



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 03-Nov-2022 | Report No: PIDA34828



BASIC INFORMATION

A. Basic Project Data

Country Brazil	Project ID P179088	Project Name Progestão Tocantins: Public Sector Management Efficiency	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 09-Nov-2022	Estimated Board Date 07-Feb-2023	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) State Secretariat of Planning (SEPLAN)	Implementing Agency UGP	

Proposed Development Objective(s)

Improve efficiency in public resource management in selected departments of the State of Tocantins

Components

- Component 1: Whole-of-Government Management Systems
- Component 2: Management Systems in Strategic Sectors
- Component 3: Project and Change Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	55.00
Total Financing	50.00
of which IBRD/IDA	50.00
Financing Gap	5.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	50.00
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Environmental and Social Risk Classification



Low

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. The largest economy in South America and 8th largest in the world, Brazil has seen large swings in economic activity in the last decade, further exacerbated by the COVID-19 crisis.** In 2020 the Brazilian economy experienced its worst contraction in recorded history, with a real gross domestic product (GDP) per capita reduction of 4.7 percent (compared to the previous record of -4.4 percent in 2015). Large economic swings have prevented real growth in GDP per capita, which in 2020 was slightly lower than in 2010 (US\$14,550 and US\$14,873 respectively).¹
- 2. In 2021, the economy grew at 4.6 percent, recovering the losses from the COVID-19 crisis.** Economic activity began to accelerate in the third quarter of 2020 as global demand for commodities and manufactured products boosted output and as the roll-out of the vaccine campaign (79.1 percent of the population is fully vaccinated, over 170 million people) supported service sector activity which grew 4.7 percent in 2021. Despite shortages of inputs and higher production costs, industry showed a strong recovery with 4.5 percent growth. The recovery served to nearly restore the pre-crisis GDP per capita levels reaching US\$14,615 in 2021.
- 3. The recovery was also driven by a large countercyclical fiscal response to support households and firms, swiftly implemented by the Government of Brazil (GoB).** The fiscal stimulus package cost R\$789.5 billion (or 10.6 percent of the GDP – equivalent to US\$154.2 billion) in 2020, of which around 37 percent (R\$321.8 billion – equivalent to US\$62.8 billion) went toward cash transfers to vulnerable households. As of December 2021, the increase in spending allocated to the health sector in 2020 and 2021 was equivalent to US\$20.9 billion.
- 4. Poverty rates are estimated to have increased to 18.7 percent in 2021 and are projected to remain at similar levels through 2023.** About 18 million low-income households are supported by the new *Auxílio Brasil* program (which replaces the previous *Bolsa Família* Program), with a minimum transfer of R\$600 (US\$117) per month approved by the government. However, inflation is expected to erode the real value of the transfers. The 25 percent increase in food prices between 2020-Q1 and 2021-Q3 has contributed to an increase in the proportion of households running out of food in the last 30 days (9.4 percent before the pandemic vs. 18.1 percent by 2021-Q3) according to the Brazil COVID-19 Phone Survey.²
- 5. A restrictive monetary policy to tame domestic inflation, uncertainties about the pace of fiscal consolidation, and higher global risks are expected to slow economic growth in 2022 and 2023.** Inflationary pressures, high interest rates (13.7 percent as of July 2022), the decrease in workers' average real income, and the erosion of the confidence in the federal spending rule due to the government's decisions to increase current expenditures during the electoral period are translating into higher risk premiums and increasing domestic

¹ Measured in constant 2017 international US\$, from the World Bank Development Indicators.

² The World Bank. 2022. Brazil Poverty and Equity Assessment: Looking Ahead of Two Crises. Washington D.C.: World Bank.



financing costs for the government and the private sector. GDP growth is expected to decelerate to 1.5 percent in 2022 and 0.8 percent in 2023, and mildly accelerate to 2 percent in 2024 on the back of easing inflation and reduced uncertainty post elections.

6. **Fiscal sustainability is the most urgent macroeconomic challenge for Brazil.** GoB adopted in 2016 a constitutional amendment to limit federal primary expenditure growth to inflation that imposes a reduction of three percentage points of GDP on all primary expenditures by 2030. Despite recent adjustments to the spending cap to widen the fiscal space to cover the cost of cash transfers in 2022, the authorities have reiterated their commitment to observing the federal spending cap (anchor for the fiscal framework). Measures supporting the spending cap include pension reforms adopted in 2019, a civil service pay freeze, and tight control of discretionary spending, including at the sub-national level. Anchored by the fiscal rule, public debt is expected to peak at around 83 percent of GDP by 2025 before declining steadily to 81 percent by 2030.

