Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 20-Feb-2025 | Report No: PIDDC01153

BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Brazil	P508363	Brazilian States and Municipalities Digital Acceleration Project	
Region	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
LATIN AMERICA AND CARIBBEAN	08-Sep-2025	11-Dec-2025	Digital Development
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing (IPF)	Caixa Econômica Federal	Caixa Econômica Federal	

Proposed Development Objective(s)

Increased access to and inclusive use of broadband internet and digital government services at the state and municipality level.

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	**500.00**
Total Financing	**500.00**
of which IBRD/IDA	**500.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	500.00

Environmental and Social Risk Classification	Concept Review Decision
Moderate	The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Brazil's real GDP grew by 3.2 percent in 2023 and is estimated to have maintained the same pace in 2024, driven by strong consumption, supported by a resilient labor market and fiscal transfers. Growth in 2023 was fueled by private consumption, fiscal stimulus, and declining inflation, while exports benefited from a record grain harvest and favorable external conditions.** From January to September 2024, GDP grew 3.3 percent compared to the same period a year prior, underpinned by solid consumption and recovering investment. Growth is expected to moderate to 2.2 percent in 2025 and stabilize at 2.3 percent in the medium term, reflecting gains of recent structural reforms. The government has made progress to improve the business environment, financial sector, and indirect taxation. However, faster, inclusive, long-term growth requires additional reforms to enhance competitiveness, reduce financial and market distortions, expand infrastructure investment, integrate into global value chains, and improve education quality.

2. **In 2023, the poverty rate (US$ 6.85 per day in 2017 PPP) fell to 21.8 percent, linked to improved economic conditions and social protection policies.** By November 2024, the unemployment rate fell to 6.1 percent, marking the lowest rate in the all-time series, and real household incomes rose 3.4 percent year-over-year. The rapid decline in the poverty rates from 2022 and 2023 slowed in 2024 as Bolsa Familia transfers stabilized. Despite this, the poverty rate decreased gradually to 21.3 percent in 2024, driven by a 3 percent increase in the real minimum wage and a strong labor market. Sustained job growth, further strengthening the targeting of the social protection system, and reducing inflation could support faster poverty reduction over the coming years.

3. **Although deforestation has diminished by 21.8 percent in the Amazon region in 2023, climate change risks are still pressured by the high land-use emissions in the Amazon and Cerrado ecosystems.** Brazil's greenhouse gas (GHG) emissions are dominated by land-use change (40.1 percent) and agriculture (30.4 percent). Climate change alters the country's temperature and rainfall patterns, resulting in more frequent episodes of droughts, floods and heather waves. This can push another 800,000 to 3 million Brazilians into extreme poverty as soon as 2030.

4. **In Brazil, particularly in its Northeast region, severe climate change scenarios are anticipated, with significant increases in temperature and precipitation variability.** In this region, annual mean temperatures are projected

to rise between 1.7°C and 5.3°C by 2085.[1] While overall precipitation levels are expected to decrease over time, leading to reduced water availability, rainfall is projected to occur in more uneven, heavy, and extreme patterns, heightening the risk of flooding. The proposed Project targets municipalities and states located mostly in underdeveloped regions of Brazil's North and Northeast, which are more vulnerable to the effects of climate change. This condition might impose additional risks on physical infrastructure and threaten social cohesion. Climate change impacts in Brazil could push between 800,000 to 3,000,000 people into extreme poverty as soon as 2030.[2] According to the project's Climate and Disaster Risk Screening Report, rising temperatures and increased occurrences of extreme precipitation could adversely impact physical infrastructure and assets. For instance, heatwaves could damage equipment at data centers and affect the efficiency of their cooling systems. Additionally, heavy rainfall and flooding could damage optical fiber cables, disrupting connectivity and digital service delivery.

