Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 03-Aug-2022 | Report No: PIDC34412

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Brazil	P179046		Progestão Acre: Public Sector Management Efficiency (P179046)
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
LATIN AMERICA AND CARIBBEAN	Nov 07, 2022	Feb 07, 2023	Governance
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	State of Acre	State Secretariat of Planning	

Proposed Development Objective(s)

Improve efficiency in public resource management in selected departments of the State of Acre.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	45.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	5.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	40.00

Environmental and Social Risk Classification	Concept Review Decision
Low	Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

1. **Progestão Acre is the fourth operation in a Series of Projects (SoP) under a Program designed to assist Brazilian States implement reforms to improve efficiency in public resource management**. The objective of Progestão Program, as stated in the Memorandum of Understanding between the National Secretariat of Treasury (*Secretaria do Tesouro Nacional*, STN) and the World Bank (WB), is to develop the fiscal budget and asset management systems of Brazilian state governments through actions that aim at reducing and rationalizing public spending with long term results that contribute to their fiscal sustainability. The Program, available to all Brazilian States regardless of their fiscal situation, will provide technical assistance to help participating States modernize and improve efficiency in whole-of-government functions and strategic sectors through investments in management reforms and information systems. The Progestão Program Framework is presented in Annex 1. The Federal government has requested that the Bank support the Progestão Program through a series of investment project financing (IPF) operations. Progestão Acre addresses six whole-of-government functions (human resource management, pensions, procurement, public investment management, state-owned enterprises, and asset management) and three strategic sectors (health, education, and social assistance). These focus areas were selected applying the Progestão Program selectivity criteria: strategic alignment, implementation capacity, impact on beneficiaries, and alignment with WB corporate commitments.

Country Context

2. **Brazil entered the COVID-19 pandemic in a weak economic position.** After rapid growth and social progress between 2001 and 2010, partly due to sound macro policies and a favorable external environment, Brazil's economy fell into deep recession. While external factors triggered the slowdown, an expansionary policy response led to rapidly rising fiscal disequilibrium and, with rising domestic political uncertainty, a loss of confidence and a sharp drop in investment. Poverty increased three percentage points between 2014 and 2017, pushing 7.3 million more people into poverty. From 2017 to 2019 – the years immediately before the pandemic – growth averaged just 1.1 percent. Unemployment declined from a peak of 13.6 percent in March 2017 to 11.0 percent in 2019 but it remained above pre-crisis levels (6.8 percent in 2014). Most of the new jobs were created in the informal sector. As of 2019, 19.6 percent of the population lived on less than US$5.50 per day (2011 purchasing power parity [PPP]), including 4.6 percent on less than US$1.90 per day (2011 PPP).

3. **The Covid Pandemic has severely impacted Brazil with over 671,000 deaths as of June 2022.** The country's health system was under extreme stress during the first half of 2021: hospital capacity was pushed to the limit, intensive care unit bed occupancy rates exceeded 80 percent in 14 out of 27 States, with scarcities of oxygen, Intensive Care Unit (ICU) medication supplies, and trained professionals. Since then, the government has negotiated vaccine contracts for over 662 million doses, 178 million Brazilians have received at least one dose of a COVID-19 vaccine and 167 million are fully vaccinated (77.7 percent of the population). After a contraction of 4.1 percent in 2020, the Brazilian economy rebounded with a 4.7 percent growth rate in 2021, though the latest data points to some deceleration. The labor market began to recover in early 2021. Unemployment fell from 13.5 percent in 2020 to 11.6 percent in November 2021. However, recent World Bank business pulse and COVID-19 phone surveys indicate cuts in pay or hours worked for a significant share of workers. These trends, coupled with higher inflation, contributed to a 11.4 percent decrease in average real income of workers by November 2021 (YoY).