7. **Brazil's state governments are in a dire fiscal situation.** Brazil's States have extensive service delivery responsibilities in health, education, social protection, security, and environment. Before 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 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 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 – equivalent to US\$19 billion), through 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.

State of Tocantins Context

8. **The State of Tocantins has an area of 277,720 km with an estimated population of 1,607,363 inhabitants in 2021, corresponding to 3.26 percent of Brazil's territory and 0.7 percent of its population.** 78.8 percent of the population live in urban areas. Tocantins' Human Development Index (HDI) was 0.743 in 2017, the twelfth highest in Brazil. Between 2002 and 2019 the State registered the second highest GDP growth among Brazilian States (125 percent), only behind the State of Mato Grosso, led by livestock, forestry, and extractive industry. Over this period, GDP per capita rose to R\$ 25,021.80 (equivalent to US\$4,868.05), climbing from 21st to 14th in rank, but remains below the national average of R\$35,161.60 (US\$ 6,840.77). In June 2022, unemployment was at 5.5 percent the lowest seen in the last decade.

9. **Despite recent economic progress, high levels of poverty persist.** Gini Index increased to 0.530 in 2019, the highest since 2012. Data from the Unified Registry for Social Programs (*Cadastro Único, CadÚnico*), reveals that approximately 22.6 percent of the population (363,499 people) lived in extreme poverty in June 2022 (living on less than R\$105, US\$20.40, per month), up from 20 percent in 2019. As of June 2022, around 47 percent of the population (756,331 people) lived on less than half of the minimum wage (approximately US\$110/month or US\$3.67/day) and were thereby eligible for support from the cash transfer program (*Auxílio Brasil*).

10. **Tocantins ranks 18th out of 27 states on the Competitiveness Index³.** While the state is around the middle of the overall ranking, the sub indicators reveal significant public sector weaknesses and highlights the need to

³ The Competitiveness Ranking of the State is a tool created by the Centre of Public Leadership (Centro de Liderança Pública, CLP) that provides comparative data for subnational governments. Data is normalized with a 0-100 (minimum-maximum parameter) to aggregate different variables in the same index. The Ranking is used to inform the main performance goals of State strategic plans



improve the efficiency of public spending and strengthen fiscal sustainability; two areas which are likely to continue to be challenging in the aftermath of the COVID 19 pandemic. The State scores particularly low on the public sector efficiency (*Eficiência da Máquina Pública*) indicator with a score of 24 out of 100, placing the state at the bottom five of the ranking. The State has seen improvements in infrastructure development where it ranked 18 with a score of 46.6 out of 100. The State ranked last on the provision of the key services of water (33.8) and sanitation (24.8) (*gasto de agua e tratamento de esgoto* in Portuguese).

11. **Tocantins has made considerable progress in reducing imbalances in its public accounts through a strong fiscal adjustment, but the State remains highly dependent on transfers from the Federal Government – at 53 percent of total revenues in 2021 – and has very limited budget flexibility.** The State's Payment Capacity Assessment (*Capacidade de Pagamento, CAPAG*) rose from C in 2017 to B in 2022 largely as a result of fiscal adjustment measures. Total revenues increased from 22.8 percent of the State GDP in 2019 to 26.9 percent in 2021, driven by increased fiscal transfers from the federal government. Expenditures increased 23.1 to 30.5 percent of State GDP over the same period, largely due to health expenditures and social transfers responding to the Covid-19 pandemic. Budget flexibility is constrained by large personnel expenditures (63.5 percent of total expenditure), statutory transfers to municipalities (9.3 percent) and statutory assignments to education and health sectors.

Sectoral and Institutional Context

12. **The State of Tocantins has requested the World Bank's assistance to consolidate recent reforms and improve efficiency in whole-of-government public sector management systems and service delivery in sectors under the Progestão Program.** Progestão Tocantins will help tackle public sector management and public sector inefficiencies through investments in management reforms and information systems key whole-of-government functions: human resource management; pensions; public procurement; public investment management; intergovernmental transfers; and asset management. Progestão Tocantins also supports investments in management reforms and information systems in three strategic sectors: health, education, and social assistance.

