respectively.⁷ The labor market also remains strong, with the unemployment rate reaching its lowest level since 2014. The financial market projects that the Brazilian economy will grow 3.22% in 2024 and 1.95% in 2025.⁸
- 1.5 **Postpandemic developments and e-government in Brazil.** The COVID-19 crisis accelerated the digital transformation of Brazil's public sector, with restrictions on in-person services spurring further digitalization of public services. At the federal government level, Brazil is among the top 25 countries worldwide on the Online Service subindex of the [United Nations e-Government Survey \(2024\)](#)

⁵ Impact indicators: (i) satisfaction with the supply of digital public services; (ii) difficulty in using digital public services; and (iii) savings generated for society from the digitalization of services. Examples of results indicators include: economic benefits for the government from digital transformation, percentage of digital transactions, digital capacities of civil servants, enhanced cybersecurity capabilities, and increased digital inclusion. The first individual operation under the CCLIP ([5248/OC-BR](#)) has already achieved the following impact between 2021 and 2023: increased satisfaction of users of judicial services (from 56% to 73%) and efficiency of court cases from opening of the case to final ruling (from 37 to 21.9 months), and other indicators.

⁶ [Brazilian Institute of Geography and Statistics \(IBGE\) \(2024\)](#).

⁷ [IBGE \(2024\)](#).

⁸ [Central bank \(2024\)](#).

- and ranked second out of 198 countries on the [World Bank GovTech Maturity Index \(2022\)](#). More than 90% of its procedures have been digitalized, generating significant savings, and more than 160 million people have an account on the [gov.br](#) one-stop portal. In 2024, the National e-Government Strategy⁹ was published and, for the first time, included the subnational level. The strategy aims to coordinate public policy on digital transformation and bring the federal government's achievements in digital services to states and municípios. Moreover, federal coordination on e-government is a priority of the federal government's [multiyear plan \(2024-2027\)](#).¹⁰
- 1.6 At the state level, only 4% of services were digitalized as of 2019, and 31% of states reported that the service most frequently used by their citizens was available online.¹¹ Yet, states such as Rio Grande do Sul, Goiás, and Rio de Janeiro offered the vast majority of their services online by 2023. Other states, however, still had low levels of digitalization, which shows that digital maturity varies widely.¹² At the municipal level, a recent evaluation showed that 57.2% of municípios with over 100,000 inhabitants have a beginner or intermediate level of maturity in e-government, which is an obstacle to achieving greater efficiency and citizen satisfaction.¹³
- 1.7 These heterogeneous advances in digitalization have occurred in a context where citizens are connected and adapted to the digital world. In a countrywide survey from 2020,¹⁴ 86% of citizens reported that they were adapted to the digital world. The survey also showed that the level of satisfaction with digital public services for citizens who had used them was 53% for states and 54% for municípios. In spite of this, there is less awareness of digital services at the subnational level (56% for municipal services and 66% for state services) than at the federal level (70%).
- 1.8 The **general problem** to be addressed in this program concerns the gaps in satisfaction with digital public services, as well as the high costs for citizens of using in-person public services that have the potential to be digitalized in Brazilian states and municípios. The general problem is mainly caused by three factors, which are discussed below.¹⁵
- 1.9 **Gaps in the use of information technology (IT) for government management.** This problem is due to: (i) poor e-governance,¹⁶ with fragmented responsibilities and gaps in the organization of digital transformation, cybersecurity, and data management; (ii) limited digital capacities of civil servants, as well as gender

⁹ [Decree 12,069/2024](#).

¹⁰ Objectives 3.2: "Promote the expansion and continued improvement of government capacities to provide quality public services to the population, thereby strengthening federal cooperation for greater national cohesion," and 3.3: "Boost digital transformation at the three levels of government to increase agility and the capacity to deliver results to the population."

¹¹ [Regional Center for Studies on the Development of the Information Society \(CETIC\)](#) (2020).

¹² [GTD.GOV \(2022\)](#); [ABEP-TIC index \(2023\)](#) ([optional link 3](#)).

¹³ IDB (2024). Analysis of diagnostic assessments on the [gov.br network platform](#) ([optional link 3](#)).

¹⁴ [IDB \(2021\)](#).

¹⁵ See [optional link 3](#) for further details on gaps.

¹⁶ In all, 46% of states and 14.6% of municípios have an e-government strategy ([optional link 3](#)).

gaps;¹⁷ (iii) obsolete or inadequate regulatory frameworks for internal management and service delivery;¹⁸ (iv) obsolete technology parks with few security solutions;¹⁹ (v) little automation of administrative processes;²⁰ (vi) little interoperability of data and solutions;²¹ and (vii) obsolete and fragmented digital solutions for internal management and mission areas.²²

- 1.10 **Gaps in the availability and use of digital public services.**²³ This problem is due to: (i) low supply of digital public services;²⁴ (ii) fragmented and unintegrated channels for serving citizens;²⁵ (iii) low levels of automation for public services, which causes inefficiencies and significant delays; (iv) weak emphasis on user experience, which leads to a mismatch between supply and citizens' needs; and (v) poor accessibility for people with disabilities²⁶ and gender gaps in digital service use,²⁷ among other factors.
- 1.11 **Gaps in connectivity and digital infrastructure.** This problem is due to: (i) gaps in connectivity infrastructure enabling fixed and mobile broadband service

¹⁷ There is a difference of seven percentage points between white female civil servants and Afro-descendant female civil servants who use online services for payments, transfers, and queries: 12% of Afro-descendant women and 5% of white women stated that they do not use the Internet because it is not available at the locations that they typically frequent (National Household Sample Survey (PNAD), 2023).

¹⁸ In all, 50% of states and 16% of municípios report having an appropriate regulatory framework for e-government ([optional link 3](#)).

¹⁹ Approximately one fourth of states and municípios consider their information and communication technology (ICT) infrastructure to be sufficient to support digital transformation ([optional link 3](#)).

²⁰ While all states have electronic records systems, administrative processes are performed manually and tend to be repetitive. In comparison, 35% of municípios do not have an electronic records system ([optional link 3](#)).

²¹ In all, 37% of states and 36% of municípios have interoperability platforms ([optional link 3](#)).

²² Of municípios, 23% consider their human resources systems to be sufficient, and 38% feel this way about their procurement systems. As for mission areas, 30% of municípios believe that they have an appropriate level of digitalization for urban management, and 47% feel this way about the healthcare sector ([optional link 3](#)).

²³ In total, 44.8% of citizens reported difficulties in using subnational digital services. Expanding the supply and effective use of digital services offers benefits for governments and citizens, and increasing the number of digital processes can lower the cost of such procedures for society and government. For citizens, digital services take up considerably less time. In Brazil, an in-person procedure takes 5.5 hours on average, and 28% of people need three or more interactions to complete a procedure (IDB, 2018). With access to digital services, citizens can save the time and transportation costs spent on in-person procedures ([optional link 1](#)).

²⁴ In 2022, 29% of states offered 50% of their services in digital format. One third had 16% to 49% of their services online, and 37% offered less than 15% of their services online. For municípios, 32% reported having over 50% of their services online ([optional link 3](#)).

²⁵ In all, 32% of municípios have a one-stop service portal. While almost all states have a portal, only 44% include digital services ([optional link 3](#)).

²⁶ The federal government follows the Web Content Accessibility Guidelines (WCAG) 2.0 of the World Wide Web Consortium (W3C), which define how to make web content accessible to people with disabilities, including visual, auditory, physical, speech, cognitive, language, learning, and neurological disabilities. However, 8.6% of municípios state that all of their digital platforms are accessible ([optional link 3](#)).

²⁷ There is a significant gender gap among Internet users nationwide: 29% of women use online public services compared with 39% of men (Regional Center for Studies on the Development of the Information Society (CETIC), 2023).