4. **Brazil's State Governments are in a dire fiscal situation.** Brazil's States have extensive service delivery

responsibilities in health, education, security, and environment. Prior to the pandemic, 7 out of the 26 Brazilian States and the Federal District had declared a state of fiscal calamity, 17 out of 27 State governments were not eligible to borrow under Federal District rules due to limited creditworthiness related to liquidity and solvency concerns, and 20 had delayed payments to public servants and/or providers at some point. In 2019, State public investment was 52.5 percent lower than in 2015. Paradoxically, in 2020, state governments experienced improved fiscal outcomes, despite the negative effects of the health crisis, with just 12 States ineligible to borrow. This was due to the large federal transfers to address the COVID-19 pandemic (R$97 billion, 1.4 percent of GDP), though the federal social protection program – *Auxílio Emergencial* – that helped maintain a reasonable level of economic activity and contributed to tax revenue increases. As these temporary measures wind down in 2022 and beyond, the States' fiscal position will deteriorate rapidly if State governments do not implement reforms to reduce expenditures.

5.   **The Ministry of Economy recently launched programs to support States in fiscal distress and encourage them to implement structural reforms.** The Fiscal Recovery Regime Program (*Programa do Regime de Recuperação Fiscal,* PRRF) supports States in serious fiscal distress, providing a fiscal adjustment instrument to all participating state governments. PRRF offers debt relief to highly indebted States implementing a fiscal adjustment plan that: reduces tax exemptions by at least 20 percent; approves legislation for the privatization of State Owned Enterprises (SOEs); contains recurrent expenditure growth with an expenditure rule; harmonizes the States' civil servants benefits in line with those of the federal government; adopts a pension reform similar to the federal pension reform of 2019; implements a complementary pension fund; centralizes all public resources in a single treasury account managed by the Executive; and renegotiates arrears with private suppliers. The Fiscal Sustainability Program (*Plano de Equilíbrio Fiscal*, PEF) helps State Governments in fiscal distress recover their creditworthiness with the National Treasury achieving a Payment Capacity Assessment B rating (*Capacidade de Pagamento,* CAPAG[1]) by improving current savings and fiscal liquidity. Under PEF, the Federal Government provides guarantees for new lending against implementation of the fiscal adjustment program which must include at least three fiscal measures drawn from the PRRF.

6.   **The Federal Government intends to complement these fiscal measures with reforms to management systems that can deliver efficiency gains in public administration and public expenditure.** The Federal Government proposes to devolve additional responsibilities to state governments while at the same time achieving efficiency improvements so that States can "do more with less". In order to avoid the fragmented impact of past reforms across States, the Federal Government will implement the Progestão Program as a "national" joint federal-state effort that supports a "Brazilian State" vision and a common set of public sector management reforms. STN designed Progestão as a program to help states improve their management capacity, raise the efficiency of public expenditure, and address management challenges in a coordinated country-wide technical assistance program in line with ongoing and upcoming reforms.

Sectoral and Institutional Context

7.   **Acre's Human Development Index (HDI) is one of the lowest in Brazil (0.719, equivalent to Venezuela and below Brazil's average of 0.76) and the State is highly dependent on transfers from the federal government.** The State of Acre occupies 0.43 percent of the Brazilian territory. Its economy represents only 0.22 percent of Brazil's GDP. Acre's per capita GDP is the 6th lowest in the country and the Gini Index is below Brazilian average (0.575). 16.91 percent of the population live in extreme poverty and 42.9 percent are considered vulnerable to poverty. 68 percent of State revenues are from transfers from the federal government. Despite vast development challenges, the State has made progress in reducing imbalances in its public accounts through a strong fiscal adjustment (equivalent to 8.6 percent of the total transfers), achieving a "B" CAPAG rating. In order to maintain its fiscal position, the State will need to control current wage and social security pressures and improve efficiency in whole-of-government and strategic sectors.