Human Resources

13. **Fiscal adjustment implemented in 2019 reduced personnel expenditures from 66.4 percent of net current revenue in 2019 to 56 percent in 2021, but personnel expenditures continue to present a serious threat to the State's fiscal sustainability.** Adjustment measures included: termination of 8,000 temporary contracts; reduction of active payroll by 1,200 permanent employees; a freeze in career progressions for two years from 2019; and a new salary policy limiting salary increases to 1 percent in 2020 (nominal) and 2021 (real). However, personnel expenditures are still above the prudential limit of the Fiscal Responsibility Law (Complementary Law 101/2000) and Tocantins' public sector workforce at approximately 59,000 active staff, as of August of 2022, is above the average for Brazilian states with similar population and area. Approximately 4,500 permanent staff were hired for non-priority areas between 2013 and 2018. About 46 percent of the workforce is on non-permanent contracts. While the State's public sector wage premium is below Brazil's average of 36 percent, with public officials earning 21 percent more than their private sector equivalent, wage dispersion is significant: 50 percent of the workforce receiving less than three and half times the minimum wage, and 1 percent with an income higher than 25 times the minimum wage.

14. **Strengthened human resource management functions will help Tocantins limit wage bill growth and align staffing and service delivery needs.** The State set up a Technical Commission to review departments and agencies career plans for public officials (*Plano de Cargos, Carreiras e Remuneração, PCCR*), but this exercise is



hindered by weak information systems and limited business analysis. HR records are kept on paper, maintained in poor conditions in storage spaces rented by the State. The lack of proper registries hinders timely response to control agencies or courts demands. The State has operated a Human Resources Management Information System (HRMIS) since 2013, but it has only implemented the monthly payroll module. The HRMIS is not integrated with the State Financial Management Information System (SIAFE). Production of payroll reports takes over a day. The State intends to strengthen its HRMIS by digitizing its HR registries, and implementing modules and services that support the following functions: automation of career progression and promotion; staff performance evaluation; training and e-learning; medical and disability insurance registration; consolidation of data of public officials' employment life cycle events in a single database (eSocial); electronic point and access control; workers selection processes; staff allocation database; probational stage; boards and commissions management; manager information portal; automated audits; and a portal for public officials.

Pensions

15. **The State Pension Agency (IGEPREV-TO) is responsible for managing the pension fund for all public sector employees and civil and military officials.** With only 0.38 retirees for each active employee Tocantins currently has the lowest number of beneficiaries of all Brazilian states since the State was only created in 1988. The inactive payroll represents 8.6 percent of total personnel expenditure. However, the number of retirees is rising sharply and is now 10 times higher than in 2011. Approximately 7,300 public officials are expected to retire in the next four years (2022-2025). The pension deficit amounted to 5.7 percent of net current revenue in 2019. The state implemented a pension reform in 2019, including an increase in the contribution rate of public officials from 11 to 14 percent which helped reduce the annual pension deficit to R\$22 million (US\$4.2 million) in 2020.

16. **The State government intends to further strengthen the current pension systems (SISPREV-WEB) to improve interoperability and processing.** Average time to grant benefits exceeds 180 days, the maximum time established by internal regulations. The State uses SISPREV-WEB as the main software to manage State pensions. The State has an operating license but relies on the software company to upgrade and implement new features. Information gathered from other administrative bodies is imported monthly and mechanically in portable document format (PDF). The State intends to strengthen the pensions system by incorporating new digital tools and controls to improve the actuarial analyzes with new hires, improving interoperability and integration with systems run by other administrative bodies in the Legislative and Judiciary branch, and applying models to support business intelligence and auditing of benefits.

Public Procurement

17. **Public procurement accounts for around nine percent of the State government's total expenditures, amounting to R\$950 million (US\$185 million) in 2021.** Procurement spending grew at an annual rate of 20 percent between 2017 and 2021. In 2021, the State undertook 1,147 procurement processes, 13 percent of which were undertaken by the Secretariat of Health. Bidding was waived in approximately 39 percent of procurement processes. The State has sought to centralize procurement activities in the *Central de Licitações* (CL) at SEFAZ. State decree n° 6.084/2020 set up a common digital system (*Sistema Integrado de Gestão Administrativa*, SIGA) for managing administrative areas of all government agencies, including procurement. SIGA was implemented with additional modules for suppliers, direct purchases, and catalogues of products, pending integration with SIAFE. The regulatory framework was also updated, with streamlined bidding procedures and sanctions for public bidders that commit violations. The State implemented a catalogue of around 6,200 items (mostly goods and a few services). Approximately 4,500 suppliers are currently registered in SIGA.