- providers to offer their services to the digitally-excluded population²⁸ and to public entities (schools, hospitals, administrative offices, etc.) with similar costs, quality, and capacity as in areas with coverage; (ii) gaps in the affordability of services for low-income populations; and (iii) disparities in connectivity infrastructure for local public entities to supply digital public services.
- 1.12 **These three types of gaps can be partly attributed to low investment in digital transformation programs for states and municípios.** Only 50% of municípios reported having specific budget allocations for digital transformation (IDB, 2024). Moreover, lending with technical assistance is in low supply for this type of program. While multilateral development banks offer more technical assistance, they do not have enough capillarity to implement digital projects in municípios and smaller states.²⁹ In contrast, the national development bank has a supply of resources with capillarity (in lower amounts) but lacks the capacity to provide technical assistance to support effective structuring and implementation of digital transformation programs.³⁰ As a result, such programs are rare and typically limited to equipment purchases, and do not leverage shared tools through federative coordination with other levels of government. Lastly, this local lending is not usually based on results or good practices.
- 1.13 **Empirical evidence.** The literature shows that digital public services are faster (by 74% on average), more economical (average unit cost reductions of 39.9% for the government and 74% for users),³¹ and less vulnerable to corruption. Thus, greater digitalization enhances public sector efficiency and generates savings for society, among other benefits.³² The literature also shows that the reduction in public service transaction times is the main factor behind increased citizen satisfaction.³³ The digitalization of internal management systems also enhances efficiency, since it shortens service delivery times and reduces costs for the government.³⁴
- 1.14 **The launch of the National e-Government Strategy highlights the need to develop a dedicated line of credit for digital transformation in states and municípios.** One of the strategy's components is to recognize and strengthen the role of subnational governments in ensuring that digital transformation reaches its full potential (paragraph 1.13). The strategy also acknowledges the need for

²⁸ According to CETIC (2023), the largest population groups facing digital exclusion are black and mixed-race people (58%). Only 31.6% of the 1,305 Quilombola communities in Brazil had evidence of fixed broadband coverage in 2022 (Crowdsourcing for Digital Connectivity in Brazil (C2DB) project, IDB).

²⁹ The average value of the 13 direct projects of the IDB and World Bank with Brazilian states to support digital transformation between 2021 and 2023 was US\$61.5 million. There were no projects with municípios (IDB and World Bank, 2024). In addition, in 2022 and 2023, only seven states and municípios had financing from the Brazilian Economic and Social Development Bank (BNDES) for digital transformation projects, which totaled US\$76.6 million (BNDES).

³⁰ The Program for Modernization of Tax Administration and Management of Basic Social Sectors (PMAT) (the line of credit most used at BNDES for digital transformation of the municipal public sector) approved seven operations from 2022 to 2023, which averaged approximately US\$10 million. The program has focused on tax administration and public finance, as well as the healthcare and education sectors, specifically for the purchase of IT equipment.

³¹ [Pizzolato and Veniggio \(2022\)](#).

³² [IBD \(2018\)](#).

³³ IDB ([2016](#); [2020](#)).

³⁴ [De Michele, R. and G. Pierri \(2020\)](#); [Banerjee, A. et al \(2016\)](#).

- resources for digital transformation and recommends expanding and diversifying financing sources. In order for the progress made by the federal government to be reflected in the states and municípios, financing and technical assistance must be provided. This operation is thus a viable option for states and municípios that wish to move forward in their digital transformation.
- 1.15 **Market failure and program strategy.** The proposed program will help close the financing gap for digital transformation projects for states and municípios by channeling resources in the form of subloans with technical assistance,³⁵ guided by a menu of eligible products ([optional link 10](#)). Combining these resources with technical cooperation (paragraph 1.24) will also support institutional strengthening of subnational governments to advance digital transformation. These interventions will help expand the supply and use of digital public services with a view to increasing citizen satisfaction and generating savings for citizens, businesses, and government. The program is aligned with the federal government's efforts to expand federative coordination on the e-government agenda (paragraphs 1.5 and 1.14). It is further aligned with the Brazilian Economic and Social Development Bank's institutional strategy that emphasizes support for modernization of the state projects (paragraph 1.17).
- 1.16 **The Brazilian Economic and Social Development Bank as a strategic partner.** Operations with the Brazilian Economic and Social Development Bank (BNDES) started in the 1960s. Cumulatively, there have been 24 contracts for a total of US\$10.25 billion. Development banks like BNDES are strategic partners for achieving the IDB's objectives in countries of Brazil's size since they enable: (i) greater capillarity, reaching smaller states or municípios that are not able to access loans directly; (ii) knowledge transfer to BNDES, enhancing its structuring and monitoring functions for its portfolio of projects in new investment areas; and (iii) support for strengthening BNDES's management of borrowers' subloans for investment in digital transformation.
- 1.17 **Alignment of the operation with BNDES's government strategy.** This is the second time that the Bank will provide financing to BNDES for onlending to public entities.³⁶ This decision is consistent with BNDES's strategic reorientation, aimed at enhancing the technical quality of its loans to the public sector. The [2023-2026 BNDES Strategy](#) contains the guideline of supporting projects for the modernization of municipal and state government, under the theme of social and productive inclusion, and increasing financing with international organizations.
- 1.18 **The Bank's progress and experience with BNDES in e-government.** Since 2020, the Bank has been engaged in a strategic dialogue with BNDES to support investments in digital transformation at the subnational level. In 2022, a memorandum of understanding was signed by BNDES, the IDB, and the federal government, under which: (i) the [gov.br network platform](#) was developed to conduct self-assessments and structure plans for investment in e-government for municípios, with 1,940 municípios registered as of November 2024 (out of a total

³⁵ Technical assistance will be provided to municípios and states to restructure the subloans (paragraph 1.33) throughout loan execution (paragraph 3.12).

³⁶ The first was the Federative Program for Smart Public Security ([5386/OC-BR](#)), approved in 2021 for US\$150 million, pending signature. This was the third operation under the PRO-SEGURANÇA CCLIP ([loan BR-O0011](#)) approved in 2020.

- of 5,570);³⁷ (ii) diagnostic assessments of 174 municípios were performed using the aforementioned platform; (iii) technical advisory services were provided to over 20 municípios to develop their project portfolios; (iv) a portfolio development pilot was implemented with two municípios,³⁸ in coordination with the federal government;³⁹ and (v) the portfolio under preparation for the PMAT line (municípios) was analyzed, and six eligible subloans were identified.⁴⁰
- 1.19 The pilot yielded a number of lessons learned, such as: (i) there is latent demand from subnational governments for loan support in digital transformation; (ii) municipal technical teams have low capacity for structuring digital transformation projects, which highlights the Bank's role in providing technical advisory services to subborrowers, as well as the need for a menu of products to help structure the interventions; (iii) there is an opportunity to generate economies of scale and federative synergies through the use of technological solutions common to subborrowers and at different levels of government; and (iv) it is important to use the National e-Government Strategy as a guide for structuring subloans.
- 1.20 **Program dimensioning and strategies to stimulate demand.** The program's dimensions are based on: (i) the pre-identified portfolio (paragraph 1.18), totaling eight subloans with municípios for US\$95 million; (ii) the 244 municípios eligible for financing that are registered on the gov.br network platform;⁴¹ and (iii) BNDES's lending track record under the Program for Modernization of Tax Administration and Management of Basic Social Sectors (PMAT) and the Program for Modernization of Revenue Administration and Fiscal, Financial, and Asset Management of State Governments (PMAE) credit lines. To allocate the remaining resources, a strategy is being implemented to stimulate demand, consisting of three areas: (i) client loyalty: leveraging BNDES's extensive experience in long-term client engagement under the PMAT credit line (municípios) and PMAE credit line (states); (ii) technical assistance: using a project fast-tracking methodology to perform diagnostic assessments and access the menu of eligible products to structure the subloans; and (iii) marketing: attracting potential clients using dissemination initiatives that involve: (a) presentations to CONSAD, GTD.GOV, and associations of municipal governments; (b) the federal government, as part of implementation of the National e-Government Strategy; and (c) proactive dialogue with municípios registered on the platform. The first area has institutional support from BNDES, while the two others are supported by technical-cooperation resources (paragraph 1.24).

³⁷ Financed by technical-cooperation operation [ATN/OC-18697-BR](#), closed.

³⁸ The municípios of Juiz de Fora (Minas Gerais), for approximately US\$13 million, and Fortaleza (Ceará), for approximately US\$12.8 million, in 2024.

³⁹ Both projects were approved by BNDES. As of 30 November 2024, they were in the process of entering into the loan contract. Technical advisory services were financed through technical cooperation (paragraph 1.23).

⁴⁰ As of 30 November, three loans contracts had been entered into, and three were in the process of doing so. A portion of the subloan disbursements are expected to be recognized as retroactive financing (paragraph 3.8).

⁴¹ As of 30 November, 52 of these 244 municípios had completed the diagnostic assessment.