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[1] *Tesouro Nacional Transparente, Capacidade de Pagamento (CAPAG), Estados e Municípios.* (Link)

Whole-of-Government Management

8.   **Human Resources.** Personnel expenditures present a serious threat to Acre's fiscal sustainability. In 2020, the State surpassed the limits established by the Fiscal Responsibility Law, with the wage bill reaching 60.7 percent of net current revenue. Between 2010 and 2019, the number of public officials was unchanged, but then increased by 10 percent in 2020 and 2021. Acre's payroll increased an average of 7 percent per year in the period of 2017-2021. Projected expenses with active personnel amount to R$4,390 million (US$ 798 million) in 2022, increasing to R$5.7 million (US$ 1,036 million) by 2025 according to the State's estimates. Acre's 22 State departments and agencies have separate career plans for public officials (*Plano de Cargos, Carreiras e Remuneração,* PCCR*)* with over 497 different positions. Departments and agencies negotiate pay increases and readjustments separately with differential impacts and escalation pressures. Approximately two thirds of the active staff are employees on permanent contracts. The Health and Education Departments employ the majority of non-permanent employees (91.3 percent of all contracts). Two out of three permanent employees are women. The State will need to strengthen its human resources policy and management functions if it is to limit wage bill growth and rationalize transaction processes. The State Government is converting its human resources management information system (HRMIS), *Turmalina,* into a web-based system and with new functionalities. The State has financed the system design with its own resources but will require additional funds to cover the development of functionalities for the management of staff performance, temporary staff, and staff recruitment. Some features are still paper-based and will need to be automated and integrated with the HRMIS and the online portal for public officials. The retirement of approximately 900 employees in the coming years and the considerable number of employees with non-permanent contracts provides an opportunity to align the workforce with planned reforms.

9.   **Pensions.** The State Pension Agency (ACREPREVIDÊNCIA) is responsible for managing the pension fund for all public sector employees and civil and military officials. 12,240 retired employees and another 2,685 dependents receive pensions as of May 2022. Between 2015 and 2020, expenditures on retired personnel and pensioners increased 8.8 percent annually. Since 2016, pensions have been paid with funds from State Treasury. In 2020, the State government implemented a pension reform, including an increase in the contribution rate of public officials from 11 to 14 percent. This helped reduce the annual pension deficit from R$805 million (US$152 million) in 2020 to R$663 million (US$125 million) in 2021. Acre's retirees and pensioners are relatively young (60 years old) compared to other state governments, contributing to rising pension expenditures and the fund deficit. The State government intends to further strengthen the pension systems by: introducing systematic audit of the pension payroll; integration of all legislative, judiciary, and executive staff pension payrolls into the State system; strengthening the pensions database; implementing a portal to speed up benefits analysis and access by State officials; and improving the investment strategy of pension fund assets.

10.   **Public Procurement.** Public procurement accounts for around 15.3 percent of the State government's total expenditures, amounting to R$1,145 million (US$217 million) in 2021. Acre's procurement expenditures increased an average of 9 percent per year in the period of 2017 to 2021. Consumables represented approximately a quarter of all procurement expenses, amounting to R$281 million (US$53 million) in 2021. The Subsecretary of Procurement (*Secretaria Adjunta de Licitações,* SELIC)*,* under the Secretariat of Planning (SEPLAG), is responsible for centralizing procurement of the State as outlined in Decree 10.802/2021. SELIC conducted 891 bidding processes in 2021 and 369 in the first five months of 2022. However, State Complementary Law 387/2021 requires that health and infrastructure procurement is conducted by line agencies. This hinders SELIC's ability to consolidate demand across the State government. Procurement data published by SELIC is unreliable and does not allow SELIC to monitor how bidding processes are conducted or compare prices for equivalent items procured by the State. Improvements in procurement planning, grouping of bulk purchases, and use of electronic catalogues will increase value for money in procurement and contract implementation. A spending analysis approach for selected items can mainstream sustainable procurement, gender equality, and social balance in local bidding processes. Improved transparency and more efficient processes will increase confidence in the State as a buyer.