Sectoral and Institutional Context

5. **Over the past decade, Brazil's federal government has made substantial progress digitalizing its public sector and service delivery.** With more than 156 million registered users and over 4,000 public services available digitally,3 the Gov.br portal serves as a single access point to government services and is a global benchmark in the Digital Public Infrastructure (DPI) sphere. It has enabled the Government of Brazil (GoB) to increase public sector efficiency, significantly reduce costs, and connect citizens and non-citizens to public services at all levels of government. Gov.br provides participating state and municipal governments within the National Digital Government Network (Rede Gov.br) with solutions and tools such as ACCESO GOV.BR—a secure e-authentication solution and digital access point enabling users to retrieve documents, electronically sign documents, and more—and *CONECTA GOV.BR*, which facilitates secure, automated, information exchange between government systems. The introduction of Gov.br has resulted in annual savings of US$200 million for the government and US$600 million for society,4 primarily through improved database interoperability and streamlined service delivery.

6. **Despite notable strides in digital transformation at the federal level, disparities in broadband connectivity across states and municipalities have slowed progress at the subnational level, particularly in rural and remote areas.** Rural areas, especially in the North and Northeast regions, lag significantly behind urban centers in terms of digital infrastructure and service quality, with internet access available in only 41 percent of households compared to 89 percent in urban areas. While several government initiatives, such as the Internet for All Program, aim to bridge this access gap, the high costs associated with deploying and maintaining telecommunications infrastructure pose significant challenges to broadband expansion. Consequently, many municipalities remain disconnected or have unreliable internet access, with slow speeds that limit high-bandwidth activities such as distance education, telehealth, and financial transactions.

[1] World Bank Group. Climate Change Knowledge Portal: Brazil - Climate Data Projections. https://climateknowledgeportal.worldbank.org/country/brazil/climate-data-projections
[2] World Bank. Country Climate and Development Report: Brazil. https://www.worldbank.org/en/programs/lac-green-growth-leading-the-change-we-need/brazil
[3] G20. "The Brazilian Gov.br Portal Is a Global Highlight of the Digital Government and Inclusion Workshop." G20 Brazil 2024, January 24, 2024. https://g20.gov.br/en/news/the-brazilian-gov-br-portal-is-a-global-highlight-of-the-digital-government-and-inclusion-workshop.
[4] Governo Digital. "Gestão economiza R$ 1,4 bilhão com integração das bases de dados do governo federal em 2023." *Governo Federal do Brasil*, January 5, 2024. https://www.gov.br/governodigital/pt-br/noticias/gestao-economiza-r-1-4-bilhao-com-integracao-das-bases-de-dados-do-governo-federal-em-2023

7. **Limited digital skills among public servants and the broader population further restrict the adoption and use of digital technologies, with significant disparities based on geographic location, age, income, and gender.** In 2022, only 39 percent of Brazilian households accessed digital government services.[5] A key barrier cited was a lack of digital skills, with nearly half of those surveyed reporting that they did not know how to use the internet. The 2023 ICT Household Survey found that 43 percent of urban residents possessed at least one of three core digital skills, compared to just 28 percent in rural areas.[6] While 61 percent of young people aged 16 to 24 possessed basic digital skills, this rate declined sharply to 12 percent among adults over 60. The level of digital skills was also closely tied to income, with only 34 percent of individuals in households earning up to three minimum wages having basic digital skills, compared to 78 percent in households earning more than ten minimum wages. Limited digital skills directly affect access to public services, with fewer women possessing digital skills than men, leading to a lower rate of digital service usage: 64 percent of Brazilian men use electronic services compared to 58 percent of women.[7]

8. **The overall lag in digital transformation at Brazil's municipal level hampers service delivery and government efficiency improvements.** While municipalities play a central role in providing essential services, their capacity to digitize services and improve online delivery is constrained by limited administrative and financial resources, infrastructure gaps, and the high costs of internet service and digital devices. Although digital transformation was identified as a priority for 54.1 percent of the country's municipalities,[8] only 25 percent have joined Rede Gov.Br, and 49 percent have some form of online presence allowing people to access services.[9] However, when municipalities and states receive the necessary tools for digital transformation, the results are significant. In the Municipality of São Paulo, a pioneer in subnational digital transformation in Brazil, the average cost reduction for citizens following the adoption of Gov.br was approximately 74 percent.[10] The cost of receiving citizen requests decreased by 45 percent, while the average cost reduction for processing these requests was reduced by 54 percent (Table 1). Accelerating the digital transformation of municipalities and states will be key to enhance service delivery and create greater efficiencies at the subnational level.