- 1.21 **The Bank's experience in the country and lessons learned.** The Bank has extensive experience with digital investments in Brazil's public sector to improve management,⁴² as well as in digital services and the modernization of public finances.⁴³ Specifically, the National Program to Support the Administrative and Fiscal Management of Brazilian Municipalities (PNAFM) (loan [1194/OC-BR](#))⁴⁴ included investments in fiscal modernization for municípios. Since 2019, the Bank has been one of Brazil's strategic partners in the area of e-government through the CCLIP for the "Brazil Plus Digital" program and its individual operations, as well as through technical assistance for: (i) the federal government, in cybersecurity and federative cooperation with states and municípios; (ii) states, by being the main technical sponsor of GTD.GOV; and (iii) municípios, through the gov.br network platform, and through technical assistance for the digital transformation of municípios in partnership with states ([ATN/JF-19907-BR](#)). Lessons learned from the CCLIP that have been incorporated into this operation include: (i) the importance of coordinating digital transformation policies across different levels of government (paragraphs 1.19 and 3.3); (ii) supporting change management activities that introduce modernization processes (paragraph 1.32); (iii) combining the digitalization of administrative processes with service delivery processes for citizens (paragraph 1.32); and (iv) prioritizing common technological solutions to increase interoperability and reduce costs (paragraph 1.32). This operation also incorporates lessons learned from the Federative Program for Smart Public Security ([5386/OC-BR](#)) with BNDES, including: (i) specialized technical support from the Bank through technical cooperation for structuring and executing the subloans (paragraph 1.24); (ii) flexibility in the menu of eligible products ([optional link 10](#)); (iii) a strengthened portfolio development strategy to reduce risk and financial costs for BNDES (paragraph 1.20);⁴⁵ (iv) active sponsorship by the lead agency on e-government, the Ministry of Public Service Management and Innovation; and (v) work within a network of borrowers to generate economies of scale and share lessons learned (paragraph 1.23).
- 1.22 **The Bank's experience in the region and lessons learned.** This program will draw on the Bank's experience with public sector digital transformation projects, including the Program to Support the Digital Government Strategy in Uruguay ([4867/OC-UR](#));⁴⁶ the *Panama Online* Program ([3683/OC-PN](#));⁴⁷ and the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises in Peru ([4399/OC-PE](#)).⁴⁸ Recently, the Bank has also carried out

⁴² (i) Loans [2791/OC-BR](#), for US\$10 million, approved in 2012 and closed; (ii) [2919/OC-BR](#), for US\$18 million, approved in 2013 and closed; and (iii) [2580/OC-BR](#), for US\$15 million, approved in 2011 and closed.

⁴³ [PROFISCO I](#) (US\$500 million, approved in 2008 and closed) and [PROFISCO II](#) (US\$900 million, approved in 2017).

⁴⁴ [Document](#) (consisting of three phases and totaling US\$2.2 billion, 1999).

⁴⁵ The delay in program signature has again shown the importance of working early on with BNDES to develop the subloan portfolio so as to reduce the operation's financial risk for the counterpart. Unlike PROSEG, 63% of the subloan portfolio for this operation has already been identified. For the remainder, a strategy is being implemented to stimulate demand, which should reach 100% portfolio identification before signature of the loan contract (paragraph 1.20).

⁴⁶ Approved in 2019 for US\$30 million, under execution.

⁴⁷ Approved in 2016 for US\$30 million, under execution.

⁴⁸ Approved in 2017 for US\$60,927,984, under execution.

extensive analysis of the topics addressed by the operation ([optional link 4](#)). The program incorporates lessons learned, such as: (i) strengthening the executing agency's capacities through specific specialized advisory services for complex technology outputs (paragraph 3.13); (ii) maintaining a flexible design to adapt more nimbly to technological changes ([optional link 10](#)); and (iii) ensuring an omni-channel approach to service improvement in order to reach the entire population ([optional link 10](#)).

- 1.23 **Complementarity with other IDB Group operations in the country and the Bank's value added.** The program will seek out synergies with other projects under the "Brazil Plus Digital" CCLIP ([BR-O0010](#)) (paragraph 1.2). Specifically, the subborrowers will benefit from the incorporation of lessons learned (paragraph 1.21) and the opportunity to share terms of reference and solutions for similar products. The network of executing agencies for the CCLIP (created in December 2023) will be the main mechanism to ensure the scalability of the solutions. During its first year in operation, the network has created a common repository of terms of reference, contracts, and shared solutions for all of the executing agencies. The IDB's added value to the area of e-government in Brazil is demonstrated by the CCLIP's operations and the Bank's strategic partnership with the federal government, including support for the National e-Government Strategy, and with states, through GTD.GOV (see Figure 2). This operation will leverage the Bank's cumulative experience to support states and municípios in structuring e-government operations and implementing and evaluating their effectiveness. The operation is also supplemented by the PRO-AMAZÔNIA Program – IDB-BNDES Access to Credit Program for MSMEs and Small Entrepreneurs (approved in 2024 for US\$750 million), as part of BNDES's 2023-2026 strategy, and specifically by the digital economy area included in the menu of products.⁴⁹ Lastly, synergies with IDB Lab will be explored to stimulate the govtech ecosystem and help the subborrowers with innovative procurement, through training workshops.
- 1.24 **Associated technical cooperation.** This operation is associated with: (i) technical cooperation for client support (US\$150,000, closed)⁵⁰ to help strengthen the institutional capacities of Brazil's municípios in the area of digital transformation; (ii) technical cooperation for operational support (US\$400,000, currently under execution)⁵¹ to strengthen subnational governments' capacity to design and effectively implement e-government programs under the "Brazil Plus Digital" CCLIP; (iii) technical cooperation for client support (US\$500,000, under execution)⁵² to support digital transformation of the public sector and cybersecurity capabilities; and (iv) technical cooperation for operational support (US\$420,000,

⁴⁹ As of now, no municípios in the Amazon region have structured subloans. However, specific actions are planned to help develop a relevant portfolio in the region, in coordination with IDB and BNDES efforts in other areas and in accordance with the Brazil and IDB Group Strategic Agreement. Country Strategy 2024-2027 (GN-3243-3).

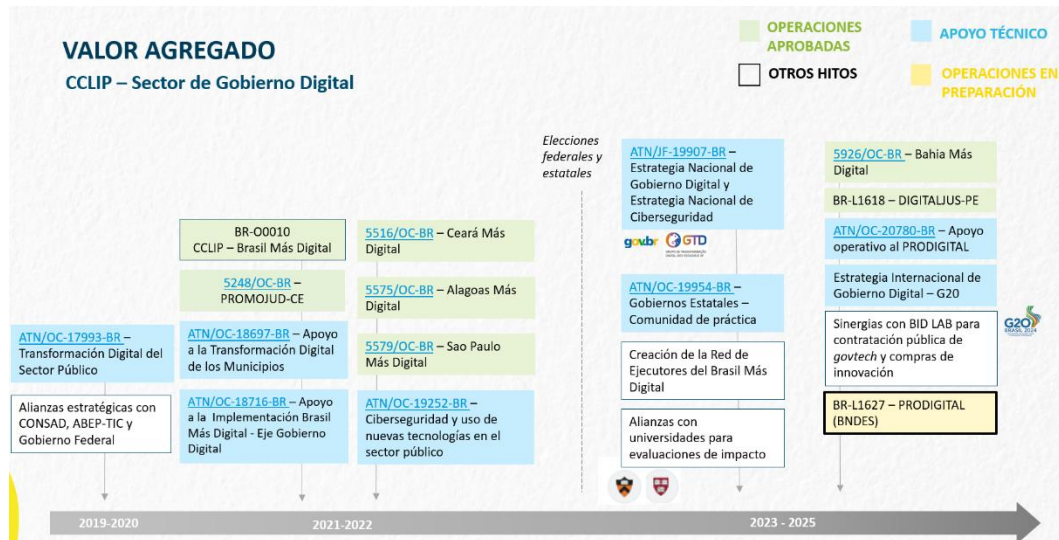
⁵⁰ [ATN/OC-18697-BR](#), approved in 2021 and closed in 2022.

⁵¹ [ATN/OC-19954-BR](#), approved in [2023. An increase of US\\$150,000 was approved in 2024.](#)

⁵² [ATN/JF-19907-BR](#), approved in [2023](#) with support from the Japan Special Fund.

under execution)⁵³ to support the design and implementation of subloans for PRODIGITAL.

