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BRAZIL

**VITÓRIA URBAN IMPROVEMENT AND CITIZEN SECURITY PROGRAM
(FIRST STAGE OF THE SUSTAINABLE VITÓRIA ACTION PLAN)**

(BR-L1497)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Michael Donovan (CSD/HUD), Project Team Leader; Dino Caprilolo (IFD/ICS), Alternate Project Team Leader; Márcia Silva Casseb, Mauricio Bouskela, Marcelo Facchina Macedo, Dianela Avila, Beatriz González Herrera, and Alejandra Aguilar Blandón (CSD/HUD); Luz Fernández García (CSD/CCS); Denise Levy (CSD/RND), José Luis de la Bastida, Lidia Marcelino Rebouças (VPS/ESG); Edwin Tachlian-Degras, and Carlos Carpizo Riva Palacio (FMP/CBR); Ana María Cuesta Bernal (SPD/SDV); Jaime de los Santos Poveda (SPD/SMO); Cristina Celeste Marzo (LEG/SGO); Judith Morrison (SCL/GDI); Fernando Pacheco Machado Dias, Yuka Maekawa, and Daniela Rocha do Nascimento (CSC/CBR).

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Annex III	Fiduciary Agreements and Requirements

LINKS
REQUIRED
1. Multiyear execution plan / annual work plan (AWP)
2. Monitoring and evaluation plan (MEP)
3. Environmental and social management report (ESMR)
4. Procurement plan
OPTIONAL
1. Ex ante economic analysis
2. Environmental and social analysis report
3. Environmental management system manual
4. Sustainable Vitória Action Plan
5. Study 1 – Climate change mitigation
6. Study 2 – Vulnerability and natural hazards
7. Study 3 – Urban growth
8. Factors driving high crime rates
9. Trend of homicides
10. Executive summary – CCC implementation
11. Environmental management system plan
12. Analysis of compliance with the Public Utilities Policy
13. Municipal Natural Disaster Risk Reduction Plan
14. Municipal Citizen Security Plan (2015)
15. Orla Noroeste. Evolution of mangrove forests
16. Projects under the citizen security component
17. Matrix of empirical evidence of the Citizen Security and Justice Sector Framework Document
18. Coverage targets of Component II – Citizen security
19. Bibliographical references
20. CES methodological guide
21. Economic and financial viability studies for Component II – Citizen security
22. Public opinion survey in the Município of Vitória
23. Program Operating Regulations
24. Alignment between sector frameworks and operation BR-L1497
25. Safeguard policy filter (SPF) and safeguard screening form (SSF) for classification of projects

ABBREVIATIONS

AWP	Annual work plan
CCC	Centro de Cooperaçao da Cidade [City Cooperation Center]
CESAN	Companhia Espírito Santense de Saneamento [Espírito Santo State Sewer Company]
CGM	Controladoria Geral do Município [Municipal Comptroller General's Office]
CRAMSV	Centro de Referência de Atendimento à Mulher em Situação de Violência [Resource Center for the Care of Women in Situations of Violence]
CRF	Corporate Results Framework
EDGE	Excellence in Design for Greater Efficiencies
EEMIL	Estação Ecológica Municipal Ilha do Lameirão [Lameirão Island Municipal Ecological Station]
EMSP	Environmental management system plan
ESA	Environmental and social analysis
ESC	Emerging and Sustainable Cities Program
ESMP	Environmental and social management plan
ESMR	Environmental and social management report
HDI-M	Municipal human development index
ICAP	Institutional Capacity Analysis Platform
ICB	International competitive bidding
IPCA	Índice nacional de preços ao consumidor amplo [Extended national consumer price index]
IRR	Internal rate of return
MEP	Monitoring and evaluation plan
NCB	National competitive bidding
NDC	Nationally Determined Contribution
NPV	Net present value
PAC	Program Advisory Committee
PMLG	Parque Municipal Dom Luiz Gonzaga Fernandes [Dom Luiz Gonzaga Fernandes Municipal Park]
PMR	Program monitoring report
PMU	Program management unit
PMV	Prefeitura Municipal de Vitória [Municipal Government of Vitória]
PRM	Project risk management
RAAS	Relatório de avaliação ambiental e social [environmental and social analysis report]
SBC	Special Bidding Commission
SEGES	Secretaria de Gestão, Planejamento e Comunicação [Department of Management, Planning, and Communication]
SEMFA	Secretaria Municipal da Fazenda (Municipal Department of Finance)
SESP/ES	Secretaria de Estado da Segurança Pública e Defesa Social do Estado de Espírito Santo [Espírito Santo State Department of Public Safety and Social Defense]
SER	Society for Ecological Restoration
TCE/ES	Tribunal de Contas do Estado de Espírito Santo (Espírito Santo State Audit Office)
TCU	Tribunal de Contas da União (Federal Audit Office)
WAL	Weighted average life
ZEIS	Zonas especiais de interesse social [special social interest zones]

PROJECT SUMMARY

BRAZIL VITÓRIA URBAN IMPROVEMENT AND CITIZEN SECURITY PROGRAM (FIRST STAGE OF THE SUSTAINABLE VITÓRIA ACTION PLAN) (BR-L1497)

Financial Terms and Conditions				
Borrower: Município of Vitória			Flexible Financing Facility^(a)	
			Amortization period:	25 years
Guarantor: Federative Republic of Brazil			Disbursement period:	5 years
Executing agency: Município of Vitória, acting through its Department of Management, Planning, and Communication (SEGES)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	100 million	80%	Credit fee:	^(c)
Local:	25 million	20%	Inspection and supervision fee:	^(c)
			Original WAL:	15.25 years ^(d)
Total:	125 million	100%	Currency of approval:	U.S. dollars from the Ordinary Capital
Project at a Glance				
<p>Project objective/description: The program's general objective is to contribute to improving the quality of life of the population of the Município of Vitória through the reduction of urban development disparities, integrating the "Orla Noroeste" northwestern rim zone into the rest of the city.</p> <p>The specific objectives are to: (i) promote integrated urban improvement of the northwestern rim zone with complementary smart urban management and climate change resilience actions; and (ii) reduce violent crime in the area of influence of the northwestern rim, through social prevention measures against youth violence and actions to support the strengthening of the Municipal Guard in crime prevention and control.</p>				
<p>Special contractual conditions precedent to the first disbursement: The borrower will provide evidence of: (i) the approval and entry into force of the program Operating Regulations, on the terms agreed upon with the Bank; (ii) creation of the Program Advisory Committee (PAC); (iii) creation of the program management unit (PMU) and appointment of its members; and (iv) publication of the municipal decree establishing the mechanism to coordinate the delivery of social prevention services against violence (see paragraph 3.4). In addition, the borrower will satisfy the contractual condition precedent to the first disbursement as stated in Annex III: Fiduciary Agreements and Requirements (paragraph 4.1).</p>				
<p>Special contractual conditions for execution: The signature and entry into force of the legal instrument between the Município of Vitória and the state sewer company, Companhia Espírito Santense de Saneamento, must have occurred before the solicitation is issued for the house connections in the <i>Orla Noroeste</i> zone (see paragraph 1.16). The borrower will also satisfy the special contractual conditions for execution as stated in Annex III (paragraph 4.2) and in the ESMR, Annex B.</p>				
Exceptions to Bank policy: None.				
Strategic Alignment				
Challenges:^(e)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(f)	GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

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

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

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

(d) The original weighted average life (WAL) of the loan may be shorter, depending on the effective date of loan contract signature.