18. **Although the State Court of Accounts launched a portal for Bids, Contracts and Works (SICAP) to increase transparency and controls in public spending, published data is unreliable and at times incomplete.** The current procurement system is unable to monitor the number and price of goods and services procured or compare procurement transactions data in management reports. The COVID-19 Pandemic reinforced the need to modernize the procurement procedures to incorporate tools to improve planning and execution and contract monitoring. Improvements in procurement planning, grouping of bulk purchases, and use of electronic catalogues will increase value for money in procurement tendering and contract implementation. An expenditure analysis approach for selected items would help mainstream sustainable procurement and social balance in local bidding processes in accordance with Brazilian federal legislation. Improved transparency and efficiency in procurement processes will increase confidence in the State as a buyer.

Public Investment Management and Budgeting

19. **The State of Tocantins has maintained a steady public investment rate since 2017.** In 2021, the state achieved an investment rate of 4.7 percent of net revenues, amounting to R\$515 million (equivalent to US\$100 million), slightly above the Brazilian average of 4.3 percent. The State's portfolio of projects is monitored through the State Financial Management System (SIAFE) and the Federal Intergovernmental Transfers Platform (Plataforma Mais Brasil, PMB). Coverage of these systems is incomplete because they do not track projects financed through credit operations (borrowing) or some other modalities of intergovernmental transfers. Long-term investment plans are poorly prepared and limited to the medium-term plan of the State (PPA), with no catalogue of future investments in infrastructure, transport, urbanism, water and sanitation, and other key areas for development. Project management procedures are poorly developed, lacking clear criteria, processes, and regulations to screen, appraise, prioritize, and evaluate public investment projects. Most investment projects are approved as parliamentary budgetary allocations (*emendas parlamentares*) proposed by federal deputies for expenditures related to their thematic or electoral interests, lacking even the basic investment project standards of other public investments. Information systems do not provide consistent information on cost or time overruns of investment projects. A sample of investments during the COVID-19 pandemic demonstrates that the execution rate in the period of 2020 and 2021 was 70.5 percent on average.

20. **The State intends to put in place rigorous, evidence-based practices for public investment management across the entire project cycle, developing a PIM information system that can strengthen controls, help monitor performance, and enhance the quality of investments for all sources of funds.** In 2019, the State created the Executive Secretariat of Investments and Partnerships (*Secretaria de Parcerias e Investimentos*, SPI) in the Governor's office to coordinate the State's investment program. A portfolio of projects has been created. SPI uses a project management tool intended for logistics enterprises, requiring customization to provide the necessary functions and reports to operate properly. The State intends to harmonize project entry points across all sources of financing and establish robust procedures for project appraisal, selection, financial and physical monitoring of investment projects.

Intergovernmental Transfers

21. **Brazilian States and Municipalities have a complex web of multiple funding mechanisms.** In Tocantins, the Secretariat of Planning (SEPLAN) is responsible for the management of transfers from central government which include transfer agreements (*convênios*), as well as the transfer system, which serves both the 139 municipalities and non-profit civil society organizations, allocating funds, monitoring the execution, and reporting of formalized partnerships..

22. **The State of Tocantins' tools and reporting mechanisms for the management of the main intergovernmental transfers are more advanced than those of other state governments in Brazil.** In February



2020, the State implemented the intergovernmental transfers system (CONV-TO) that replaced the agreements monitoring system of State Comptroller General (CGE). CONV-TO manages three types of transfers from the State to other entities: traditional transfer agreements (*convênios*), parliamentary amendments, and partnerships with non-governmental organizations (NGOs). All State transfers since the implementation of CONV-TO must be registered in the system. Public officials must insert the data through pre-established forms with several automated fields. The State intends to upgrade the information system by developing three additional modules to provide a complete overview of the intergovernmental transfers cycle, including special transfers, funded transfers, and decentralized execution deadlines, and integrating CONV-TO with the State financial (SIAFE) and procurement systems (SIGA).

Asset Management

23. **The State of Tocantins has made progress with the registration of movable assets.** The State is fully operationalizing the use of the *Sistema Integrado de Gestão Administrativa* (SIGA) to manage the lifecycle of assets by the end of November 2022, including modules on movable and immovable assets, and staff training in the operation of the platform. Movable assets are registered into the system after the acquisition process is finished (procurement), and as of now 775,000 assets have been registered. However, SIGA data and tables are not integrated with SIAFE. Further work is needed to systematize information on movable assets from a managerial perspective through the development of reports and dashboards to inform decision-making.