Figure 2. The Bank’s value-added in Brazil’s e-government agenda (2019-2025)



Source: Prepared by the authors.

- 1.25 **Strategic alignment.** The program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligned with the objectives to: (i) address climate change, since according to the [joint methodology of the multilateral development banks](#), 15% of the operation’s resources are invested in climate change mitigation activities, through investment in activities for digital transformation of internal management, connectivity and digital inclusion, and digitalization of services in certain municípios and states in Brazil, which will substantially reduce emissions ([optional link 5](#)); and (ii) bolster sustainable regional growth, by investing 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 (paragraph 1.28); (ii) institutional capacity, rule of law, and citizen security; (iii) productive development and innovation through the private sector; and (iv) sustainable, resilient, and inclusive infrastructure. The program is also consistent with the Employment Action Framework with Gender Perspective (GN-3057, OP-2289-1) under the talent pillar, category 1.
- 1.26 The program is also aligned with the Sector Strategy: Institutions for Growth and Social Welfare (GN-2587-2) through its public sector management and finance component. Additionally, the operation is aligned with the Brazil and IDB Group Strategic Agreement. Country Strategy 2024-2027 (GN-3243-3) through its strategic objective to “strengthen public-sector sustainability and efficiency.” It also contributes to the crosscutting objectives of institutional capacity, rule of law and citizen security, and gender equality and inclusion of diverse population groups.

⁵³ [ATN/OC-20780-BR](#), approved in 2024.

Lastly, the operation is included in the Update of Annex III of the 2024 Operational Program Report (GN-3207-3).

- 1.27 **Paris Agreement.** This operation has been analyzed using the Joint MDB Assessment Framework for Paris Alignment and the [IDB Group Paris Alignment Implementation Approach](#) (GN-3142-1), and is deemed to be: (i) aligned with the adaptation objective of the Paris Agreement, based on a simplified analysis; and (ii) aligned with the mitigation objective of the Paris Agreement, based on a simplified analysis. The alignment is based on the fact that the menu of eligible products and the [program Credit Regulations](#) contain specific requirements that must be met by the financed data centers in order for them to be considered in line with low-carbon development (paragraphs 1.32 and 3.6, [optional link 5](#)).
- 1.28 **Gender and diversity considerations.** The operation contributes to closing the aforementioned gender and diversity gaps through the following activities: (i) in the area of connectivity and digital inclusion, by: (a) developing and implementing an inclusion program to help women acquire digital literacy in using public services; and (b) expanding connectivity infrastructure through Wi-Fi access points for areas where the majority of the population is Indigenous or Afro-descendant; (ii) in the area of improving citizen services, by adapting online platforms in accordance with the Web Content Accessibility Guidelines (WCAG) 2.1 of the World Wide Web Consortium (W3C); and (iii) under the area of digital talent, by offering training to civil servants to improve their digital skills, with an emphasis on Afro-descendant female civil servants. Lastly, the operation is expected to identify specific gaps in the localities served and close them by incorporating new interventions (which are included in the menu of products).
- 1.29 **Technological innovation considerations.** This operation involves the execution of subloans using innovative products including: (i) interoperability platforms; (ii) AI tools; (iii) public digital infrastructure, such as the federal government's single sign-on for digital authentication, signature, and digital payment methods; and (iv) innovative cybersecurity policies and solutions ([optional link 10](#)).
- 1.30 **Compliance with the Public Utilities Policy (GN-2716-6).** The program complies with the objectives, principles, and conditions of economic viability and financial sustainability set forth in the Public Utilities Policy (GN-2716-6), by ensuring that connectivity services will be provided in such a way that operations and maintenance costs will be covered by the government entities benefiting from the program. The program: (i) provides for the procurement of public or private telecommunications service providers that comply with local sector regulation and conduct a feasibility analysis to identify the most efficient technological solutions, based on knowledge and lessons learned from operating and investing in their broadband networks on the local market, while ensuring an appropriate balance between cost and efficiency for the population; (ii) is based on a holistic approach that puts infrastructure in place based on opportunities to improve digital public service delivery to the most vulnerable population, supplementing existing infrastructure in the local market; and (iii) supports the development of broadband networks that will offer access to more cost-efficient digital services for the population and government (see [optional link 3](#) and [optional link 7](#)).

B. Objectives, components, and cost

- 1.31 **Objective of the ninth individual operation under the CCLIP.** The general development objective of the ninth individual operation under the CCLIP is to advance the digital transformation of states and municípios to increase satisfaction and generate savings for citizens and businesses in the use of public services. The specific development objectives are to: (i) boost investment in digital transformation programs for states and municípios; and (ii) expand the supply and use of digital public services. To achieve these objectives, the program is structured as a single component.
- 1.32 **Single component. Support for investment in digital transformation programs in municípios, states, and the Federal District (US\$180 million).** This component will finance a line of credit for BNDES to finance digital transformation projects in Brazil for municipal, state, and federal district governments. The projects will select the interventions to be financed from a menu of eligible products ([optional link 10](#)) to help reduce the gaps identified in 10 strategic areas: (i) governance for digital transformation; (ii) bureaucracy reduction and regulatory improvement; (iii) digital talent, with emphasis on Afro-descendant female civil servants, and change management; (iv) improved citizen service and digitalization of public services, with emphasis on digital accessibility for persons with disabilities; (v) cybersecurity and digital infrastructure;⁵⁴ (vi) digital transformation of internal management; (vii) digital transformation of mission areas; (viii) connectivity and digital inclusion, including digitally excluded populations such as women, Afro-descendants, and Indigenous peoples;⁵⁵ (ix) promotion of the digital economy; and (x) project management.
- 1.33 To support the structuring of the subloans, technical assistance workshops will be offered to eligible subnational entities on how to use the gov.br network platform.⁵⁶ This platform enables entities to conduct a diagnostic assessment of their situation and structure a subloan based on solutions that are automatically generated from a menu of eligible products, in line with the gaps identified by the diagnostic assessment. The menu was developed based on good practices and recommendations from the National e-Government Strategy and federal government solutions that can be implemented in states and municípios, such as electronic files, single sign-on, and digital signature ([optional link 10](#)).
- 1.34 **Eligibility criteria and eligible expenditures.** The eligibility criteria to be met by the subnational entities in order to have access to the subloans, as well as the

⁵⁴ Investments in cybersecurity will be promoted as key activities for subloans structured with technical assistance. Specific support will be provided to structure cybersecurity plans and include cybersecurity clauses in procurement, with a view to mitigating cybersecurity risks (paragraph 2.4a).

⁵⁵ See paragraph 1.28.

⁵⁶ The workshops, financed with technical cooperation resources, are designed and facilitated by a team of Bank consultants (paragraph 1.23). It is estimated that one consultant is needed for each subloan and will dedicate 40 hours over three months to virtual workshops. In addition, Bank specialists will provide advisory services on key topics such as cybersecurity. During this stage, discussions will also be facilitated with the federal government and other subborrowers carrying out similar interventions. Lastly, activities are planned to transfer knowledge to the BNDES team so that it can apply this methodology to its operations.

items that may be financed and the minimum and maximum subloan amounts, are described in detail in the [program Credit Regulations](#) and summarized below:

- a. **Subborrower eligibility criteria.** Brazil's 27 federative units (26 states plus the Federal District) will be eligible, along with municípios with more than 100,000 inhabitants. At present, 319 municípios meet this criterion. The subborrowers will also need to have sufficient borrowing and institutional capacity to enter into an operation with BNDES and will be required to comply with applicable legislation for loan operations with the public sector.⁵⁷
 - b. **Eligibility criteria for subloans.** Eligible subloans will select their interventions from a menu of eligible products, which must align with the gaps identified in the self-diagnostic assessment ([optional link 10](#)).⁵⁸ Subloans may finance specialized consulting services, goods and nonconsulting services (including the procurement of equipment, software, and training), and small-scale works (limited to office remodeling or other minor remodeling, such as upgrading wiring for connectivity purposes). Eligibility criteria related to environmental and social safeguards are also discussed in the [program Credit Regulations](#).
- 1.35 **Financing amounts and limits.** The minimum financing amount for each eligible subloan will be US\$2 million (the BNDES minimum for loans to municípios), and the maximum will be US\$40 million (based on the average amount for direct operations with multilateral banks, paragraph 1.12). The majority of the resources is expected to be allocated as subloans to municípios, which have a lower level of digitalization than the states. In addition, because of the financial conditions (less favorable than those in direct operations with multilateral banks) and maximum amounts (below what multilateral banks provide through direct lending, paragraph 1.12), the subloans will be more attractive for states with smaller economies (which correspond to those with a lower level of digitalization, [optional link 3](#)), thereby ensuring that PRODIGITAL will address the market gap identified (paragraph 1.15).⁵⁹
- 1.36 **Beneficiaries.** The main direct beneficiaries of this program will be: (i) citizens and businesses in the states and municípios that access financing with technical assistance for digital transformation and that will benefit from more effective and efficient digital public services, digital literacy and inclusion programs, and better coverage and quality of connectivity; and (ii) civil servants in these states and municípios, who will enhance their digital skills. Considering the eligibility criteria and amounts, estimates indicate that approximately ten municipal governments will take out loans averaging US\$12 million, and two state governments will take out loans averaging US\$30 million. Based on the subloans identified thus far, the municípios that access this financing are expected to be medium in size (between

⁵⁷ BNDES has a proprietary credit risk assessment methodology, which is more flexible than the methodology used for direct loans with multilateral banks but has an effective risk management model. As a result, the public sector portfolio is the best-performing portfolio in the entire institution, with a very low default rate.

⁵⁸ While none of the products in the menu are mandatory, the subloans are expected to have at least one intervention for digitalization of services and one intervention for digitalization of internal process management. This expectation is based on Bank experience with this type of program and the needs determined in previous programs.

⁵⁹ See the [program Credit Regulations](#) for further information.

400,000 and 1.5 million inhabitants), and the states that benefit are expected to be the smallest ones in the federation.⁶⁰

C. Key results indicators

- 1.37 **Expected impact and outcomes.** Achievement of the program's general development objective will be measured through the increase in citizen satisfaction with the supply of digital public services and the savings generated for society by the digitalization of public services. Achievement of the program's specific development objectives will be measured through the following indicators: (i) the amount of BNDES financing for digital transformation in states and municípios; (ii) the number of states and municípios with BNDES financing for digital transformation projects; (iii) municípios benefitting from financing and technical assistance that improve their performance on the gov.br network platform's maturity index; (iv) states benefitting from financing and technical assistance that improve their performance on the digital service supply index; and (v) the percentage of citizens that report difficulty in using digital services.
- 1.38 **Economic analysis.** A cost-benefit analysis was performed to determine the program's internal rate of return and economic viability. Since the subborrowers and products to be financed by each subloan are not all known at this time, a set of cost-benefit analyses of sample products is presented to assess different scenarios for the subloan portfolios, based on the menu of eligible products. The program's main quantifiable benefits are the result of the following: lower costs for citizens and government agencies from increased digitalization of services; a reduction in costs due to improved management of internal processes; and savings associated with improved detection of cybersecurity incidents. After applying a conservative benefit rate, and even without considering all possible sources of benefits, the analysis concluded that the program benefits outweigh its costs. The average net present value of the portfolio simulations is approximately US\$74,808,158, with an average internal rate of return of 15.67% and an average benefit-cost ratio of 2.32. All of the assumptions were developed as conservatively as possible, with benefits starting mainly in year two or later. Various sensitivity analyses were performed based on assumptions of significantly lower values, and in all instances the internal rate of return exceeded 12% ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Source and use of funds.** The program will be structured as a Global Credit Loan, which is justified because it is a financial intermediation operation for end beneficiaries through Brazil's national development bank. The total cost of the program will be US\$180,000,000, of which US\$150,000,000 (83.3% of the total) will be financed from the Bank's Ordinary Capital resources, and \$30,000,000 (16.7% of the total) will be covered by the local contribution.

⁶⁰ Based on this profile, at least 30 million people are expected to benefit. The gender and diversity outputs will ensure that women, Afro-descendants, and people with disabilities will particularly benefit from the financed interventions.

Table 1. Estimated program costs (US\$ millions)⁶¹

Component	IDB	Local	Total	%
Single component. Support for investment in digital transformation programs in municipios, states, and the Federal District.	150	30	180	100
Total	150	30	180	100

- 2.2 The commitment period for the proceeds (signing of subloans) will be four years, and the disbursement period will be five years (Table 2), based on the average time it takes to design and implement the program’s proposed subloans, and on the eligibility criteria and other conditions governing the use of the proceeds, as set forth in the [program Credit Regulations](#).

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

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	30	20	40	40	20	150
Local	6	7	7	5	5	30
Total	36	27	47	45	25	180
%	20	15	26	25	14	100

B. Environmental and social risks

- 2.3 The operation was classified as an “FI” operation under the IDB’s Environmental and Social Policy Framework (GN-2965-23), and the risk level was classified as moderate. The operation is not expected to cause any negative environmental or social impacts. The states and municipios acting as subborrowers will be able to use the proceeds from the respective subloans to finance small-scale activities to remodel or retrofit spaces, as well as upgrade wiring for connectivity purposes. BNDES will implement its environmental and social risk system (SARAS) to ensure that projects with substantial or high risk are identified and excluded. Environmental and Social Performance Standards 1, 2, and 10 were triggered, and actions will be considered during project design, as set forth in the environmental and social strategy ([optional link 6](#)).

C. Other key issues and risks

- 2.4 The four risks identified during the design phase consisted of one high risk and three medium-high risks.
- a. **Technical design (high).** If the government entities have low capacity for managing digital transformation projects, difficulties could arise during project structuring and implementation, which would have a negative impact on the achievement of program objectives. To mitigate this risk, the IDB will provide technical assistance during structuring of the subloans, in the form of workshops on how to develop diagnostic assessments and investment plans (paragraph 1.33), and during implementation, in the form of monitoring meetings, on-site visits, and support for drafting complex terms of reference (paragraph 3.13).

⁶¹ BNDES will cover the costs of program administration, evaluation, and audit using its administrative resources, as part of its normal operations.

- b. **Technical design (medium-high).** If the government entities have low capacity for planning and implementing cybersecurity measures to accompany the government's digital transformation, new vulnerabilities could be introduced into government-run platforms. To mitigate this risk, the IDB will promote investments in cybersecurity for the subloans structured with technical assistance. Specifically, it will provide support to help structure cybersecurity plans and include specific cybersecurity clauses in the terms of reference for procurement under the subloans. In the event that the counterpart indicates that it has the necessary capacities, the client will be asked to provide evidence of its compliance with international cybersecurity standards.
 - c. **Economic and financial environment (medium-high).** If there is insufficient demand from states and municípios for the subloans available from the PRODIGITAL resources, delays in execution could arise. To mitigate this risk, the operation proposes implementing a strategy developed by the IDB team and supported by technical-cooperation resources to stimulate demand and standardize the subloan structuring process (paragraphs 1.19 and 1.24). The operation also proposes having a portfolio of possible projects identified prior to the signing of the loan.
 - d. **Political environment (medium-high).** If the signing of the loan contract takes longer than expected, this could lead to delays or interruptions in contracting the subloans, which would have a negative effect on achievement of the program's targets. To mitigate this risk: (i) the subloan portfolio will be fast-tracked, specifically for new municipal governments, starting in January 2025; (ii) the IDB and BNDES will coordinate closely to sign the loan contract as soon as it is approved by the federal government; and (iii) close coordination will be maintained with key players (the National Treasury Department, the Attorney General's Office of the National Treasury, the Ministry of Public Service Management and Innovation, the Office of the Chief of Staff of the President, the Federal Senate, and initial clients) to prioritize the signing of the loan contract.
- 2.5 **Program sustainability.** The program will maximize its sustainability by transferring technical knowledge to the BNDES teams to structure and implement subnational programs for digital transformation. This knowledge transfer will include technical topics relating to e-government, which are new to the BNDES portfolio, as well as the methodologies used to structure the investments and monitor the subloans, thereby strengthening BNDES's institutional capacity for this type of program. Once this new e-government approach is incorporated into BNDES's existing credit lines and aligned with its institutional strategy (paragraph 1.17), the program is expected to continue beyond the close of the operation. In addition, the program fits into the National e-Government Strategy (paragraphs 1.5 and 1.14), which calls for actions to continue this work agenda, in coordination with the federal government. The program will also maximize the sustainability of its technological investments through a strategy that will include: staggering purchases, which will extend maintenance contracts on equipment and solutions; using cloud-based services, which will circumvent the obsolescence of storage equipment; creating digital capacities within the subborrowers' teams for solution maintenance; and prioritizing existing federal, state, and open-source software solutions, which will increase buy-in and pave the way for future