11.   **Public Investment Management and Budgeting.** Public investment spending in Acre averaged 4.8 percent of net

current revenue in the period of 2017 to 2021, around the average for Brazilian state governments. Despite the considerable share of resources allocated to public investment, project selection and execution management tools are poorly developed, lacking clear criteria, processes, and regulations to screen, appraise and prioritize public investment projects. Project and contract management and monitoring systems are weak resulting in implementation delays, and frequent time and cost overruns. In 2021 the State of Acre created the Management Council of Public-Private-Partnerships (PPPs) under Secretariats of Planning (SEPLAG) and Secretariat of Government (*Casa Civil*). Project proponents are now required to submit a formal statement of interest document for projects (*manifestação de interesse em projetos,* MIP), but there are no supporting information systems for PPP portfolio and project management. The State is currently preparing the State Development Plan which should lead to the preparation of a portfolio of implementation-ready projects. The State also intends to establish a Project Management Office (PMO) to manage and monitor strategic projects with the support from UNDP. Alongside these initiatives, the State will need to put in place rigorous, evidence-based procedures, and operational guidance and tools for public investment management across the project cycle, together with information systems and a broad capacity building program, if it is to improve the quality of public investment.

12.   **Intergovernmental Transfers**. Brazilian States and Municipalities depend on a complex web of multiple funding mechanisms, including transfer agreements (*convênios)*, partnerships with non-governmental organizations (NGOs), funded transfers, and ad-hoc allocations awarded by sponsoring elected officials (*emendas parlamentares).* The States are recipients of funds and provide financial management and oversight for funds going to Municipalities and NGOs. The Secretariat of Planning (SEPLAG) is responsible for the management of the main intergovernmental transfers in Acre. The State currently manages 234 active funds/transfers with municipalities and NGOs, amounting to R$1,200 million (US$253 million), and another 174 recently closed funds valued at R$1,400 million (US$270 million) undergoing expenditure compliance verification. g . 53 percent of total transfers are geographically earmarked funds allocated by elected officials. Transfers to municipalities and NGOs are managed through excel sheets and a system prepared and maintained by the technicians of the Secretariat of Planning, which identifies the municipality, quantity and amount of resources for each transfer. The State Government needs more robust information systems to support decision-making, monitor expenditure quality, and ensure accountability. Implementation of an information system for managing transfers will help standardize procedures for funding proposals, workplans, publication, document verification, physical and financial monitoring, and approval of expenditures during the project cycle.

13.   **Debt Management.** In 2021, Acre's consolidated debt was R$4,176 million (US$806 million), equivalent to 76.4 percent of State net current revenue, the 9th highest among Brazilian state governments. State debt mostly comprises financial obligations from loans and external financing. Debt service is registered and monitored using spreadsheets and other manual tools, resulting in an operational risk with a potential financial impact to the State. Debt governance lacks transparency. Implementation of an information system to manage the debt cycle, including negotiations, monitoring and payments, will help to standardize procedures in the debt management process, improving efficiency and risk management. Aggregated data will allow managers and technicians to prepare and access customized reports to analyze the debt portfolio, organizing the debt by currency, creditors, interest rate type and other indexes based on the maturity profile.

14.   **State-Owned-Enterprises (SOEs).** The State of Acre has 12 SOEs under direct control, the highest number in the northern region. All of these SOEs are "dependent" on the State Treasury, meaning that they receive financial transfers from the State Government to cover personnel expenses, general costs and capital expenses. SOEs deliver critical services to households and companies including water and sanitation, energy, oil and gas, and financial services. The performance of the water and sanitation SOE (*Serviço de Água e Esgoto do Estado do Acre,* SANEACRE) has been poor. Only about 64 percent of Acre's population have access to treated water and 14 percent have access to urban sewage. SANEACRE operates with a deficit, a billing loss of 62.1 percent and a revenue loss of 46.3 percent resulting from unregistered users, water losses and inefficiency of commercial actions. This is the 5th highest billing loss among all Brazilian States. There is