(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Background.** Vitória is the capital of the state of Espírito Santo in Brazil's Southeast Region ([Map I](#)). It occupies an area of 96.5 square kilometers, has a population of 363,140 ([optional link 19](#) [27]), and is the most urbanized of the state's 78 municípios. Its Municipal Human Development Index (HDI-M) of 0.845¹ and its per capita GDP of US\$22,305² are the second highest and highest, respectively, of all Brazilian state capitals ([optional link 19](#) [27]). Nonetheless, urban development in Vitória has proceeded in a haphazard manner that has affected the delivery of core public services and harmed environmentally vulnerable areas, such as mangrove swamps and the Maciço Central, a rocky upland zone of native Atlantic Forest vegetation. The historical growth of the economy, combined with the extreme poverty that persists in rural areas of Brazil, generated a migratory flow that contributed to Vitória becoming one of Brazil's most rapidly expanding urban areas. Since 1950, the city's population has multiplied sevenfold, and its metropolitan footprint has expanded forty-sevenfold (from 7.12 to 335.46 square kilometers) ([optional link 19](#) [16], [32]). Unplanned land occupation has undermined the ability of the mayor's office of the Prefeitura Municipal de Vitória [Municipal Government of Vitória] (PMV) to address the challenges of social and territorial inequality, urban violence, and environmental vulnerability, especially in the "*Orla Noroeste*" northwestern rim zone.³ To strengthen the PMV's urban management capacity, the municipal authorities have requested an operation from the Bank.
- 1.2 **Social and territorial inequalities.** Vitória is divided both socioeconomically and geographically. Social inequality is reflected in its high Gini coefficient (0.61), which, contrary to the national trend, has worsened from a level of 0.58 in 1991 ([optional link 19](#) [25]). A sizable proportion of the city's families live in informal neighborhoods (27.3%) ([optional link 19](#) [34]),⁴ amid high levels of criminality, as reflected in homicide rates of 23.7 per 100,000 inhabitants and 80.2 per 100,000 young people aged between 15 and 24 years (compared to 61.0 for Brazil as a whole) ([optional link 19](#) [17]). Currently, the *Orla Noroeste* contains a total of 22 neighborhoods accommodating some 69,000 inhabitants with an average monthly income of US\$244, less than a third of the municipal average of US\$897⁵ ([optional link 19](#) [27]). Socioeconomic inequality is exacerbated by the geophysical features of the city, which is located at sea level and partially on an island that hosts the second largest urban mangrove forest in Brazil, after the city of Recife. Vitória is divided by the Maciço Central,⁶ which has resulted in two unequal areas of urban development. The *Orla Noroeste* northwestern rim accommodates low-income families for whom occupation of the mangrove forests and the slopes of the Maciço Central were their only alternative to build housing. The areas initially

¹ The HDI-M is expressed as a number between zero and one, based on the measurement of key aspects of human development at the municipal level.

² Values updated to 2018 U.S. dollars by means of the extended national consumer price index (IPCA).

³ The *Orla Noroeste* zone is representative of the process of informal urban occupation resulting from population growth in Vitória during the last few decades of the twentieth century.

⁴ These informal urban settlement areas were recognized as special social interest zones (ZEIS).

⁵ Values updated to 2018 U.S. dollars by means of the IPCA.

⁶ This consists of a porphyry-granite massif and isolated hills that [cover 1,100 hectares of the city](#).

occupied by stilt dwellings (“palafitos”) were later filled in, destroying the mangroves (the mangrove area was reduced to 62% between 1970 and 2012)⁷ and producing the low-income neighborhoods along this waterfront today. The pockets of poverty that exist in the *Orla Noroeste* are not found in other parts of Vitória that are home to middle- and high-income families.

- 1.3 **Diagnostic assessment.** Studies, including the [Sustainable Vitória Action Plan](#),⁸ produced jointly by the Bank and the PMV, have prioritized the following three challenges: (i) lack of infrastructure and basic services for low-income families; (ii) extreme environmental vulnerability; and (iii) high levels of violence and citizen insecurity.
- a. **Lack of infrastructure and basic services.** There is a significant urban infrastructure deficit in the *Orla Noroeste* (roads, paving, lighting, and sidewalks). The shortfall is significant for the sewer system, as 48.8% of families currently have no house connection to the sanitary sewer system ([optional link 19](#) [21]) ([Map II](#)). The district also lacks bicycle paths, landscaping works and public facilities, especially blue infrastructure, such as docks and floating platforms to take advantage of the zone’s shoreline location. Average public space per capita for the city approximately five times higher than for the *Orla Noroeste* zone.⁹ Service delivery and the incorporation of the *Orla Noroeste* zone into public utility networks is limited by the persistence of informal property-holding. In the largest district (São Pedro), over 80% of the 6,054 lots are not yet fully recorded and titled ([optional link 19](#) [35]).
 - b. **Environmental vulnerability.** Forty percent of people in Vitória live in areas susceptible to landslides and geological hazards ([optional link 19](#) [16]), which is exacerbated by the effects of deforestation, hillside occupation, and heavy rainfall. Forty-eight landslides were recorded in Vitória from 2013 to June 2018.¹⁰ The residents of *Orla Noroeste* live on the shores of an estuary formed by the Bay of Vitória and the mouth of the Santa Maria river, surrounded by mangroves and the Atlantic Forest of the Maciço Central. These areas were haphazardly urbanized and now suffer problems of forest degradation and water pollution. Like many other coastal cities ([optional link 19](#) [31]), Vitória faces periodic flooding that is being aggravated by the effects of climate change (droughts) and its influence on the sea level.
 - c. **Violence and crime.** Violence and crime in Vitória are concentrated both geographically and by age, particularly in the *Orla Noroeste* zone. Between 2013 and 2017, the *Orla Noroeste* and its area of influence, comprising five of Vitória’s nine districts (São Pedro, Santo Antônio, Centro, Maruípe, and Jucutuquara), have been the hot spots of violent crime (homicides and

⁷ During the period, mangrove coverage in the *Orla Noroeste* shrank from 191.28 to 72.63 hectares.