enhancements ([optional link 10](#)). Each subloan will include a sustainability analysis, as part of the evaluation process conducted by BNDES.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** For this operation, the borrower and executing agency will be the Brazilian Economic and Social Development Bank (BNDES). The Federative Republic of Brazil will be the guarantor of the financial obligations associated with the loan.⁶²
- 3.2 **Program execution, administration, and coordination mechanisms.** BNDES will execute the program using its existing organizational structure, which will be entrusted with the tasks of ensuring proper use of the program's financial resources and providing the human and technical resources needed to execute the program in a timely manner. BNDES's Funding Department will be responsible for coordinating the approval process with the IDB, as well as executing and monitoring the program with support from the Public Management Department. The institutional capacity analysis performed by the IDB found that BNDES has the requisite capacity to manage the operation, including organizational structures, formal procedures, human resources, and adequate systems. The analysis identified only one area of improvement related to ensuring technical quality (paragraphs 2.4a and b).
- 3.3 **Interagency coordination mechanisms.** BNDES will ensure that the subloans are aligned with the menu of eligible products, which, in turn, are aligned with the National e-Government Strategy. Additionally, the Department of International Affairs and Development of the Ministry of Planning and Budget (SEAID), acting as the liaison institution for the CCLIP, will conduct regular program monitoring, as part of the Bank's periodic portfolio reviews and of existing coordination processes between SEAID and BNDES to supervise all BNDES loans with international organizations.
- 3.4 **Exceptions to Bank policies.** For this operation, as for previous loan operations with BNDES,⁶³ the guarantee of the Federative Republic of Brazil will be limited to BNDES's financial obligations under the loan (including repayment of the principal, interest payments, and other financial charges) and will not cover the performance obligations or the local counterpart contribution. Accordingly, the Board of Executive Directors is asked to consider approval of a partial waiver of the Bank's Policy on Guarantees Required from the Borrower (OP-303) (GP-104-2). This request is justified by the absence of any provision under Brazilian legislation expressly allowing Brazil's federal government to guarantee obligations related to the execution of the program or the borrower's local counterpart contribution. BNDES is a financially solvent and autonomous entity and has broad operational

⁶² See [Resolution 36](#) of 6 September 2023 issued by the Comissão de Financiamentos Externos [External Financing Committee] (COFIEX), authorizing preparation of the operation.

⁶³ Loans with similar partial waivers include: [1608/OC-BR](#), [1860/OC-BR](#), [2023/OC-BR](#), [2236/OC-BR](#), [3866/OC-BR](#), [4672/OC-BR](#), [5115/OC-BR](#), and [5386/OC-BR](#).

and financial capacity with respect to the obligations it will undertake vis-à-vis the Bank.

- 3.5 **Financial position of BNDES.** According to analyses conducted by Brazil's federal government, BNDES is in a position to enter into a loan operation with the Bank. BNDES's performance analysis for 2023 showed solid figures: (i) US\$2.3 billion in net income; (ii) 0.02% default rate; and (iii) in October 2024, BNDES maintained positive evaluations from rating agencies (Standard & Poor's: AAA (stable) in local currency, and BB (stable) in foreign currency). Thus, BNDES has adequate financial capacity to meet its obligations to the Bank.
- 3.6 The [program Credit Regulations](#) will provide detailed information on execution of the operation and will include: (i) eligibility criteria for beneficiaries; (ii) the BNDES credit lines eligible for the program and minimum and maximum loan amounts; (iii) mechanisms for program coordination and interagency coordination; (iv) mechanisms for programming, monitoring, and evaluation of results; (v) guidelines for financial, audit, and procurement processes; (vi) financial management rules; and (vii) a chapter on the program's environmental and social considerations.
- 3.7 **Special contractual condition precedent to the first disbursement of the loan. The executing agency will provide evidence to the Bank that the [program Credit Regulations](#) have entered into force under the terms agreed upon with the Bank.** This condition is necessary to: (i) ensure program quality and comprehensiveness; and (ii) establish guidelines, procedures, and coordination mechanisms for the executing agency to follow for successful program execution.
- 3.8 **Procurement of works, goods, and nonconsulting services, and consulting services.** Since this is a loan to be provided to BNDES as a development finance intermediary for onlending to subnational public entities, procurement will be carried out by such entities using the country system, in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15). Based on prior practice with BNDES, the [program Credit Regulations](#) will include a draft notice that BNDES is required to send to eligible subborrowers stating that they must follow the provisions on basic procurement principles and clauses on eligibility and prohibited practices, as described in national legislation and the aforementioned policies. Procurement of goods and nonconsulting services is not to exceed the amounts allowed under national processes, such that the subborrowers are able to use the methods of the country system as long as they abide by the basic procurement principles set forth in the aforementioned policies.
- 3.9 **Retroactive financing and recognition of expenditures.** The Bank may retroactively finance, as a charge against the loan proceeds, up to 20% of the proposed loan amount (US\$30,000,000) and may recognize, as a charge against the local contribution, up to 20% of the estimated local contribution amount (US\$6,000,000) in eligible expenditures incurred by the borrower prior to the loan approval date in the form of disbursements to states and municípios acting as subborrowers, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been

incurred on or after 20 December 2023 (the project profile approval date) but may in no case include expenditures incurred more than 18 months prior to the loan approval date (see documents GN-2349-15, GN-2350-15, and the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (GN-2259-1)). Execution of three of the subloans identified in the potential pipeline began in the first half of 2024 (paragraphs 1.18 and 1.20).

- 3.10 **Disbursement and justification of advances of funds.** Disbursements will be made in U.S. dollars in the form of advances of funds based on the program's actual liquidity needs, which will be submitted in a financial plan with estimates of eligible onlending for up to 12 months. For subsequent advances of funds, justification must be provided for 50% of the previously advanced funds, along with a 12-month financial plan for the advances. The loan proceeds will be administered by the executing agency through a bank account used exclusively for receiving and managing the program resources, making it possible to identify them and prepare bank reconciliations, as established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12).
- 3.11 **Audits.** BNDES will annually submit to the Bank the operation's audited annual financial statements within 120 days following the end of the fiscal year. The external audit will be performed by the Office of the Comptroller General or by a Bank-eligible independent audit firm, preferably the external audit firm that audits BNDES (if eligible). The audited financial statements will be prepared in accordance with the terms of reference previously agreed upon with the Bank. The program's final audited financial statements will be delivered within 120 days after the date of the last disbursement.

B. Summary of arrangements for monitoring results

- 3.12 **Monitoring by the executing agency.** Monitoring by the executing agency will be based on: (i) the Results Matrix; (ii) the project execution plan; (iii) the monitoring and evaluation plan; (iv) the annual work plan; (v) the risk management matrix; (vi) semiannual progress reports, which include the IDB's program monitoring report (PMR) tool; and (vii) the audited financial statements.
- 3.13 Subloan supervision will be carried out by the BNDES department that is already responsible for this activity in other operations (see the [program Credit Regulations](#)), using its systems, and may include site visits and virtual supervision meetings. The Bank will provide technical assistance during execution and will participate in these visits and meetings, when deemed appropriate by the teams. In addition, the Bank will provide technical support to the subborrowers, particularly in preparation of the terms of reference for complex technology procurement, and will exchange knowledge and solutions through the network of executing agencies for the "Brazil Plus Digital" program (paragraph 1.23). Lastly, the Bank will support BNDES in monitoring the results of the subloans, specifically through surveys and instruments to strengthen the subborrowers' institutional capacities in the area of data use.