no reliable data on the actual services delivered, the user database is outdated, and the current management system does not offer functionalities of customized reports, payment installment, invoicing and other essential decision-making features. A study conducted by the National Bank of Social and Economic Development (BNDES) in 2017 recommended that the only viable solution to address Acre's sanitation difficulties would be the concession of the services to the private sector. Law 14.026/2020, also known as "*Novo Marco Regulatório do Saneamento*" acknowledged this recommendation. Despite this, the State capital and other municipalities continue to use SANACRE to deliver water and sanitation services. SANEACRE has to modernize its management systems to improve efficiency. SANEACRE intends to implement a sanitation management information system available at the Brazilian Public Software Portal (*Portal do Software Público Brasileiro)* to improve efficiency in user registry, billing, charges, debt and helpdesk.

15.   **Asset Management.** The State of Acre has developed an information system to integrate acquisitions, contracts, and asset management processes, replacing an outdated system that does not respond to the State's needs. The real estate asset module was implemented in 2021. The State government owns approximately 1,100 properties, most located in the capital city of Rio Branco. From 2016 to 2020 the average revenue from real estate assets was R$436,000 (US$84,000) per year, with a quarter from property rents and the rest from sales. Property acquisitions peaked in 2017 at R$8.8 million (US$1.7 million), and averaged R$0.7 million (US$135,000) per year in the period of 2018 to 2020. The State's expenditures on rents are not publicly available. Responsibility for real estate management was transferred from the State General Attorney (*Procuradoria Geral do Estado,* PGE) to the Secretariat of Planning through Law n. 3.885/2021 which established the patterns and procedures related to real estate asset management in the State. All State properties are now registered in the new asset management system. However, records are outdated, data is incomplete, and the property system is not linked to the accounting system. As a result, state officials cannot use the current information for management purposes and decision making, optimizing asset occupation and use (by the public or private sector), or selling properties through an open and competitive process. The State aims to customize the real estate system under development, addressing all the needs identified during the piloting stage. The State also intends to develop additional systems for vehicle fleet management to better manage the public sector transport costs and fuel consumption.

Management in Strategic Sectors

16.   **Health.** Acre has seen a considerable improvement in health outcomes in the last twenty-five years, largely driven by the expansion of a universal health care system, with mortality rates for children under-five years falling from 33.5/1,000 live births in 1998 to 16 in 2020. Life expectancy has increased from 68.5 to 74.8 over the same period. However, the State's child mortality rate is still the nineth highest in Brazil and above the Northern region average. Acre's ageing population (demographic transition) has been accompanied by rapid increase in chronic-degenerative diseases (epidemiological transition), with incidence of ischemic heart disease increasing by 143 percent over the period of 2009 to 2019, with significant increases in lower respiratory infections (116 percent), diabetes (46 percent) and Alzheimer's disease (25 percent). A high proportion of hospital admissions are associated with non-communicable diseases that are particularly demanding in terms of services and the costs of health procedures. State expenditures on health services peaked during the Covid-19 pandemic, reaching R$935 million (US$135 million) in 2021, amounting to 12.5 percent of the State expenditures. 95 percent of the population depends on the public health system. All public high-complexity health care facilities (referral hospitals) are managed by the State government. These facilities absorb a significant and growing share of the State health budget. These facilities lack the information systems needed to support systematic control of the supply chain, costs, compliance and workforce allocation. Paper-based records and excel sheets are regularly used for monitoring hospital operations and budgets. The State Secretariat of Health (SESACRE) intends to implement hospital management systems in all the high complexity facilities under its management to improve planning, budgeting, health services management, and support evidence-based decision making. These systems are expected to deliver efficiency improvements by, for example, making better use of available hospital capacity and strengthening adherence to clinical guidelines, whilst simultaneously improving transparency and accountability. The State acquired a hospital management information system in a contract including limited consultancy hours to support implementation

of the new tool in selected health facilities. The Government of Acre opted to use this technical support to implement the system in the Emergency Unit of Rio Branco (HUERB) which can support a web-based system. The technical assistance under the contract is not sufficient to support implementation in HUERB and other health units. The State Government has sought the Bank's assistance to support the rollout of the management information systems across the hospital network.