Table 1. Cost saving due to the digitalization of the services provided by the Municipality of São Paulo.

Activities	Requirement (R$)		Treatment (R$)	
	Pre	Post	Pre	Post
Elderly parking card	12	0	4592.8	1.5
Vehicle rotation – exemption for people with disabilities (PWD)	12	0	6.6	7.4
Web Password – online unlocking for MEI, individual entrepreneur and individual	31.1	0	0	10.2
Single Student Ticket – monthly gratuity release*	29.4	7.9	9.3	4.4

[5] Brazilian Institute of Geography and Statistics (IBGE). Continuous National Household Sample Survey 2022. https://www.ibge.gov.br/en/statistics/social/labor/18083-annual-dissemination-pnadc3.html
[6] Regional Center for Studies on the Development of the Information Society (Cetic.br) – ICT Households 2023 Survey. Available at: https://cetic.br/media/docs/publicacoes/2/20240826110205/executive_summary_ict_households_2023.pdf
[7] Electronic Government (Mayorships) Data (2023) from 2024 ICT Household Survey. Available at: https://cetic.br/media/docs/publicacoes/2/20240826103905/executive_summary_ict_electronic_government_2023.pdf
[8] Charlita de Freitas, Luciano and Andres, Luis Alberto and da Silva Oliveira, Daniel and Oliveira, Wanessa and Najles, Julian, The role of public sector digital transformation in the government plans of candidates for Brazil's 2024 municipal elections (November 23, 2024). Available at SSRN: https://ssrn.com/abstract=5031852 or http://dx.doi.org/10.2139/ssrn.5031852
[9] Electronic Government (Mayorships) Data (2023) from 2024 ICT Household Survey.
[10] Inter-American Development Bank. *Economic Benefits of Public Service Digital Transformation: The Case of the City of São Paulo.* 2023. HYPERLINK "https://publications.iadb.org/en/economic-benefits-public-service-digital-transformation-case-city-sao-paulo"https://publications.iadb.org/en/economic-benefits-public-service-digital-transformation-case-city-sao-paulo.

Parking pass to PWD	12	0	3530.3	1.5
Real Estate Tax (request for inclusion and update)	20.7	0	85.3	32
Neuter dogs and cats	20.4	59.6	17	17
Special Dangerous Goods Transport Permit – 1st Permit	75.2	0	186.1	174.4
Special control prescription notification – register or update prescriber and health institution data	73.9	122.2	17	20.4
Average	**28.9**	**15.7**	**1230.7**	**567.2**

9. **In its National Digital Government Strategy (ENGD), the GoB reaffirmed its commitment to accelerating digital transformation at the subnational level by providing actionable recommendations for municipal governments.** On June 21, 2024, the GoB published its *2024-2027 ENGD,*[11] a set of strategic guidelines aimed at coordinating and directing digital government initiatives across all levels of government to expand and simplify citizens' access to public services. Among its objectives, the ENGD encourages states and municipalities to develop and implement their own digital strategies aligned with its framework and tailored to their local contexts. It also aims to increase the number of municipalities joining the Rede Gov.br network, which would grant them free access to digital transformation support tools on the Gov.br platform and DPI when available for use by local governments such as a login in to facilitate digital authentication, and frameworks for digitizing services and securely exchange data. The ENGD offers a total of 58 recommendations for municipal governments to guide digital transformation efforts.

10. **Caixa Econômica Federal (CAIXA), the largest public development bank in Latin America, seeks to leverage the World Bank's digital development expertise to operationalize these 58 recommendations and support Brazil's subnational digital transformation agenda.** As part of the launch of the 2024-2027 ENGD, in partnership with the Digital Government Secretariat, CAIXA introduced the 'FINISA Digital Transformation'[12] credit line to help states and municipalities acquire IT equipment, establish networks and fiber-optic connections, obtain data processing and hosting equipment, among other essential activities. CAIXA's extensive experience financing infrastructure projects at the subnational level, coupled with its presence in every Brazilian municipality, positions it as a strategic partner in advancing the digital transformation of states and municipalities. In addition to this reach, CAIXA facilitates essential services such as bill and tax collection, provides technical support for concessions and private-public partnerships (PPPs), and delivers social assistance funds, including the *Bolsa Família* and *Auxilio Emergencial* programs, to citizens and non-citizens. However, CAIXA has limited experience in the digital development sector, as evidenced by the relatively slow uptake of its Digital Transformation line. To address this, CAIXA has sought the technical expertise of the Bank's Digital Transformation Vice Presidential Unit to adapt and scale up its nascent credit line into a transformational force.