- 3.14 **Evaluation.** The project will be evaluated against the annual targets and indicators for outcomes and outputs in the project Results Matrix. The [program Credit Regulations](#) and [monitoring and evaluation plan](#) call for a midterm independent evaluation and a final evaluation. The borrower will prepare and submit to the Bank a midterm evaluation report within 180 days after the date on which 50% of the loan proceeds have been disbursed, or after 24 months of execution, whichever occurs first. The borrower will also submit a final evaluation report to the Bank, as input for the project completion report. This report will be delivered within 180 days after the date of the last disbursement, except if justification is provided for all disbursements within a period of up to 36 months after the contract's entry into force. If necessary, the report deadline may be extended up to 24 months after full justification of the use of resources to ensure the evaluation of all of the outcomes and that the PCR is approved in a maximum term of 30 months following closure of the operation. The content of both reports is described in the [monitoring and evaluation plan](#).
- 3.15 **Impact evaluation.** To generate knowledge on the effectiveness of specific projects for digital services, at least one impact evaluation will be conducted using the triple difference methodology (DDD), comparing two estimators of difference in differences (DD). This consists of comparing two groups: one that has received the treatment (digital and in-person services), and another similar group that has not received this treatment (only in-person services). This will be compared in states and municípios that have received subloans from BNDES (the treatment group) versus states and municípios that have not received subloans (the control group). This type of impact evaluation will allow causal attribution of the project benefits. The impact evaluation will be conducted by the IDB, in collaboration with prestigious universities, and with support from BNDES in order to have access to the data on the governments evaluated⁶⁴ (see [monitoring and evaluation plan](#)).

IV. ELIGIBILITY CRITERIA

- 4.1 This is the ninth individual operation under the CCLIP for the “Brazil Plus Digital” program ([BR-O0010](#)), and the first in the third allocation channel (development banks). As such, it meets all of the eligibility criteria set out in the Bank’s CCLIP policy (GN-2246-13, Section III.1) and the corresponding operational guidelines (OP-1622-3, Section III.B), inasmuch as: (i) the CCLIP’s objectives fit within the priorities identified in the Brazil and IDB Group Strategic Agreement. Country Strategy 2024-2027 (GN-3243-3) (paragraph 1.26); and (ii) the CCLIP liaison entity, the SEAID, has the authority to coordinate and monitor the general work program of all sectors included under the CCLIP, such that it can verify that it is progressing as planned toward meeting its multisector objectives. In addition, for this individual operation: (i) a full institutional capacity analysis of the executing agency found that it possesses the necessary execution capacity, in addition to possible risks (paragraphs 2.4 and 3.2); (ii) this operation’s objectives contribute to achieving the CCLIP’s multisector objectives, since it helps to: (a) improve public services by implementing new technologies; (b) improve digital connectivity

⁶⁴ As part of the CCLIP, universities have been identified that are interested in forming partnerships to evaluate the impacts of the operations, at no cost to the IDB or the governments. Work has begun on the evaluation of the first individual operation under the CCLIP ([5248/OC-BR](#)) with the University of Toulouse.

(coverage and quality); (c) increase the adoption of new technologies in the productive sector; and (d) improve performance on crosscutting factors needed for digital transformation (paragraphs 1.1 and 1.32); (iii) the operation is covered by the CCLIP's e-government sector, since it mainly promotes digital transformation of the public sector (paragraphs 1.1 and 1.2); and (iv) this loan proposal includes the actions to be undertaken in the areas for improvement identified in the institutional capacity assessment of the executing agency for PRODIGITAL, primarily related to technical quality management (of complex technology outputs and cybersecurity) (paragraphs 2.4a and b; 3.2; and 3.12).

Development Effectiveness Matrix		
Summary		BR-L1627
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 -Productive development and innovation through the private sector 	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3243-3	(i) Strengthen the public sector sustainability and government efficiency
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		6.1
3.1 Program Diagnosis		1.4
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		1.2
4. Ex ante Economic Analysis		7.5
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		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.4
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Environmental & social risk classification		FI
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, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Environmental Assessment National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BR-T1470, BR-T1547, BR-T1534, BR-T1586

Evaluability Assessment Note: The document presents an investment project that combines \$150 million of IDB ordinary capital and \$30 million of local contribution. The operation is the ninth operation of CCLIP BR-00010. The general objective of the ninth operation is to advance the digital transformation of states and municipalities to increase satisfaction and generate savings for citizens and businesses in the use of public services. The operation has a single component that seeks to support investment in digital transformation programs in municipalities, states and the federal district.

The project has a solid diagnosis, supported by evidence, which shows as the main problem gaps in satisfaction with digital public services and high costs for citizens in the use of face-to-face public services with potential for digitization in states and municipalities in Brazil. This problem is related, in part, to gaps related to low investment in digital transformation programs for states and municipalities: gaps in the use of information technology (IT) for government management, gaps in the availability and use of digital public services, and gaps in connectivity and digital infrastructure.

The results matrix is consistent with the vertical logic of the operation. Some of the outcome indicators are not SMART and indicator targets are not justified with evidence. The economic analysis quantifies benefits for citizens and governments in terms of savings derived from the provision of digital services. The exercise yields an IRR of 15.67% and presents a sensitivity analysis based on simulated portfolios. One of the assumptions of the analysis is not supported by evidence of similar experiences or studies.

The monitoring and evaluation plan proposes a reflexive evaluation (before and after methodology) for most of the outcome indicators associated with the specific objectives of the program and the general objective. Given the expected timing of disbursements, the project completion report would have to be written before having data to measure all indicators, thus not all the specific objectives will be able to show results achieved at project closing, and thus the effectiveness of the project completion report may not be satisfactory. An impact evaluation, using a triple difference-in-differences methodology, is proposed to estimate the impact of the program on citizen satisfaction, and on the savings derived from digitization. However, some detail is lacking on how the proposed methodology is applied to the specific indicators.

The project obtained an Environmental and Social rating in category FI, derived from the fact that no negative environmental or social impacts are expected. The project has a low overall risk rating, highlighting four risks: (i) low capacity of government entities to manage digital transformation projects, (ii) low capacity of government entities to plan and implement cybersecurity measures to accompany the government's digital transformation, (iii) insufficient demand from states and municipalities for subloans available from the PRODIGITAL resource source, and (iv) delay in signing the loan contract. Mitigation measures have been proposed.

RESULTS MATRIX

Project objective:	The specific development objectives for this operation are to: (i) boost investment in digital transformation programs for states and municípios; and (ii) expand the supply and use of digital public services. Achievement of these objectives will contribute to the general development objective of advancing the digital transformation of states and municípios to increase satisfaction and generate savings for citizens and businesses in the use of public services.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Advance the digital transformation of states and municípios to increase satisfaction and generate savings for citizens and businesses in the use of public services.							
Satisfaction among citizens of the states and municípios provided with digital public services	Percentage of users	53.5	2020	2029	60	Phone survey financed by technical-cooperation resources (ATN/OC-20780-BR) – conducted at the beginning and end of each subloan	Brazil – national level (IDB, 2021). A line will be included for each subloan with the status of each state/município.
Savings generated for society from the digitalization of public services as part of PRODIGITAL	Millions of reais (2023)	0	2024	2029	180		Overall target, estimated by using the targets of other operations under the CCLIP for the “Brazil Plus Digital” program as a reference. A line will be included for each subloan granted.

SPECIFIC DEVELOPMENT OBJECTIVES¹

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Specific development objective 1: Boost investment in digital transformation programs in states and municípios										
Financing from BNDES for digital transformation of states and municípios	US\$ millions	76.6	2022-2023	196.6	256.6	256.6	256.6	256.6	BNDES	Cumulative loan contracts granted. Baseline includes PMAT and PMAE credit lines.
States and municípios with financing from BNDES for digital transformation projects	Number	7	2022-2023	15	19	19	19	19		Cumulative loan contracts granted.
Specific development objective 2: Expand the supply and use of digital public services										
Municípios benefitted by financing and technical assistance that improved by at least one level on the gov.br network platform's maturity index	Percentage	0	2023	0	0	20	40	60	gov.br network platform	Levels (from lowest to highest): beginner, intermediate, enhanced, and advanced. For municípios at the advanced level, the target will be considered achieved if this level is maintained. See optional link 3 for the index's methodology.
States benefitted by financing and technical assistance that improved by at least one level on the digital service supply index.	Percentage	0	2023	0	0	20	40	60	ABEP-TIC index	Levels (from lowest to highest): poor, fair, good, very good, and excellent. For states ranked "excellent," the target will be considered achieved if this level is maintained. See optional link 3 for the index's methodology.

¹ Since this is a Global Credit Loan, and not all of the subborrowers are currently known, other results indicators are expected to be added once the interventions have been determined for all of the subloans.