17.   **Education.** The Secretariat of Education (*Secretaria de Estado de Educação, Cultura e Esportes do Acre*, SEE) runs 619 schools delivering education services to 154,175 students from primary to upper secondary education, including adult education and inclusive education. Primary and lower secondary education (1st to 9th grades) accounts for 60 percent (91,111 students) of enrollment in the state network. 72 percent of the schools are in rural areas. Acre receives fiscal transfers from the federal government to implement a diverse set of education programs, such as the National School Meal Program (*Programa Nacional de Alimentação Escolar*, PNAE) and the National Program of Support to School Transportation (*Programa Nacional de Apoio ao Transporte Escolar*, PNATE). The logistics of delivering quality school meal and transportation services are complex. The SEE still uses paper-based tools and spreadsheets to control resources transferred to municipalities and schools and manage the school meal and transportation programs. Consequently, bus routes and schedules are inefficient. Poor procurement and transport of groceries leads to delivery delays, food wastage, and high costs. SEE intends to implement a management system for school meals and transportation to improve planning, budgeting, procurement management, and support evidence-based decision-making. The system will improve transparency and accountability by requiring registration of users and vendors, using geospatial information, strengthening compliance with guidelines and regulations and improving reporting. Further work is needed to integrate the system with other decentralized programs, such as a School Maintenance Management System (MMS).

18.   **Social Assistance.** The State co-finances the Social Assistance System (*Sistema Único de Assistência Social,* SUAS) with municipalities and provides technical support to ensure adequate coverage and quality of services. Municipalities' Social Assistance Reference Centers (*Centro de Referência de Assistência Social,* CRAS) offer services, programs, and benefits to mitigate social risks, including family protection and assistance and services for people with disabilities and the elderly. In 2021, resources allocated to transfers and benefits were defined in the budgetary Law. The ID-CRAS (*Indicador de Desenvolvimento dos Centros de Referência de Assistência Social*, CRAS Development Index) measures financial execution and integration across municipalities' social services and benefits. In 2019, Acre's ID-CRAS rating, ranked 6th lowest in Brazil. Several municipalities do not provide essential Integrated Social Policy services (*Política de Atenção Integral à Família,* PAIF). The State lacks robust systems for monitoring the quality of SUAS services, transfers to and management of resources by municipalities and NGOs. Administrative systems are manual and fragmented. Weak service management leads to overlaps and gaps in service provision. Resource allocation and productivity will be improved with modern financial management and benefits management systems, strengthened monitoring capacity, and data use for decision-making.

19.   **Whole-of-government systems and reforms will support health, education, social assistance, and other sectoral services.** Human resources management, pension planning and management, public procurement, PIM, SOEs and asset management improvements will impact all services and produce synergies and strengthen management across all sectors.

Relationship to CPF

20.   **The proposed project is aligned with the Brazil FY18-23 Country Partnership Framework (CPF).** *Progestão* supports the CPF's Focus Area 1 Fiscal consolidation and government effectiveness and Focus Area 2 Private sector investment and productivity growth by improving whole-of-government functions and service delivery, strengthen fiscal management. Reforms are expected to improve public service delivery in the medium to long-term on by providing an environment for more efficient use of public resources.

C. Proposed Development Objective(s)

21.   Improve efficiency in public resource management in selected departments of the State of Acre.

Key Results (From PCN)

22.   The following outcome indicators are proposed to measure PDO achievement:

- Public workforce replacement rate in non-frontline service delivery staff
- Time between opening and finalizing the procurement process
- Public investment project cost overruns
- Net fixed property income

D. Concept Description

23.   **The proposed IPF operation supports investments in management information systems and reforms for whole-of-government functions and in strategic sectors in the State of Acre.** The project scope and structure are aligned with the Progestão Program (see Annex 1). The State requested assistance in all of the Program components. Specific interventions in sectors were defined after consultation with government officials and based on their impact on improvements in efficiency and fiscal management, and their implementation readiness. The project will support management systems in health, education, and social assistance. The project will have three components.