Relationship to CPF

11. **The proposed Project is consistent with the World Bank Group's Country Partnership Framework (CPF) for Brazil (FY24-FY28),[13] contributing directly and indirectly to all three High Level Outcomes (HLO).** Expanding the connectivity of public institutions and enhancing the data infrastructure in Brazilian states and municipalities (Subcomponent 2.1) will directly support HLO1: Greater Productivity and Employment by Expanding and Modernizing Infrastructure (Objective 1.4) and will enable the development of climate-smart innovations to

[11] Brazil's National Digital Government Strategy. https://www.gov.br/governodigital/pt-br/estrategias-e-governanca-digital/estrategianacional
[12] CAIXA. FINISA Digital Transformation Credit Line. https://www.caixa.gov.br/poder-publico/modernizacao-gestao/finisa-transformacao-digital/Paginas/default.aspx
[13] WBG CPF for Brazil (FY24-28) planned to be approved by the WB Board of Directors on April 9th, 2024.

improve management of natural resources (3.1) and promote green and resilient cities and communities (3.3). Financing to strengthen the country's DPI for improved service delivery (Subcomponent 2.2) will contribute to HLO2: Greater Inclusion of the Poor and Underserved Populations by Improving Access to Essential Services (Objective 2.1). Enhancing digital skills (Subcomponent 2.3) will directly Improve Human Capital (Objective 1.3) and contribute to HLO1.

12. **Several proposed Project activities align with key World Bank priorities, including gender equality, climate resilience, and crisis response.** The project will adopt a gender-sensitive approach to digital government services and address the gender digital gap by enhancing women's digital literacy and increasing their use of public digital services, in alignment with the WBG's Gender Strategy 2024-2030. In addition, it will fund digital skills programs focusing on women, youth, and persons with disabilities (PWD). The project will also support climate change adaptation and mitigation by ensuring access to resilient digital infrastructure and public services in line with the goals outlined in the Brazil Country Climate and Development Report (CCDR) and its Climate Change Action Plan.[14] The proposed operation is strongly aligned with the WB's Global Challenge Program (GCP) on Accelerating Digitalization, which promotes a holistic approach to digital transformation through complementary investments in broadband and data hosting, interoperable and safe data platforms, and high-impact digital services for states and municipalities.[15] Finally, the project supports the WGB's Global Crises Response Framework (GCRF).

13. **The project is aligned with the World Bank Maximizing Finance for Development (MFD) approach and private investment generated through the project is counted towards Private Capital Enabling (PCE).**[16] Subcomponents 1.1 and 1.2 are verified as MFD enabling (MFD-e). Under sub-component 1.1., connectivity infrastructure will be deployed following an open-access arrangement promoting private sector participation by allowing all Internet Service Providers (ISPs) to use the digital infrastructure deployed on equal terms.[17] The project will assess the most suitable open-access arrangement for local ISPs while promoting CAPEX and OPEX savings for CAIXA's clients. The World Bank team will support CAIXA's engagement with local small and medium ISPs to understand technical requirements and the best technical arrangements to promote an open access approach as well as with the International Finance Corporation (IFC) to ensure private sector participation. Under sub-component 1.2, the digitalization of public services will help to streamline procedures for businesses and create a more efficient business environment. In addition, Component 2 has also been verified as MFD-e, as it will provide capacity building support for CAIXA and final borrowers, including training on developing financial mechanisms to leverage private capital.

C. Proposed Development Objective(s)

Increased access to and inclusive use of broadband internet and digital government services at the state and municipality level.