24. **Only 10 percent of Tocantins' real estate properties are regularized.** From 2017 to 2020 the State spent R\$2 million (US\$339,000) on property acquisitions and received R\$8.3 million (US\$1.6 million) from property sales. Revenue from renting of real estate assets is less than R\$200,000 (US\$38,000) annually and expenditures on rents are unknown. The State intends to map, register, and regularize real estate assets, undertake a review of its holdings to maximize net fixed property income and properly allocate its public buildings. The State requested assistance to develop an automated dashboard for fleet management information.

25. **Decentralized management of information technology has led to a proliferation of systems with limited interoperability and information sharing, security concerns, duplication of assets, and costly acquisition and operational costs.** The State government intends to strengthen its management systems for technology assets by undertaking systematic inventories, developing appropriate policies, and investing in an architectural enterprise of systems to optimize how information gathered, used, and connected.

Health

26. **Tocantins has seen a considerable improvement in health outcomes over the last thirty years, largely driven by the expansion of the universal health care system.** Mortality rates for children under-five years fell from 62.5/1,000 live births in 1988 to 11.2 in 2020. Life expectancy increased from 66.6 to 74.2 in the same period. As Tocantins' population ages (demographic transition) the State faces a heavier burden of chronic-degenerative diseases (epidemiological transition), such as ischemic heart disease, lower respiratory infections, diabetes, and Alzheimer's disease that are particularly demanding in terms of services and the cost of health procedures.

27. **State expenditure on health services peaked during the Covid-19, reaching R\$1,611 million (US\$291 million), 16.5 percent of the State own revenues in 2021.** The public sector covers about 93 percent of the population with health services in the state. All tertiary and quaternary hospitals (referral and regional hospitals) are under state control and account for almost 100 percent of high-complexity health service provision in the state, absorbing a significant and growing share of the state health budget. Most of the state hospitals are large hospitals, although they vary considerably in terms of size, infrastructure, technology, human resources, staff



qualifications, and management. Approximately 80 percent of state hospitals use paper-based records for monitoring health service provision and there are limited data across systems to support systematic control of the supply chain, costs, compliance, and workforce allocation. The Ministry of Health (*Ministério da Saúde*, MOH) pays for health services delivered by hospitals following SUS arrangements and procedures, and subject to evidence of health services provided.

28. **SES intends to implement a hospital management system in the high complexity facilities under its management to improve planning, budgeting, health services management, and support evidence-based decision making.** The system is expected to increase efficiency in the use of available hospital capacity and strengthen adherence to clinical guidelines, whilst simultaneously improving reporting, transparency, and accountability. Alongside the hospital management system SES intends to: develop electronic cost-accounting and auditing systems; adopt evidence-based clinical protocols; increase participation of referral and regional hospitals in local and regional health networks; and carry out training activities for managers and professionals.

Education

29. **The Secretariat of Education (*Secretaria da Educação do Estado de Tocantins*, SEDUC) runs 492 schools delivering education services to 151,175 students from primary to upper secondary education, including adult education and inclusive education for individuals with disability.** In Tocantins, primary and lower secondary education (1st to 9th grades) represents 55 percent (83,320 students) of enrollment in the state network, and 30 percent of the schools are in rural areas. Tocantins receives fiscal transfers from the federal government to implement various 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 SEDUC transfers additional state resources to schools and municipalities to decentralize the provision of those programs, representing 25 percent of SEDUC's annual budget.

30. **SEDUC intends to strengthen management of the school meals and transport programs to improve efficiency and equity in access.** Decentralized management of these programs should allow the programs to respond to the diverse geographic conditions and the heterogeneity in school and class size. However, SEDUC uses paper-based tools and spreadsheets to plan and monitor transfers to municipalities and schools that use limited information. Bus routes are defined without considering the geolocation of schools and students' residences. Poor planning and the failure to consider school and local market conditions lead to delays in the delivery of school meals, food wastage, and high costs. Currently, SEDUC lacks information of 31 percent of school expenditures due to the school's difficulty in preparing the reports. SEDUC intends to implement a management system for school meals and transportation to improve planning, budgeting, procurement management, monitoring, and support evidence-based decision-making. Both systems are expected to deliver efficiency, transparency, and accountability improvements. Further work is needed to integrate management information systems with other decentralized programs for resources transferred to state network schools.