⁸ Executed between 2014 and 2015 by the Emerging and Sustainable Cities Program (ESC) with support from the federal savings bank, Caixa Econômica Federal.

⁹ Vitória has approximately 602,600 square meters of public space for 327,801 inhabitants, equivalent to 1.84 m²/inhabitant. In the *Orla Noroeste* district (São Pedro), there are 13,465 square meters of public space for 33,746 inhabitants, equivalent to 0.39 m²/inhabitant. (data from the PMV’s Department of City Development).

¹⁰ Data from the PMV’s Protection and Civil Defense Coordination Office (July 2018).

robberies), which: (i) accounted for 83% of total homicides;¹¹ (ii) were the scene of 85% of youth homicides (15 to 24 years of age); and (iii) accounted for 44% of property crimes involving robbery. Young people are also over-represented among homicide victims: 14% of Vitória's population accounted for 48% of total victims in 2017. Moreover, 95% of youth homicide victims were Afrodescendent ([optional link 9](#)). In 2017, while the homicide rates per 100,000 of the total and youth population of Vitória were 23.7 and 80.2, respectively, the rates for the five districts mentioned were 36.9 and 138.0. Vitória was also the Brazilian capital with the highest rate of female homicide (11.8 per 100,000 women, compared to 5.5 for Brazil as a whole) in 2013, although this rate had fallen to 8.1 by 2017 ([optional link 19](#) [20]). Between 2013 and 2016, 4,504 women were treated for domestic violence in Vitória, most of whom were from the *Orla Noroeste* zone.¹² The Bank has estimated the economic cost of crime for the state of Espírito Santo at 3.5% of its GDP ([optional link 19](#) [18]). The factors driving high crime rates in the five districts are: (i) the low rate of social and productive integration of young people from 15 to 24 years old; and (ii) the relative ineffectiveness of the Municipal Guard in crime prevention and control ([optional link 8](#)).

- 1.4 **Poor urban management.** The three challenges identified above are magnified by the institutional limitations of the PMV for effective urban management. Some of its current planning and urban and environmental management instruments are out-of-date, especially in the areas of resilience and climate change. According to the Institutional Capacity Analysis Platform (ICAP), the administrative units responsible for urban facilities and land recordation and titling need capacity-building in skills and technology.
- 1.5 Additionally, the City Hall building, built in 1972, does not comply with the current accessibility regulations in Brazil, which limits services to citizens with reduced mobility. It also uses a ventilation system that consumes 35% more energy than eco-efficient models. The building has no computer equipment interconnected through a control center to respond to different types of emergency (natural disasters and citizen security) and monitor the quality of the environment.
- 1.6 **Rationale and intervention strategy.** The program will help reduce the município's territorial disparities by integrating the most vulnerable districts of the *Orla Noroeste* zone ([Map III](#)), including the protected Atlantic Forest and mangrove areas.¹³ These issues were identified as strategic priorities in the Sustainable Vitória Action Plan through five methodological filters ([optional link 20](#)). The strategy of the proposed intervention, which has been tested successfully in other Bank operations, involves implementing a comprehensive urban development program that includes a citizen security component.¹⁴ This strategy uses participatory models, where issues are

¹¹ According to data from the Espírito Santo State Department of Public Safety and Social Defense (SESP/ES), in 2017, 83% of homicide victims were men, and 7% were women.

¹² Data from the Resource Center for the Care of Women in Situations of Violence (CRAMSV).

¹³ The Lameirão Island Municipal Ecological Station (EEMIL), and the Dom Luiz Gonzaga Fernandes Municipal Park (PMLG) are also included in this. The EEMIL was set up in 1986 and covers about 891.83 hectares.

¹⁴ Extensive literature confirms the multiple positive impacts of comprehensive urban development works and improvement of disadvantaged neighborhoods ([optional link 19](#) [19], [23]).

prioritized according to public opinion research (1,200 people in Vitória were interviewed, 54% women and 46% men)¹⁵ and will seek to consolidate the adoption of the community policing model.

- 1.7 **Geographic and population targeting.** The works will be concentrated in the 10 neediest neighborhoods of the *Orla Noroeste* zone. The environmental sustainability actions will encompass the protected Atlantic Forest and mangrove areas. The citizen security actions will include the whole of the *Orla Noroeste* zone, along with its 25 adjacent neighborhoods, where levels of violence are high, mainly among youth. The actions will target the youth population (15 to 24 years old), including victims of violence, as well as the Municipal Guard. Urban planning and management actions will extend to the entire municipal administration.
- 1.8 **Gender and racial focus.** The program will provide opportunities to promote equality and will use gender- and race-specific baselines, such as: (i) number of women receiving care at the Resource Center for the Care of Women in Situations of Violence (CRAMSV); (ii) number of female homicides; and (iii) homicides among Afrodescendent youth, both male and female.
- 1.9 **Climate change focus.** Climate change is a crosscutting element of this operation, which will strengthen: (i) adaptation in the *Orla Noroeste* zone through hillside containment and reforestation to prevent landslides, restoration of water sources and incorporation of resilience measures for infrastructures and public spaces; and (ii) mitigation through support for nonmotorized mobility, expansion of plant coverage, and internationally certified energy efficiency measures in the infrastructure built (City Cooperation Center) and modernized (City Hall).¹⁶ The operation will also introduce: (i) an air quality monitoring system to track the município's progress in reducing air pollution;¹⁷ and (ii) the município's first Climate Change Action Plan to reflect Brazil's commitment to the Paris Agreement¹⁸ at the local level. Similarly, the Tree-planting Plan will enable the município to contribute to the national goal of restoration and reforestation of 12 million hectares by 2030.¹⁹
- 1.10 **Evidence, sector knowledge, and lessons learned.** This operation benefits from the Bank's experience, together with evidence presented on the effectiveness of similar projects that involve integrated actions to improve neighborhoods and enhance citizen security ([optional link 19](#) [14], [37], [28], [24]). In terms of citizen security, empirical evidence shows that levels of violence and youth criminality decrease when: (i) the actions target crime hotspots; and (ii) the Municipal Guard implements a community policing approach.

¹⁵ The citizen perception survey was administered as part of Sustainable Vitória Action Plan in 2014 in the nine regions of the município. Among the 23 issues affecting quality of life in Vitória, citizen security was considered the most important, followed by health and transit ([optional link 22](#)).

¹⁶ The City Cooperation Center will use the [Aqua](#) environmental sustainability and climate change certification, and the City Hall building will meet [EDGE](#) certification standards for the reduction of energy and water consumption in buildings.