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[14] World Bank Group. 2023. Brazil Country Climate and Development Report. CCDR Series. https://openknowledge.worldbank.org/entities/publication/a713713d-0b47-4eb3-a162-be9a383c341b

[15] Although the GCP paper is not approved, the Project will contribute to reach the targets in Focus Area 1: Affordable Quality Broadband and Data Hosting Capability and Focus Area 3: High-Impact Digital Services of the digital GCP, and will maximize energy efficiency, as outlined in the digital GCP paper.

[16] The MFD objective is to mobilize private finance enabled by upstream reforms and public funding, where necessary, to address market failures and other constraints to private investments.

[17] An open access network aims to stimulate the development and investment in last-mile access by decreasing the Capital Expenditure (CAPEX) and to share the Operating Expense (OPEX) of the middle mile what is critical to reduce the marginal cost of connecting neighbor rural and remote areas.

Key Results (From PCN)

14. Achievement of the Project's results will be measures through the following POD-level indicators:

a. People using broadband internet (number)
   - People using broadband internet – New use (Number)
      i. People using broadband internet – New use – Female (Number)
      ii. People using broadband internet – New use – Youth (Number)
      iii. People using broadband internet – New use – Persons with Disabilities (Number)

   - People using broadband internet – Inferred use (Number of people)
      i. People using broadband internet – Inferred use – Female (Number)
      ii. People using broadband internet – Inferred use – Youth (Number)
      iii. People using broadband internet – Inferred use – Persons with Disabilities (Number)
   - People using broadband internet – Enhanced use (Number)
      i. People using broadband internet – Enhanced use – Female (Number)
      ii. People using broadband internet – Enhanced use – Youth (Number)
      iii. People using broadband internet – Enhanced use – Youth (Number)

b. People using digitally enabled services (number)
   - People using digitally enabled services – New (Number)
      i. People using digitally enabled services – New – Female (Number)
      ii. People using digitally enabled services – New – Youth (Number)
      iii. People using digitally enabled services – New – Persons with Disabilities (Number)
   - People using digitally enabled services – Enhanced (Number)
      i. People using digitally enabled services – Enhanced – Female (Number)
      ii. People using digitally enabled services – Enhanced – Youth (Number)
      iii. People using digitally enabled services – Enhanced – Persons with Disabilities (Number)

D. Concept Description

15. The proposed Project, a US$500 million Investment Project Financing (IPF) operation leveraging a Financial Intermediary Financing scheme, aims to sustainably catalyze digital transformation at the subnational level by strengthening CAIXA's role as a provider of financing and technical expertise for Brazilian states and municipalities. CAIXA will be the borrower and serve as the retail financial intermediary to states and municipalities, which will be the final borrowers. The Project includes an integrated package of both technical assistance (TA) and financing (sub loans) for subnational public administrations looking to enhance digital transformation within their remit. The TA will be aimed at two levels**,** with two different objectives: (i) enhance and expand CAIXA's capacities to support the digital transformation of states and municipalities (initially with World Bank financing and, following project closure, with CAIXA's own resources under the FINISA Digital Transformation credit line) and (ii) assist final borrowers (i.e., municipal and state governments) with subproject design and implementation. The sub loans, complemented by the parallel TA, will finance subprojects which operationalize context specific actions, based on the 58 recommendations of the ENGD and the subnational entity's digital strategy, and align with one or more of the project's three dimensions (subcomponents): digital infrastructure, digital public services, and digital skills.

The project will include two components summarized as follows:

Component 1 – Subloans for state and municipal digital transformation sub-projects (US$470 million).

16. This component will finance digital transformation subprojects for states and municipalities through CAIXA's FINISA Digital Transformation credit line subloans. These sub-projects will be aligned with the 58 recommendations from the Federal Government's ENGD for subnational governments and guided by municipal- and state-level digital strategies (to be developed using project-funded TA if the entity does not already have one). Subprojects will be based on local demand and aligned with at least one of the three subcomponents, aiming to support either (i) a robust and resilient digital infrastructure such as reliable and affordable connectivity, data storage, and processing systems; (ii) citizen-centered digital public services, interoperable systems, cybersecurity and data protection functions, and digital ID infrastructure; (iii) and/or the enhancement of digital skills among public servants and the general population, among others.