Indicator	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Citizens that report difficulty in using digital public services, in the states and municípios targeted	Percentage of users	44.8	2020	44.8	44.8	42.0	40.0	40.0	Phone survey financed by technical-cooperation resources (ATN/OC-20780-BR) - conducted at the beginning and end of each subloan	Brazil – national level (IDB, 2021). A line will be included for each subloan with the status of each state/município.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Single component. Support for investment in digital transformation programs in municípios, states, and the Federal District											
Output 1. Loan from the IDB program granted through the relevant portfolio	US\$ millions	0	2023	120	60	-	-	-	180	BNDES	See monitoring and evaluation plan .
Output 2. Subloans of the program with outputs that contribute to climate finance	Number of subloans	0	2023	8	4	-	-	-	12		See monitoring and evaluation plan .
Output 3. Subloans of the program with gender outputs	Number of subloans	0	2023	-	3	-	-	-	3		Pro-gender indicator. See monitoring and evaluation plan .
Output 4. Subloans of the program with diversity outputs	Number of subloans	0	2023	-	3	-	-	-	3		Pro-diversity indicator. See monitoring and evaluation plan .

Country: Brazil

Division: IFD/ICS

Operation: BR-L1627

Year: 2025

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Brazilian Economic and Social Development Bank (BNDES)

Operation name: PRODIGITAL – Federal Program for Digital Government and Infrastructure (BR-L1627). Ninth Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) “Brazil Plus Digital” (BR-O0010)

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 systems	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	<p>BNDES is a federal public financial institution with independent legal status under private law and its own assets. It reports to the Ministry of Development, Industry, Commerce, and Services, and its primary objective is to promote the country’s economic and social development as the main instrument for implementing federal policy and fostering private investment.</p> <p>BNDES will execute the program using its existing organizational structure, which will be entrusted with the tasks of ensuring proper use of the program’s financial resources and providing the human and technical resources needed to execute the program in a timely manner. BNDES’s Funding Department will be responsible for coordinating the approval process with the IDB, as well as executing and monitoring the program with support from the Public Management Department.</p>
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¹ Any system or subsystem subsequently approved may be applicable to the operation, in accordance with the terms of the Bank’s validation.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional capacity analysis found that BNDES has the requisite capacity to manage the activities to be carried out as part of the operation, including organizational structures, formal procedures, human resources, and adequate systems.
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4. **Policies and guidelines applicable to the operation:** The applicable guidelines for financial management will be document OP-273-12, and for procurement management, documents GN-2349-15 and GN-2350-15.

5. **Exceptions to Bank policies and guidelines:** None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate 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, the agreed exchange rate will be the “buy” rate published by Brazil’s central bank, at which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

Type of audit: During program execution, BNDES will annually submit to the Bank the operation’s audited financial statements within 120 days following the end of fiscal year. The external audit will be performed by the Office of the Comptroller General (CGU) or by a Bank-eligible independent audit firm, preferably the external audit firm that audits BNDES (if eligible). The audited financial statements will be prepared in accordance with the terms of reference previously agreed upon with the Bank. The program’s final audited financial statements will be delivered within 120 days after the date of the last disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

☒	Projects with financial intermediaries	Since this is a loan to be provided to BNDES as a development finance intermediary for onlending to subnational public entities, procurement will be carried out by such entities using the country system, in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15). Based on prior practice with BNDES, the program Credit Regulations will include a draft notice that BNDES is required to send to eligible subborrowers stating that they must follow the provisions on basic procurement principles and clauses on eligibility and prohibited practices, as described in national legislation and the aforementioned policies. Procurement of goods and nonconsulting services is not to exceed the amounts allowed under national processes, such that the subborrowers may use the methods of the country system as long as they abide by the basic procurement principles set out in the aforementioned policies. Consulting firms may be engaged using the country method, in accordance with the basic procurement principles of document GN-2350-15, provided that the process is competitive and uses a proposal evaluation criterion that weights the technical proposal more
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		heavily (80% or 70%) than the price proposal (20% or 30%), and that an international shortlist is prepared for procurement above US\$1 million.
<input checked="" type="checkbox"/>	Retroactive financing and recognition of expenditures	The Bank may retroactively finance, as a charge against the loan proceeds, up to 20% of the proposed loan amount (US\$30,000,000) and may recognize, as a charge against the local contribution, up to 20% of the estimated local contribution amount (US\$6,000,000) in eligible expenditures incurred by the borrower prior to the loan approval date in the form of disbursements to states and municípios acting as subborrowers, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 20 December 2023 (the project profile approval date) but may in no case include expenditures incurred more than 18 months prior to the loan approval date (see documents GN-2349-15, GN-2350-15, and the Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (GN-2259-1)).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	BNDES is a public enterprise with independent legal status and its own assets. As such, it does not receive budget funds from the federal government. BNDES abides by the national regulations established in the annual budget act, and its financial management systems are at an advanced level. Its planning and programming duties and responsibilities are documented in the Financial Planning and Programming Manual, as well as in its planning policies, which are approved by its board of directors.
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p>The loan proceeds will be disbursed in U.S. dollars, under the reimbursement of expenditures and/or advance of funds modality. Disbursement requests will be submitted to the Bank in accordance with the requirements set out in the loan contract, the program Credit Regulations, and the Financial Management Guidelines for IDB-financed Projects (OP-273-12).</p> <p>The Bank will reimburse BNDES for expenditures incurred in eligible subloans under the program. These expenditures refer to the transfer of BNDES funds to municipal and state governments in the context of eligible subloans for up to the amounts established in the program Credit Regulations.</p> <p>If required, BNDES may request advances of funds by submitting a financial plan with estimates of eligible onlending for up to 12 months. To request subsequent advances, BNDES will provide justification for 50% of the total funds previously advanced and not yet accounted for.</p> <p>The execution mechanism is complex and highly decentralized and consists of subnational public entities acting as subborrowers (states and municípios). In addition, BNDES's internal regulations require the availability of Bank financing in order to commit project funds prior to the subborrower justifying 80% of the funds. Thus, for subsequent advances, justification must be provided for 50% of the previously advanced funds, along with a 12-month financial plan for the advances.</p>

		<p>The Bank will process the disbursements and deposit the funds in U.S. dollars in a bank account designated for that purpose by BNDES.</p> <p>The Bank's review and verification of the disbursements will be ex post.</p>
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<p>BNDES has a robust financial information system that backs up the accounting and financial records of its operations.</p> <p>Furthermore, BNDES complies with the rules issued by the central bank for banks in Brazil and applies Brazilian standards in the submission of its financial statements. In addition, BNDES publishes for information purposes financial statements based on International Public Sector Accounting Standards (IPSAS).</p> <p>BNDES's debt recording and control operations and debt collection systems are indexed to several currencies, enabling entries in local currency and U.S. dollars. In this context, BNDES will record all transactions arising from the IDB loan in its own systems, using the exchange rate on the date of transfer of funds to the program's municipal and state government subborrowers.</p>
<input checked="" type="checkbox"/>	Internal control and internal audit	<p>The internal audit function for this project is performed by the internal audit unit, which reports directly to the BNDES board of directors. Its main objectives are to: (i) evaluate efficiency, effectiveness, and compliance with the internal and external rules governing corporate and information technology processes; and (ii) facilitate a dialogue between the BNDES system and the external oversight and supervision entities (TCU, CGU, and the central bank).</p>
<input checked="" type="checkbox"/>	External control and financial reports	<p>BNDES will annually submit to the Bank the program's audited financial statements within 120 days following the end of the fiscal year. The report will have been audited by the CGU or by a Bank-eligible independent audit firm.</p> <p>The program's final audited financial statements will be submitted within 120 days after the date of the last disbursement, or any extension thereof.</p>
<input checked="" type="checkbox"/>	Financial supervision of the operation	<p>The IDB will conduct ex post financial supervision of the program through: (i) analyses of the audited financial statements; (ii) periodic review of the program disbursement requests; and (iii) annual financial supervision meetings.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/25

Brazil. Loan ___/OC-BR to Banco Nacional de Desenvolvimento Econômico e Social (BNDES). PRODIGITAL – Federal Program for Digital Government and Infrastructure. Ninth 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 Banco Nacional de Desenvolvimento Econômico e Social (BNDES), 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 PRODIGITAL – Federal Program for Digital Government and Infrastructure, which constitutes the ninth 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\$150,000,000, 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 _____ 2025)