¹⁷ The Município of Vitória expects to reduce its SO₂, CO, O₃, NO_x, MP₁₀, and MP₂ pollution parameters. See [Targets Plan 2020](#).

¹⁸ Brazil's [Nationally Determined Contribution \(NDC\)](#) is a commitment to reduce greenhouse gas emissions by 37% to below the 2005 levels, by 2025.

¹⁹ NDC target.

- 1.11 The program has drawn on the lessons learned from the Bank's experience in neighborhood improvement, climate change adaptation, and citizen security. It incorporates the following: (i) lessons learned from the Bank's favela urbanization programs ([optional link 19](#) [30], [36]), such as Favela Barrio and PROSAMIM ([optional link 19](#) [2-7]); (ii) social integration and violence prevention;²⁰ (iii) best practices observed in the PROCIDADES program ([optional link 19](#) [13]), including Vitória (loan 1986/OC-BR) ([optional link 19](#) [1]); and (iv) more recent practices in the design of city operation centers and the implementation of early warning systems.²¹ This program will implement a new intervention model for comprehensive neighborhood improvement, focusing particularly on the social prevention of violence targeting youth. This model is based on the experience of PROCIDADES Vitória ([optional link 19](#) [15]), where investments were undermined by the lack of participation by neighborhood associations, especially young people.²² This operation has also made use of data from the Emerging and Sustainable Cities (ESC) program, including [baseline studies](#) (greenhouse gas inventory, vulnerability to natural hazards, and the study of urban growth). Lastly, this operation is complemented by the Espírito Santo Citizen Security Program (loan 3279/OC-BR), the main objectives of which are to support the reintegration of young offenders into society and the social prevention of youth violence in eight other municípios of the state.²³
- 1.12 **The municipal government's strategy.** The município's 2017-2021 Strategic Plan (Law 17,274) recognizes the importance of improving the city's urban and environmental quality, strengthening its institutional capacity, modernizing citizen security actions, and ensuring equitable access to public services. The Urban Master Plan 2016-2026 (Law 9,271) envisages investments in the *Orla Noroeste* zone to guarantee its sustainability and equity. The Municipal Citizen Security Plan (2015) identifies the following main areas of strategic focus: (i) crime prevention and control; and (ii) strengthening of the relationship among the police, the community, and the justice system. The program will also promote activities aligned with the implementation of the Maria da Penha Law (Law 11,340), which aims to prevent violence against women and protect women victims of violence.
- 1.13 **The Bank's country strategy and strategic alignment.** The program is consistent with the IDB Group country strategy with Brazil 2016-2018 (document GN-2850), especially the strategic area of reducing inequality and improving public services, by helping to reduce violence and criminality among youth (15 to 24 years of age). The program is consistent with the Update to the Institutional Strategy (2010-2020) (document AB-3008) and is expected to contribute to the 2016-2019 Corporate Results Framework (CRF) (document GN-2727-6) under the following development challenges: (i) Social inclusion and equality – Subnational governments benefited by citizen security projects (CRF indicator 24); and Government agencies benefited

²⁰ See [optional link 17](#) and ([optional link 19](#) [10], [29]). The interventions are based on evidence from other Bank-financed citizen security programs in Brazil ([optional link 19](#) [8-9], [11-12]).

²¹ See operations 1707/OC-EC; 3913/OC-EC; ATN/OC-10628-CH; and ATN/JF-15630-PR.

²² The [PROCIDADES evaluation](#) identifies the need to include social prevention activities against youth violence in the improvement programs in poor neighborhoods, given the prevalence of vandalism and theft in operations such as PROCIDADES Vitória.

²³ The state is responsible for public order and the integrity of persons and their property. The município is responsible for supporting social prevention measures against crime.

- by projects that strengthen technological and managerial tools to improve public service delivery (CRF indicator 25); and (ii) Productivity and innovation – Property value within the project area of influence (CRF indicator 3). It is also aligned with the crosscutting themes of: (i) Gender equality and diversity, by seeking to reduce the number of female homicides (see paragraph 1.8); (ii) Institutional capacity and rule of law, by providing support to government agencies in strengthening technological and management tools that will improve public service delivery; and (iii) Climate change and environmental sustainability, since approximately 39.66% of the operation's resources are invested in climate change adaptation and mitigation activities, according to the multilateral development banks' joint [methodology](#) for estimating climate financing. These resources contribute to the IDB Group's goal of increasing the financing of climate-change related projects to 30% of total approvals of operations by the end of 2020. The operation is included in the 2018 Operational Program Report (document GN-2915) and its update (document GN-2915-2).
- 1.14 The program will contribute to the following: the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), by adopting a multisector agenda and promoting socially sustainable infrastructure; the IDB Integrated Strategy for Climate Change Mitigation and Adaptation, and Sustainable and Renewable Energy (document GN-2609-1), by promoting climate resilience in cities; and the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2), by promoting actions to reduce insecurity and violence. The program is consistent with the following sector frameworks: Urban Development and Housing (document GN-2732-6); Citizen Security and Justice (document GN-2771-7); Climate Change (document GN-2835-5); Gender and Diversity (document GN-2800-8); and Decentralization and Subnational Governments (document GN-2813-8).²⁴
- 1.15 The program design followed the Operational Guidelines for Program Design and Execution in the Area of Civic Coexistence and Public Safety (document GN-2535-1, paragraph 2.13), incorporating mechanisms of citizen participation and oversight of the community policing activities to be developed by the Municipal Guard. Mechanisms for internal control of the State Police are available under program 3279/OC-BR, implemented by the United Nations Office on Drugs and Crime (UNODC), which certifies the proper use of the police force.
- 1.16 **Compliance with the Public Utilities Policy (document GN-2716-6).** The program satisfies the financial and economic sustainability conditions of the Bank's Public Utilities Policy ([optional link 12](#)) and honors the principle of promoting access to sanitation services for low-income population groups (Component I, Subcomponent 1). To ensure the sustainability and further expansion of the sewer system in the *Orla Noroeste* zone, the Município of Vitória and the state sewer company, Companhia Espírito Santense de Saneamento (CESAN), will sign a legal instrument establishing the following obligations between the parties: (i) CESAN will be responsible for building the works to further expand the sewage collection network (house connections and parts of the network), sewage treatment, and maintenance of the system in operation; (ii) the Município of Vitória will be responsible for the house connection works financed with program resources, and the assets will be donated to the municipalities. The signature and entry into force

²⁴ See [optional link 24](#).

of the legal instrument between the Município of Vitória and CESAN will be a special contractual condition for execution of the bidding process for the house connections in the *Orla Noroeste* zone. In addition, to ensure that households remain connected to the sewage collection network, CESAN will adopt a reduced rate for low-income communities that guarantees a discount of 60% on the sewage collection and treatment rate for families with water consumption of up to 15 cubic meters, and 20% when consumption is between 16 and 20 cubic meters.