Component 2: TA to strengthen CAIXA's Capacity to Support Subnational Digital Transformation (US$30 million).

17. This component includes a subcomponent to directly support municipalities and states with TA as well as one for project management.

Table 2. Components and Subcomponents

Components	**Value (US$ million)**
Component 1. Subloans for state and municipal digital transformation sub-projects	**470**
Subcomponent 1.1. Digital infrastructure sub-projects	*300*
Subcomponent 1.2. Digital public services sub-projects	*150*
Subcomponent 1.3. Digital skills sub-projects	*20*
Component 2. TA to strengthen CAIXA's Capacity to Support Subnational Digital Transformation	**30**
Subcomponent 2.1. Support for Municipalities and States	*15*
Subcomponent 2.2. Project Management	*15*

Legal Operational Policies

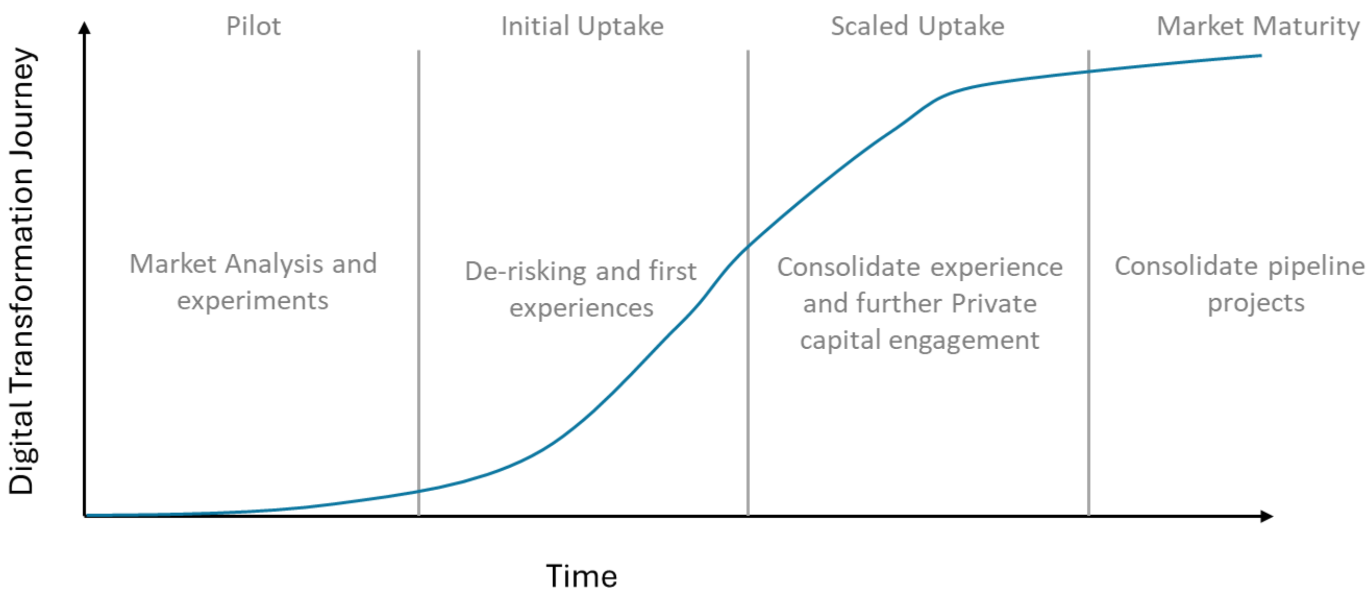
Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Area OP 7.60	TBD

Summary of Screening of Environmental and Social Risks and Impacts

18. **The proposed overall risk is <u>Substantial</u>.** Institutional capacity for implementation, stakeholder, and fiduciary risks are rated Substantial. All other risks are considered Moderate.