Social Assistance

31. **The Social Assistance System (*Sistema Único de Assistência Social*, SUAS) is co-financed between the State and municipalities.** Municipalities' Social Assistance Reference Center (*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. One third of CRAS cannot provide all of the services required by the Comprehensive Family Care Policy (*Política de Atenção Integral à Família*, PAIF), such as registries of visits, orientation for families and/or individuals, and beneficiaries' participation in basic health and education services. Reporting of the execution of funds is carried out manually and is fragmented. The State



lacks robust systems for monitoring the quality of SUAS services, transfers to and management of resources by municipalities and NGOs. Weak service management leads to overlaps and gaps in service provision. The State intends to strengthen resource allocation and productivity by modernizing the financial management and benefits management systems, strengthening monitoring capacity, and improving data use for decision-making.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

Improve efficiency in public resource management in selected departments of the State of Tocantins

Key Results

Public workforce replacement rate in non-frontline service delivery staff (Percentage, Baseline: 1.00; Target: 0.96)

Time between opening and finalizing the procurement processes (Days, Baseline: 69; Target: 45)

Share of public real estate with complete legal documentation (Percentage; Baseline: 10; Target 80)

Number of branches contributing to the Central Management Unit for the Public Servant Pension Regime – RPPS (Number; Baseline: 1; Target: 4)

Investment projects with cost or time overruns (Percentage; Baseline: 64; Target: 25)

D. Project Description

32. **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 Tocantins.** The project scope and structure are aligned with the Progestão Program. The State requested assistance in all of the Program components, except debt management because the Secretariat of Planning is already implementing a management information system in the area and state-owned enterprises because Tocantins has the lowest number of SOEs between all state governments, and there are few opportunities of financial improvements in the Program scope. 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\$37.8 million)

33. **Sub-Component 1.1: Human Resource Management (US\$12.5 million). Implementing Agency: SECAD.** 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; (ii) implementation of a personnel management platform, including dynamic distribution of the workforce, replacement alarms, and automated official documentation of reallocation; (iii) development and implementation of a management analytics and artificial intelligence system for automated payroll audit to reduce errors and fraud; (iv) design and



implementation of new functionalities to the State's HRMIS, including medical forensics, frequency control, documentation management, public officials portal, performance and development, probationary phase, job opening control, and training to public officials; (v) automation of human resources management services and other processes identified through the strategic workforce planning; (vi) redesign and implementation of human resource services and processes based on the strategic workforce planning; (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; (ix) virtualization of functional documents to support the implementation of HRMIS functionalities; and (x) procurement of energy efficient hardware to support the rollout and implementation of new tools.

34. **Sub-Component 1.2: Pensions (US\$2.2 million). Implementing Agency: IGEPREV.** Activities include: (i) design and implementation of a pension management information system functionalities that support auditing the pension payroll and unifying management of benefit concession for all branches of government (legislative, judiciary, executive, and the Public Prosecutor's Office) based on remuneration history and verification of actual contribution payments; (ii) expansion and update of the pension record management information system to increase efficiency and enable operational, actuarial, and financial analyses to reduce costs and allow for better long term financial planning; (iii) procurement of energy efficient hardware to support the deployment of these systems; and (iv) communications and capacity building to support the rollout and implementation of new tools.

35. **Sub-Component 1.3: Public Procurement (US\$8 million). Implementing Agency: SEFAZ.** Activities include: (i) development of a procurement strategy that considers the lifecycle of products and groups of items to help embed efficiency procurement across the State's purchases; (ii) improvements to the integrated system for e-procurement, including the redesign and automation of key processes, and reviewing the regulatory framework and institutional arrangements to increase transparency and smart procurement; (iii) design and implementation of integrated dashboards with reliable data for planning; (iv) apply artificial intelligence using electronic invoices to identify and reduce fraud and corrupt practices; (v) design and implement strategic sourcing methodology to help identify demand for goods and services across the government; (vi) capacity building program for officials working in procurement across the state; and (vi) procurement of energy efficient hardware to support the deployment of these systems.