B. Objectives, components, and cost

- 1.17 **Objectives.** The program’s general objective is to contribute to improving the quality of life of the population of the Município of Vitória through the reduction of urban development disparities, integrating the “Orla Noroeste” northwestern rim zone into the rest of the city. The specific objectives are to: (i) promote integrated urban improvement of the northwestern rim zone with complementary smart urban management and climate change resilience actions; and (ii) reduce violent crime in the area of influence of the northwestern rim, through social prevention measures against youth violence and actions to support the strengthening of the Municipal Guard in crime prevention and control. The operation is divided into two components—an investment component and a program management component—to be executed over five years, as follows:
- 1.18 **Component I. Urban development and sustainable environmental management (US\$68.5 million IDB, US\$8.2 million Município of Vitória).** The objective of this component is to: (i) strengthen urban planning and management in a sustainable manner; (ii) improve conditions in vulnerable informal settlements; and (iii) contribute to the recovery and preservation of the *Orla Noroeste* zone’s environmental assets and resilience to potential disasters. The component has three subcomponents:
- 1.19 **Subcomponent 1. Urban improvement of the *Orla Noroeste* zone (US\$28.6 million IDB, US\$7.7 million Município of Vitória).** The following will be financed: (i) works for urban infrastructure and facilities, including the improvement of approximately five kilometers of roads, promenades, and piers, construction of public spaces, and approximately ten kilometers of bicycle path; (ii) household sewer connections; (iii) cadastral regularization for low-income housing, prioritizing property owned by women;²⁵ and (iv) formulation of integrated urban designs. The operation will prioritize sustainable construction, such as permeable road surfaces, efficient street lighting, and urban tree-planting will be included as measures to mitigate and adapt to the effects of climate change.²⁶
- 1.20 **Subcomponent 2. Urban environmental sustainability and natural hazard reduction (US\$9.1 million IDB, US\$300,000 Município of Vitória).** The following will be financed: (i) containment of sloping land to prevent landslides; (ii) expansion

²⁵ Law 6,592/06 of the Municipal Government of Vitória states that “the title holder of the granted benefit will be represented by the head of household, preferably the woman” (Article 46, point iii). Titling in the district of São Pedro is 20% complete and has been speeded up by new legal instruments made available through Decree 9,310 of 15 March 2018, which institutes procedures applicable to the recording and titling of urban land ([optional link 19](#) [35]).

²⁶ Basic designs available. The final designs will be prepared in the first year of execution.

and recovery of at least 40 hectares of green cover;²⁷ (iii) air quality monitoring; and (iv) formulation of the Climate Change Master Plan, update of the Greenhouse Gas Plan, revision and implementation of the Vitória Tree-planting Master Plan, and formulation of conservation management plans for the Lameirão Island Municipal Ecological Station (EEMIL) and Dom Luiz Gonzaga Fernandes Municipal Park (PMLG).

- 1.21 **Subcomponent 3. Modernization of municipal management (US\$30.7 million IDB, US\$150,000 Município of Vitória).** This subcomponent will support the PMV in the modernization of management and public service delivery. It will finance: (i) construction and implementation of a City Cooperation Center (CCC),²⁸ to better enable the município to monitor the territory in real time and respond to everyday incidents and/or emergencies occurring in the city in the domains of transit, environment, safety and violence against women, and natural disasters;²⁹ (ii) civil defense training; (iii) support for new sector-level strategic plans; (iv) modernization of the City Hall building, focusing on accessibility and energy efficiency, including EDGE certification; and (v) training for municipal civil servants. It will also finance engineering projects and support new sector-level strategic plans such as the Historic Center Master Plan, the Downtown Functional Plan, and the Municipal Mobility Plan.
- 1.22 **Component II. Citizen security (US\$23.4 million IDB, US\$10.8 million Município of Vitória).** The objective of this component is to reduce violent crime (homicides and robberies) in the administrative districts, principally São Pedro, Santo Antônio, Maruípe, Centro, and Jucutuquara. It will finance social prevention measures against violence targeting the youth population (men and women) from 15 to 24 years old, and support for the effectiveness of the Municipal Guard in crime prevention and control with an emphasis on the prevention of violence against women. The component has two subcomponents:
- 1.23 **Subcomponent 1. Social prevention of youth violence (US\$21.3 million IDB, US\$10.3 million Município of Vitória).** This subcomponent will support the implementation of an integrated network of services for the social prevention of youth violence that enable young people to access opportunities for social and productive integration, along with the protection of rights and reduction of risk factors due to violence.³⁰ It will finance: (i) reform, expansion, and modernization of the Youth Resource Center and the Youth House to support vocational development of young people; (ii) expansion of an emergency care health facility, construction and equipping of at least three schools, two basic health facilities, and a psychosocial care center for young people with alcohol and drug dependency issues;

²⁷ This activity will be undertaken with the Society for Ecological Restoration (SER) and will include a green belt approach that involves: (i) connection of Atlantic Forest fragments; (ii) restoration of mangrove forests; and (iii) recovery of natural springs.

²⁸ If the land to be used for the CCC site remediation project is not viable, the borrower may submit another site option to the Bank that complies with the Bank's environmental and social safeguard policies.

²⁹ A flood and landslide warning system to monitor natural phenomena through observation stations is planned as part of the CCC structure.

³⁰ A network will be set up to provide remedial education and school day extension services, sports, culture, job training, conflict resolution, prevention of violence against women, and health care for persons with alcohol and drug dependency issues.

(iii) expansion and modernization of the Resource Center for the Care of Women in Situations of Violence (CRAMSV); (iv) reform, expansion, and modernization of the Human Rights Resource Center; (v) construction of approximately seven social assistance facilities; and (vi) expansion of the coverage of cultural and sports activities, and redesign of at least five sports facilities with an emphasis on youth and vulnerable population groups.³¹

- 1.24 **Subcomponent 2. Strengthening of the Municipal Guard in crime prevention and control (US\$2.1 million IDB, US\$0.5 million Município of Vitória).** This subcomponent will finance: (i) training of the Municipal Guard and stepping up officer presence in the territories; (ii) purchase of equipment for mobility, protection, and communication, guaranteeing the delivery of services for the community with an emphasis on women victims of violence;³² and (iii) capacity-building for public policy formulation at the Urban Security Department's Security Observatory.
- 1.25 **Program management (US\$8.0 million IDB, US\$6.1 million Município of Vitória).** Activities will include: (i) investments in the program management unit (PMU);³³ (ii) hiring of individual consultants to provide management support for this operation; (iii) consulting services to supervise all program works; and (iv) monitoring, evaluation, audits, and the implementation of the environmental and social management plan (ESMP).