Component 1. Whole-of-Government Management Systems (US$31.7 million)

24.   **Sub-Component 1.1: Human Resource Management (US$6 million). Implementing Agency: SEPLAG.** Activities include: (i) strategic workforce right-sizing of selected agencies and departments; (ii) design and implementation of workforce right-sizing platform integrated with the human resources management system to identify core competencies of public officials and organizations' adequate hiring needs; (iii) implementation of a personnel management platform, including dynamic distribution of the workforce, replacement alarms, and automated official documentation of reallocation; (iv) development and implementation of a management analytics and artificial intelligence system for automated payroll audit to reduce errors and fraud; (v) design and implementation of new functionalities to the State's HRMIS; (vi) automation of human resources management services and creation of a portal of services for the public tenants; (vii) periodic staff surveys to assess reform implementation and support change management; (viii) communications and capacity building to support the rollout and implementation of new tools; and (ix) procurement of energy efficient hardware to support the rollout and implementation of new tools.

25.   **Sub-Component 1.2: Pensions (US$2 million). Implementing Agency: ACREPREVIDENCIA.** Activities include: (I) design and implementation of a pension management information system to implement the new benefit scheme and capacity-building to improve management of pension benefits; (ii) procurement of energy efficient hardware to support the deployment of these systems; and (iii) communications and capacity building to support the rollout and implementation of new tools.

26.   **Sub-Component 1.3: Public Procurement (US$7 million). Implementing Agency: SEPLAG.** Activities include: (i) development of a sustainable procurement strategy and an implementation plan to help embed sustainable procurement across the State's purchases; (ii) development and implementation of an integrated system for sustainable e-procurement, including the redesign and automation of key processes to ensure cost-effective acquisitions; (iii) design and implementation of an inventory management system integrated to procurement, including and e-marketplace portal; (iv) design and implementation of a strategic sourcing methodology to help identify demand for goods and services across the government; (v) application of artificial intelligence using electronic invoices to identify and reduce

fraud and corrupt practices; (vi) development and implementation of a system that certifies enterprises and automatizes data aggregation; (vii) capacity building program for officials working in procurement across the state; and (viii) procurement of energy efficient hardware to support the deployment of these systems.

27.   **Sub-Component 1.4: Public Investment Management and Budgeting (US$7.7 million) Implementing Agencies SEPLAG and SEFAZ.** Activities include: (i) development and implementation of a public project management system for State's investments, integrating project preparation, screening and appraisal; (ii) preparation of a portfolio of technically appraised, implementation ready projects; (iii) design and implementation of a governance strategy to manage the project portfolio execution; (iv) design and implementation of sustainable budgeting systems and practices; (v) development and implementation of a management system for the transfer of resources from the State of Acre to municipalities and organizations, allowing for digital monitoring of project preparation, implementation and accounting; (vi) design and implementation of a cash management information system; (vii) development and implementation of a debt management information system, including a guarantee and a contractual module; (viii) capacity building for State and municipal government officials on sustainable public investment and expenditure management practices, to support the rollout and implementation of new tools; and (ix) periodic staff surveys to assess reform implementation and support change management.

28.   **Sub-Component 1.5: State Owned Enterprises (US$1.8 million). Implementing Agency: SANEACRE.** Activities include: (i) implementation of an information management system for sanitation, including modules of billing, charges, registry entries, financial, debt, and service interface; (ii) implementation of georeferencing software to integrate information of availability and customer usage; (iii) design and implementation of a telemetry system, including a governance strategy to reduce losses and increase efficiency of the operation; (iv) introduction of communication and capacity-building activities to support the rollout and implementation of new tools; and (v) procurement of energy efficient hardware to support the rollout and implementation of new tools.