36. **Sub-Component 1.4: Public Investment Management and Budgeting (US\$5 million). Implementing Agency: SEPLAN.** 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 project portfolio execution; (iv) design and implementation of a methodology and support plan that considers the lifecycle of project investments, focusing on the maintenance of infrastructure projects after the execution; (iv) design and implementation of improved budgeting systems and practices; (v) improvements in the management system for the transfer of resources from the State of Tocantins to municipalities and non-governmental organizations, allowing for digital monitoring of project preparation, implementation and accounting, and integrated to the budget and financial system; (vi) capacity building for State officials on public investment and expenditure management practices, to support the rollout and implementation of new tools; and (vii) periodic staff surveys to assess reform implementation and support change management.

37. **Sub-Component 1.5: Asset Management (US\$10.1 million). Implementing Agencies: SECAD and ATI.** 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 information for decision making on real estate



properties and fleet management; (iii) 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; (v) capacity building on asset management practices and support the rollout and implementation of new tools; (vi) procurement of energy-efficient hardware to support the rollout and implementation of the above mentioned activities; and (vii) improvements in server storage to guarantee enough space for information technology tools and systems implemented under this project.

Component 2. Management Systems in Strategic Sectors (US\$15 million)

38. **Sub-Component 2.1: Health (US\$8 million). Implementing Agency: SES.** Activities include: (i) development of an expenditure review to identify cost structure and assess budgeting practices in the state's public health units; (ii) implementation of a management information system to support budgeting and expenditure management in the state's health units, develop electronic cost-accounting and auditing systems, adopt evidence-based clinical protocols, increase the participation of referral and regional hospitals in local and regional health networks, and improve fiduciary processes; (iii) introduction of communication and capacity-building activities to support the rollout and implementation of new tools, including training activities for managers and professionals from strategic sectors of the hospitals; and (iv) procurement of energy efficient hardware to support the rollout and implementation of new tools.

39. **Sub-Component 2.2: Education (US\$5 million). Implementing Agency: SEDUC.** Activities include: (i) cost-benefit analysis on school transportation models and school meal procurement procedures, disaggregated by region, to support the decision-making on the system's functionalities and scope; (ii) development and implementation of IT systems to improve management of transferred resources from the federal government, student enrollment and classroom formation, document monitoring and other transactional tools of the Secretariat; (iii) design and implementation of a student transport system; (iv) design and implementation of a school meals system, and (v) capacity building to support the rollout and implementation of new tools.

40. **Sub-Component 2.3: Social Assistance (US\$2 million). Implementing Agency: SETAS.** Activities include: (i) the development and/or purchase of a management information system to support financial and budgetary management of state funds transferred to SUAS delivering benefits and services and its rollout to 139 municipalities; (ii) business process remodeling at the state level, registration in the management information system to increase efficiency and enable operational and financial analysis, integration of data, and monitoring and evaluation; and (iii) capacity building to support the implementation and deployment of the new tool.

Component 3. Project and Change Management (US\$2.2 million)

41. **Sub-Component 3.1: Project Management Unit (US\$1.5 million) Implementing Agency: SEPLAN.** Activities for project management include: (i) 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.

42. **Sub-Component 3.2: Change Management (US\$0.7 million). Implementing Agency: SEPLAN.** Activities include: (i) development of change management strategies for each core government area encompassing 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 World Bank, including advisory services to the State General Attorney's Office



(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	No

Summary of Assessment of Environmental and Social Risks and Impacts

43. **Based on the results of the environmental and social risks and impacts screening, this project is rated as low risk under the World Bank’ Environmental and Social Framework.** The Following Environmental and Social Standards (ESSs) were found relevant during project preparation: ESS1 – Assessment and Management of Environmental and Social Risks and Impacts; ESS2—Labor and Working Conditions; ESS3—Resource and Efficiency and Pollution Prevention and Management; ESS7—Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; ESS8—Cultural Heritage; and ESS10—Stakeholder Engagement and Information Disclosure. A detailed analysis of the relevance of each applicable ESS is presented in the project’s Environmental and Social Risk Summary. The Client will carry out an environmental and social assessment through an environmental and social issues scoping exercise that will be publicly consulted and disclosed within 30 days after project effectiveness. The Borrower has prepared an Environmental and Social Commitment Plan (ESCP), including the relevant elements of a Stakeholder Engagement Plan (SEP) to ensure information disclosure as well as stakeholder and citizen feedback and a Labor Management Procedures (LMP) to ensure terms and working conditions in line with the requirements of ESS2. The ESCP will be disclosed on the Borrower’ website before appraisal.