C. Key results indicators

- 1.26 The indicators specified in the Results Matrix and monitoring and evaluation plan (MEP) ([required link 2](#)) were prepared in conjunction with the Município of Vitória and include: (i) average property values in the districts of the *Orla Noroeste* zone; (ii) expansion of plant cover in the município; (iii) geological hazard areas stabilized; (iv) government agencies strengthened; (v) reduction of youth homicides (men and women) from 15 to 24 years of age in the município's five priority districts; and (vi) reduction of robberies in the five districts identified.
- 1.27 **Economic analysis.** A cost-benefit analysis was performed using differences-in-differences methodologies and the hedonic pricing method to estimate the economic benefits of increased property values in the program's target area, compared to a control area. The economic benefit generated by housing to be built was also estimated by comparing rents in the target area with those in a control area. The economic analysis ([optional link 1](#)) encompassed all planned integrated urban and environmental improvement actions in *Orla Noroeste*, considering both investments and operation and maintenance costs. Using a discount rate of 12%, the results were: an internal rate of return (IRR) of 54.4% at a net present value (NPV) of 51.8 million Brazilian reais, and a benefit-cost ratio of 1.32. The program is also viable under sensitivity analysis: with a 20% increase in costs, the IRR was 29.5%; and with a 20% reduction in benefits, the IRR was 23.65%. With a combined 10% increase in costs and 10% reduction in benefits, the IRR was 26.96%. The analysis

³¹ See [optional link 18](#) for the targets for social prevention of youth violence.

³² The município is using new technologies such as the "[Maria da Penha panic button](#)," which gives women victims of violence access to a georeferenced monitoring device for priority attention from the Municipal Guard.

³³ To be financed with counterpart resources.

indicates that the program is viable with an increase in costs of up to 32.0% a reduction in benefits of up to 24.3%.³⁴

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 The Bank financing for this operation will be via a specific investment loan drawn from the Bank's Ordinary Capital resources under the Flexible Financing Facility (document FN-655-1).³⁵ The total cost of the program is US\$125 million, financed with a loan of US\$100 million from the Bank and a local counterpart contribution of US\$25 million from the Município of Vitória, as indicated in the following table.

Table 1. Program cost summary

Components/Subcomponents	Bank	Município of Vitória	Total	%
Investment components	91,969,000	18,940,000	110,909,000	88.70
Component I – Urban development and sustainable environmental management	68,546,000	8,182,000	76,728,000	61.40
Subcomponent 1. Urban improvement of the <i>Orla Noroeste</i> zone	28,589,000	7,727,000	36,316,000	29.10
Subcomponent 2. Urban environmental sustainability and natural hazard reduction	9,112,000	303,000	9,415,000	7.50
Subcomponent 3. Modernization of municipal management	30,845,000	152,000	30,997,000	24.70
Component II – Citizen security	23,423,000	10,758,000	34,181,000	27.30
Subcomponent 1. Social prevention of youth violence	21,341,000	10,303,000	31,644,000	25.30
Subcomponent 2. Strengthening of the Municipal Guard in crime prevention and control	2,082,000	455,000	2,536,000	2.00
Program management	8,031,000	6,060,000	14,091,000	11.30
Works management and supervision	3,788,000	6,061,000	9,848,000	7.90
Monitoring, evaluation, and audit	591,000	0	591,000	0.47
Environmental and social management plan	3,652,000	0	3,652,000	2.92
Total	100,000	25,000,000	125,000	100.00

³⁴ An economic evaluation (cost-benefit analysis) has been performed on program Component II ([optional link 21](#)), yielding an IRR of 62.2% in 10 years, an NPV of US\$68.9 million, and a benefit-cost ratio of 2.8.

³⁵ The basic studies were evaluated by the Bank team. The final designs of the *Orla Noroeste* works have been commissioned and are being prepared by the PMV.

- 2.2 **Disbursement period and schedule.** The disbursement period will be five years, running from the signature of the loan contract, according to the following schedule:

Table 2. Disbursement schedule (US\$ million)

Financing source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	3,103	18,071	27,384	33,219	18,222	100,000
Local	1,212	4,331	7,933	6,632	4,892	25,000
Total	4,315	22,402	35,317	39,851	23,114	125,000
% IDB	3.1	18.1	27.4	33.2	18.2	100.0
% Local	4.8	17.3	31.7	26.5	19.6	100.0

- 2.3 **Financial analysis.** The financial evaluation made of the municípios by the Federal Government of Brazil shows that Vitória has the capacity to contract this loan, since it complies with the indexes defined in the Fiscal Responsibility Law. The National Treasury Department rated the município as Category “A” for its low indebtedness, adequate level of current expenditures, and financial obligations (July 2018).³⁶

B. Environmental and social safeguard risks

- 2.4 In accordance with the Bank’s Environment and Safeguards Compliance Policy (document OP-703) and based on the findings of the environmental and social analysis (ESA) and the environmental and social evaluation report, the operation was classified as Category “B”. It is also rated as “medium risk”, owing to the possibility of additional environmental requirements at the municipal level, which could delay the start of the works. The executing agency will commission additional studies to mitigate this risk. On the issue of security, in the absence of good management and integration between the executing agency and Municipal Guard, there is a high risk of conflicts arising between gangs and the police or between different gangs. This will be mitigated by maintaining continuous patrols in the program areas.
- 2.5 The rest of the socioenvironmental risks and impacts identified during preparation are “low risk,” namely: (i) a potential temporary impact on accesses to dwellings and businesses; (ii) a temporary interruption of basic services; (iii) contamination of soils and water by hydrocarbons in areas where old fuel stations were located; and (iv) temporary impacts and disruptions to economic activities at the works construction sites. In the absence of effective management plans, impacts could occur in traditional fishing communities that are economically dependent on the mangroves and display high social vulnerability, as well as for small-scale entrepreneurs and services established throughout the *Orla Noroeste* zone. There would also be a minimal risk of partial expropriation of land and property damage, depending on the final design of the bicycle paths and moorings, or due to the execution of the slope containment and stabilization works.

³⁶ The [score](#) on the three indicators required by the National Treasury Department are as follows: (i) 16.63% for consolidated debt/recent net current debt; (ii) 81.09% for current expenditure/current budget; and (iii) 12.91% for financial obligations/cash on hand.