29.   **Sub-Component 1.6: Asset Management (US$7 million). Implementing Agency: SEPLAG.** Activities include: (i) technical support to assess up-to-date information of real estate properties, including geospatial data, area, occupation rate, valuations and registry's status; (ii) development and implementation of modules in the public asset management system that includes a climate risk assessment of real estate assets, a strategy panels and information for decision making and fleet management; (iii) energy audits based on CCB methodology for selected government properties, focused on reducing energy consumption; (iv) development and implementation of a system for mapping costs of information and communication technologies (ICTs), including identification of synergies between government-to-government systems, interoperability, and a governance strategy for new acquisitions and maintenance; and (v) capacity building on asset management practices and support the rollout and implementation of new tools.

Component 2. Management Systems in Strategic Sectors (US$11.3 million)

30.   **Sub-Component 2.1: Health (US$5.5 million). Implementing Agency: SESACRE.** Activities include: (i) an expenditure review to identify cost structure and assess budgeting practices in the state's public health units; (ii) implementation of information system to support budgeting and expenditure management in the state's health units; (iii) introduction of communication and capacity-building activities to support the rollout and implementation of new tools; and (iv) procurement of energy efficient hardware to support the rollout and implementation of new tools.

31.   **Sub-Component 2.2: Education (US$4 million). Implementing Agency: SEE.** Activities include: (i) development and implementation of information systems to improve management of resources transferred from the federal government and to municipalities and schools, document management, and other transactional tools for the Secretariat; (ii) design and implementation of a student transport management information system; (iii) design and implementation of a school meal management information system; and (iii) communications and capacity building to support the rollout and implementation of new tools.

32.   **Sub-Component 2.3: Social Assistance (US$1.8 million). Implementing Agency: SEASDHM.** Activities include: (i) design and implementation of an integrated management system to facilitate the execution of social assistance programs, including financial management, cash transfer programs and management of other benefits, as well as internal registries; (ii) development and implementation of a transparency panel to support decision-making in social assistance; (iii) automation of social protection processes, providing faster access to services and reducing operational costs; (iv) communication and capacity-building to support the rollout and implementation of new tools; and (v) procurement of energy-efficient hardware to support the rollout and implementation of the above-mentioned activities.

Component 3. Project and Change Management (US$2 million)

33.   **Sub-Component 3.1: Project Management Unit (US$1.5 million) Implementing Agency: SEPLAG.** Activities include: (i) project management, including procurement, financial management, and environmental and social safeguards (staff, equipment, and operating costs); (ii) development and implementation of a grievance redress mechanism and management information system, in coordination with the Comptroller General (CGE) the institution mandated with this function; and (iii) communications and capacity building to support project management functions.

34.   **Sub-Component 3.2: Change Management (US$0.7 million). Implementing Agency: SEPLAG.** Activities include: (i) development a transversal change management strategy encompassing on incentives, processes and skills; (ii) consulting services, studies, and surveys to support project implementation; (iii) carrying out process reviews before information systems are developed; (iv) just-in-time support, as needed and as agreed with the Bank, including advisory services to the *Procuradoria* and technical teams during implementation, and knowledge exchange activities; and (v) communications and capacity building to support the rollout and implementation of new tools.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	Yes

Summary of Screening of Environmental and Social Risks and Impacts

35.   The initial environmental and social risks and impacts assessment indicates that this technical assistance operation will not render large-scale, significant and irreversible adverse direct impacts and/or downstream implications on society and the environment. No future construction of physical infrastructure investments, spatial plans and natural resources management regulations are expected as results of technical assistance activities supported by the project. Considering the type of technical assistance activities to be supported and expected outputs no climate change risk and negative impacts are envisaged either. The disaster risk screening report identified no risks for the projects outcome. Project activities do not require land acquisition, do not lead to restrictions on land use or involuntary resettlement. They are not expected to have adverse impacts on Indigenous Peoples and other vulnerable and disadvantaged social groups either. On the contrary, increased efficiency of public services in the different sectors is expected to mostly benefit vulnerable and disadvantaged social groups who heavily rely on the public health system and social protection networks.

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Progestão Acre: Public Sector Management Efficiency (P179046)

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