44. **Environmental Risk.** Progestão Tocantins does not foresee infrastructure works or other on-the-ground activities with environmental impacts and risks that need to be managed. No future construction of physical infrastructure investments, spatial plans, and natural resources management regulations are expected as a result of technical assistance activities supported by the project. The project is expected to have a positive impact on the environment through: systematic screening and assessment of public investment; development and implementation of a public procurement strategy that considers the lifecycle of products; rationalization of the movable assets and improvements in energy efficiency; and reductions in consumables, travel time, and energy consumption through the digitalization of public administration services and processes.

45. **Social Risk.** Progestão Tocantins is not expected to have adverse social impacts. 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. Increased efficiency of public services in the different sectors is expected to mostly benefit vulnerable and disadvantaged social groups who rely heavily on public health and social protection networks. Progestão Tocantins will improve the transparency of human resource management, procurement, public investment, and asset management processes. It will create opportunities for public consultation around public investment



projects and the administrative reform agenda. The project will strengthen the State Government's grievance redress mechanisms.

E. Implementation

Institutional and Implementation Arrangements

46. **Tocantins's Secretariat of Planning (SEPLAN) will lead project implementation.** Specific implementation arrangements include: a Steering Committee (SC), a Project Management Unit (PMU), interagency agreements between SEPLAG and implementing agencies, and inter-state thematic working groups for the learning agenda.

47. **SEPLAN.** The Secretariat will lead the project and host the PMU. The project will leverage SEPLAN's experience in managing externally financed operations, including recent operations with the Bank (PDRIS (P121495)). The State Government has selected SEPLAN as the main implementing agency because of its: qualified and tenured staff, ensuring continuity of staffing across changes in administration; mandate to coordinate reform programs across government; experience in working with agencies through the planning and budget process; and experience with large technical assistance projects.

48. **Steering Committee (SC).** The Steering Committee is an advisory body comprising representatives of each agency participating in the project. Agencies will be represented by its secretary or Deputy Secretaries appointed to the Committee by the State Governor. The Committee will be chaired by SEPLAN. The committee may temporarily invite agencies with direct or indirect involvement in the program to participate. The State will establish the SC by decree and maintain it throughout project implementation. The committee will provide strategic guidance and oversight of the reforms and project implementation. It will be responsible for the overall policy coordination and policy guidelines, strategic guidance, set priorities, resolve conflicts, and ensure inter-agency collaboration where needed and monitor progress of the project.

49. **Project Management Unit.** The PMU will support project implementation and coordination with the participating secretariats. SEPLAN will establish the PMU by decree and all key staff described in the Project Operations Manual (POM) should be appointed before project effectiveness. Other positions must be filled no longer than 30 days after project effectiveness. A Project Manager will head the PMU. The Project Manager will report to the Secretary of Planning. The primary responsibility of the PMU will be to oversee and ensure operational compliance with Procurement Regulations and World Bank policies, including the environmental and social policy, as defined in the financing agreement, the Project Operations Manual (POM), and the Disbursement and Financial Information Letter (DFIL).

50. **Interagency agreements.** SEPLAN, SECAD and SEFAZ will implement activities under Component 1 directly or through their subordinate agencies. The State Secretariats of Social Assistance, Health, and Education will implement sub-components under Component 2. SEPLAN will implement Component 3 which supports the PMU. SEPLAN appoint responsibilities of the implementing secretariats by decree, establishing the specific objectives, attributions, and timeframe for implementation of project activities. The decree will establish that participating agencies will designate a focal point responsible for project implementation and monitoring of progress. Legally autonomous agencies should sign exclusive interagency agreements with SEPLAN no longer than 30 days from project effectiveness.

51. **Thematic working groups.** At the national level, thematic working groups established through CONSAD will bring together technical teams and high-level officials across the country. These working groups will be a key mechanism for exchanging views on both technical challenges and implementation issues among the



Brazilian States and with the Federal Government. In addition to a permanent high-level agenda (meetings at least once a year), States will be able to request *ad hoc* workshops to discuss specific project-related issues presented by the network of specialists and practitioners. Thematic groups on human resources, digital government, procurement, and asset management have already been formed during the Program’s preparation in partnership with the CONSAD. The National Council of State Secretaries of Planning (CONSEPLAN) and the National Council of Secretaries of Finance (CONFAZ) are expected to join. The thematic groups will serve as a sounding board to continuously improve processes and procedures to make interventions more effective. These groups will also serve as a knowledge exchange platform to capture best practices innovations across the different themes and states

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