- 2.6 During implementation, the environmental impacts will be positive because the program targets preservation of the natural environment, such as: (i) ecological restoration of mangrove areas; (ii) cleanup of areas polluted by hydrocarbons; (iii) stabilization of hillsides and other areas exposed to flood disaster risk; (iv) formalization of basic sanitation services; and (v) increased safety due to improvements in street lighting and urban planning. Nonetheless, unless the rates to be charged for access to basic sanitation services are clearly and formally communicated, the domestic budgets of vulnerable groups could be adversely affected. The operation will not give rise to situations of involuntary resettlement of people. With regard to gender (document OP-761), the program will include activities to promote gender equality, with services to provide care and protection for women in situations of violence, as well as property registration and titling that prioritize women heads of household.
- 2.7 The program's socioenvironmental risks and impacts will be adequately mitigated and controlled through the ESMP, which will apply to all program works. The environmental management system plan ([optional link 11](#)) and the environmental management system manual ([optional link 3](#)) have been developed for implementation of the ESMP. The key measures include: (i) production-oriented activities for both artisanal fishers and small-scale vendors throughout the *Orla Noroeste* zone; (ii) environmental and health education targeting the population benefited by the basic sanitation services; (iii) a program for the remediation and conservation of protected areas; (iv) a mechanism to provide compensation for temporary and permanent harm; and (v) a program to manage environmental liabilities, including water and soils polluted by hydrocarbons. The disaster risk classification (Type 1) for this operation is moderate, and the program works designs will include measures to mitigate and avoid the risks in question. The program's ESA, including the ESMP, was published prior to the analysis mission (25 April 2018) and is publicly available on the websites of the both the Bank and the PMV ([optional link 2](#)).
- 2.8 The consultation process has included two events,³⁷ one for the entire population and another for the communities of artisanal fishers and vendors who may be affected. These consultations were conducted in accordance with the Bank's environmental and social safeguard policies. The results are reported in a chapter of the program's ESA ([optional link 2](#)).

C. Fiduciary risks

- 2.9 The results of the IPAC evaluation showed that the Município of Vitória has a medium level of fiduciary risk. Nonetheless, the program's multisector approach and the large number of procurement processes necessary to reach its targets could cause difficulties in procurement, works contracting, and consulting services. To mitigate these risks, the following are proposed: (i) appointment of staff working exclusively with the PMU, as well as personnel responsible for technical execution; (ii) creation of a Program Advisory Committee (PAC); (iii) preparation and dissemination of program Operating Regulations that specify the workflows and responsibilities of the agencies involved in the execution model; (iv) contracting of individual consultants to support the PMU in the management of procurement

³⁷ The two environmental and social evaluation report consultations were held on 5 and 7 June 2018.

processes in accordance with Bank policies; (v) creation and training of the Special Bidding Commission (SBC); and (vi) fiduciary training.³⁸

D. Other key risks and issues

- 2.10 The IPAC evaluation identified the following risks and mitigation measures: (i) high risks: (a) public management and governance: due to weak coordination in the delivery of social services for the prevention of violence by the PMV departments. This risk will be mitigated by setting up an interagency coordination mechanism approved by decree; and (b) monitoring and accountability, owing to delays in the delivery of the final designs for the Component I works; and delay in implementation of the works schedule and possible low quality of the works. These risks will be mitigated by contracting consulting services to support the PMU in the preparation of final designs and works supervision; and (ii) medium-high risks: (a) public management and governance: possible lack of coordination between the house connection works projects and the works built by the state sewer company, Companhia Espírito Santense de Saneamento (CESAN), which will be mitigated through a legal instrument for works coordination; and opposition from the community and the media to the impacts of the works in the *Orla Noroeste* zone, which will be mitigated through ongoing dialogue and meetings with the communities as part of the program's local development plan.
- 2.11 **Sustainability.** During program implementation, the executing agency will take steps to ensure that all works and equipment bought and/or built under the program are adequately maintained in accordance with the technical standards agreed upon with the Bank. In this connection, the executing agency will submit detailed annual reports to the Bank on the status of the works and equipment, according to the maintenance plan prepared for this purpose. These reports will be delivered during the first quarter of the year following the completion of each work, continuing until three years after the last disbursement. The maintenance plan will provide details of the works as planned and executed, estimated costs, and entity responsible. After the end of the operation, the Município of Vitória will ensure that its multiyear budget includes resources for maintenance and operation of the works and equipment.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Município of Vitória, and the Federative Republic of Brazil will be the guarantor of the financial obligations of the borrower. The município will execute the program through its Department of Management, Planning, and Communication (SEGES), which will create and appoint the members of the program management unit (PMU).
- 3.2 The main tasks of the executing agency, acting through the PMU, will be to: (i) serve as the município's liaison with the Bank; (ii) plan program execution; (iii) carry out actions as necessary for execution and in coordination with the Program Advisory Committee (PAC); (iv) prepare and submit plans and other operating documents

³⁸ Some of the PMU team have experience with Bank-financed loans, having worked on PROCIDADES Vitória (loan 1986/OC-BR). Nonetheless, training will need to be provided to new team members.

- (including the annual work plan (AWP), the multiyear execution plan ([required link 1](#)), the financial plan), the procurement plan ([required link 4](#)), and status reports; (v) manage the preparation of specific studies and projects; (vi) monitor and evaluate completion of the established targets and actions; (vii) manage resources, financial planning, disbursement requests, and accountability reporting; (viii) prepare terms of reference, budgets, and other necessary documents for procurement processes; (ix) conduct procurement processes via the Special Bidding Commission (SBC); (x) administer contracts and the execution of works and services; (xi) monitor the execution of works and services; and (xii) maintain program records, separated by funding sources.
- 3.3 The PMU will be staffed by the following professionals working exclusively for the program: (i) general coordinator; (ii) executive coordinator; (iii) urban development and environmental sustainability coordinator; (iv) City Cooperation Center (CCC) coordinator; (v) works coordinator; (vi) citizen security coordinator; (vii) socioenvironmental issues coordinator; and (viii) financial management coordinator. The PMU will also receive support from an SBC to conduct all processes involving the selection and contracting of consulting services, procurement of off-the-shelf goods and services, and works contracting. Its constitution and functions are described in the program Operating Regulations ([optional link 23](#)).
- 3.4 **As special contractual conditions precedent to the first disbursement, the borrower will provide evidence of: (i) the approval and entry into force of the program Operating Regulations, on the terms agreed upon with the Bank; (ii) creation of the PAC; (iii) creation of the PMU and appointment of its members; and (iv) publication of the municipal decree establishing the mechanism to coordinate the delivery of social prevention services against violence.** The first condition is necessary to guarantee proper program execution. The second is necessary to ensure that all areas involved in program execution are coordinated from the outset. The third condition is considered essential to assure the Bank that the executing agency will have a suitable team in place to start execution of the operation. The fourth condition is justified by the need to ensure that the services for the social prevention of violence are implemented simultaneously and in coordination with the Municipal Guard's crime prevention and control actions, to effectively achieve the desired impact in reducing violent crime in the five districts of the municipio. The commitments and responsibilities of the municipal entities vis-à-vis the executing agency therefore need to be formalized for the program activities in the citizen security sector.
- 3.5 Additionally, the executing agency, acting through the PMU, will engage consulting services to support program management as necessary in such areas as: technical and environmental works supervision, procurement, and socioenvironmental issues. The aim is to strengthen the executing agency's capabilities and knowledge transfer, especially in the execution of a multisector program with a large number of contracting processes under the Bank's policies. The firm responsible for works supervision has a crucial role to play in enabling the borrower to effectively track the progress of the works and socioenvironmental actions. The work of the consultants in supporting program management and works supervision will be coordinated by the PMU's executive coordinator, with support from the coordinators for urban

development, the CCC, security, engineering works, and monitoring of socioenvironmental issues.