19. **Institutional capacity for implementation and sustainability is rated Substantial.** CAIXA may face challenges in implementing an innovative financing mechanism due to limited knowledge of digital topics and/or staff capacity issues. This assessment also reflects the capacity of final borrowers, who may not have the high level of competence and financial capacity needed to manage funds under the Financial Intermediation scheme. However, CAIXA has demonstrated strong commitment to the proposed project at both management and technical levels. To mitigate this risk ex ante, the World Bank team has engaged with CAIXA to identify a pipeline of subloan projects in municipalities and states and to support business modeling to enhance the competitive advantage of the new line of credit for final borrowers. Additionally, capacity-building training will be provided to CAIXA and the dedicated PIU to equip them with the knowledge and methodologies necessary to structure digital subloans. The same applies to CAIXA's ability to measure results and the framework that will be developed for the selection of subprojects. Capacity building for the final borrowers will follow a structured learning path developed in collaboration with CAIXA.

<u>Figure 2. Learning Pathway</u>



20. **Despite the general perception that states and municipalities are eager to engage in digital transformation, available data suggests that most local governments have lower digital maturity and few initiatives to adopt technologies in government activities.** Consequently, CAIXA may face challenges in ensuring that states and municipalities request and apply for a line of credit for digital transformation. To mitigate this risk, CAIXA and the World Bank are collaborating to analyze lessons learned from the initial months of FINISA Digital's implementation to refine the engagement strategy and enhance its positioning among subnational authorities, leveraging CAIXA's extensive presence across the country. This will be achieved through targeted research activities and stakeholder consultations with mayors and other local authorities to gather and analyze insights on how to more effectively engage with states and municipalities (see annex 1).

21. **Appraisal of the proposed Project will provide a clear scenario assessment of CAIXA's capacity as a financial intermediary providing retail financing to final borrowers**[21]. It will include an assessment of its financial performance, business practices, operational capacity, and governance structure to ensure creditworthiness and effective fund management under the Financial Intermediary Financing scheme.

22. **The Financial Management Risk for this project is substantial** due to several weaknesses. First, the innovative financing mechanism and digital topics pose challenges due to CAIXA's limited knowledge and staff capacity, potentially leading to implementation delays and inadequate use of funds. Second, CAIXA's team is still adapting to updated World Bank rules on financial management and procurement, potentially causing issues with documenting eligible expenditures and delaying project execution. Additionally, CAIXA's financial management information system does not support dedicated ledger accounts for project expenditures, affecting the accuracy of financial reporting required for monitoring. Furthermore, a lack of qualified procurement staff might delay the implementation of Component 2 (Technical Assistance), especially at the project's start. Finally, CAIXA's involvement in another World Bank-financed project places significant demands on its teams, risking timely responses to the Bank's requirements. To mitigate these risks, the project design will include pre-selection of beneficiaries based on clear eligibility criteria, as outlined in the Project Operational Manual (POM). The World Bank team will support CAIXA in adapting and strengthening its processes to manage funds and ensure compliance with financial management requirements. CAIXA's corporate system will be adapted to properly account for the project and generate accurate FM and disbursement reports. Regarding Component 2, the FM team will engage with the Bank's relevant practice areas to design an effective implementation strategy and avoid disbursement obstacles. Additionally, a dedicated team will be assigned to this project, participating in World Bank training events and sharing experiences with other CAIXA teams involved in similar projects.

23. **Environmental and social risk** is assessed as **<u>Moderate</u>** at concept stage. This is mainly due to the impact associated with the eventual construction of digital infrastructure, which might involve minor works such as laying fiber optics or the greenfield construction of data centers, which pose site-specific, predictable, temporary and easily mitigated risks, including, inter alia, risks associated with Occupational Health and Safety (OHS) and community health and safety. Land acquisition may be necessary. Despite the uncertainties of where and which sub-projects will be implemented, CAIXA operates under robust Brazilian environmental legislation and has a well-developed Environmental and Social Management System, and its specific procedures related to the activities to be supported by the Project will be assessed during preparation. Moreover, CAIXA has demonstrated significant organizational capacity and a strong commitment to managing E&S risks within its lending portfolio and includes within its ranks of engineers and social service professionals with extensive experience in civil construction in complex regions, including those under the Minha Casa, Minha Vida and the Programa de Aceleração do Crescimento programs[22].

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