- 3.6 **Advance of funds.** The Bank will provide financing through advances of funds to meet the program's actual liquidity needs. To that end, the Município of Vitória, acting through the executing agency, will submit disbursement requests accompanied by the respective financial planning for the program. Such planning will be used to produce the first financial plan covering the first six months of execution, as the basis for the first advance of funds. Subsequent advances will require accounting for at least 80% of funds previously received, and delivery of a new financial plan for the subsequent period.
- 3.7 **Procurement.** Procurement processes for consulting services will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9). Procurement processes for works, goods, and services are identified in the procurement plan ([required link 4](#)) and will comply with the Fiduciary Agreements and Requirements (Annex III).
- 3.8 **Single-source selection.** The firm Barst Arquitetura e Urbanismo Ltda. will be engaged via single-source selection to prepare the Basic and Final Design for *Orla Noroeste* Phases 1B and 2, for an estimated amount of US\$909,000. This firm won the national bidding process for preliminary urban development, landscaping, and architectural studies for the *Orla Noroeste* zone (a competitive process open to foreign firms), making it the exclusive provider of the awarded designs. As a result of the competition, Barst Arquitetura e Urbanismo Ltda. was engaged in 2015 to prepare the final designs for *Orla Noroeste* Phase 1. The operation is expected to finance a new contract with the firm for Phases 1b and 2 of the same program. Single-source selection is justified under paragraph 3.10(a) of policy document GN-2350-9, "for tasks that represent a natural continuation of previous work carried out by the firm," in view of the need to maintain continuity in the technical approach, along with the experience gained and the professional accountability of the same consultant, given that performance in the previous work has been satisfactory. The Society for Ecological Restoration (SER) will also be engaged via single-source selection for an indicative amount of US\$150,000, as justified by paragraph 3.10(d) of policy document GN-2350-9, "when only one firm is qualified or has experience of exceptional worth for the assignment," since the SER is currently the only organization to have published international standards for the practice of ecological restoration, and is preparing a certification system based on those standards for use in the program.
- 3.9 **Audit.** During the disbursement period, the borrower will deliver financial statements for the program, audited by a firm of independent external auditors acceptable to the Bank or by the Espírito Santo State Audit Office (TCE/ES), within 120 days after the close of the borrower's fiscal year. The last of these audited financial statements will be delivered within 120 days after the date of the last disbursement.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring and supervision system.** The program will be monitored using the physical and financial schedule, the AWP, the procurement plan, and the Results

Matrix. In addition, the executing agency, acting through the PMU, will prepare six-monthly progress reports, which will contain the necessary information to complete the program monitoring report (PMR) based on the Results Matrix indicators. The PMU will also have a management system containing the necessary information for monitoring and supervision of the PMR.

- 3.11 **Program evaluation.** Outcome and output indicators have been designed for this program and will be evaluated based on information provided by the executing agency, acting through the PMU, from the municipal departments involved in execution,³⁹ as well as specific surveys commissioned from specialized firms. Three evaluation points are planned: at the start of the program, midway through the execution period, and upon completion of execution. The monitoring and evaluation plan (MEP) ([required link 2](#)) includes: (i) all outcome and output indicators, with their description, calculation methodology, collection period, and data measurement methods; (ii) the responsible entity; (iii) the budget for monitoring activities; and (iv) evaluation.
- 3.12 The evaluation activities include: (i) a midterm evaluation and a final evaluation; and (ii) an ex post cost-benefit analysis ([required link 2](#)). The midterm evaluation will be performed at 36 months from the effective date of the contract, or once 50% of the loan proceeds have been disbursed, whichever occurs first; and the final program evaluation and ex post economic evaluation will be performed within 90 days after the last disbursement. Two evaluation methodologies will be used: (i) differences-in-differences for the property value indicator and for the ex post economic evaluation; and (ii) the reflexive methodology for the other indicators, comparing results before and after the program actions. The evaluation will be supported by a pilot geospatial monitoring program using satellite imagery to analyze the progress of the construction works.⁴⁰ A budget of US\$288,000 for the program evaluations has been agreed upon with the município.

³⁹ See [AI Design](#) for an explanation of the roles of several municipal departments.

⁴⁰ This pilot program forms part of the collaboration between the Bank and the European Space Agency.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	<ul style="list-style-type: none"> -Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law 	
Country Development Results Indicators	<ul style="list-style-type: none"> -Students benefited by education projects (#)* -Beneficiaries receiving health services (#)* -Beneficiaries of improved management and sustainable use of natural capital (#)* -Beneficiaries of on-the-job training programs (#)* -Households with new or upgraded access to sanitation (#)* -Professionals from public and private sectors trained or assisted in economic integration (#)* -Subnational governments benefited by citizen security projects (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Crime information systems strengthened (#)* 	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2850	Reduce inequity and improve public services
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		7.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Statistics National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Plan of Ação Vitória Sustentável was executed between 2014 and 2015 by the IDB's Emerging and Sustainable Cities (CES) Program with the collaboration of the Municipal Prefeitura of Vitória and the support of Caixa Econômica Federal.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the program is to contribute to improve the quality of life of the population of the Municipality of Vitória by reducing the inequalities of urban development, integrating the district of the Orla Noroeste (ON) to the rest of the city. The specific objectives are: (i) to promote the integrated urban improvement of the ON with complementary actions of intelligent urban management and climate change resilience; and (ii) reduce violent crimes in the ON through actions of social prevention of youth violence and support the effectiveness of the Municipal Guard to prevent and control crime.

The project presents a complete diagnosis; with a precise description of the current situation of the ON and the neighborhoods located along it; describing the urban infrastructure needs, the citizen security situation, and the challenges for urban management. The results indicators included in the results matrix are SMART and have means of verification.

The economic analysis of the project was performed through two cost-benefit analysis (CBA). The CBAs have reasonable assumptions, use rigorous methodologies, and has an adequate sensitivity analysis. These analyses concluded that the project is economically feasible, with ERR of 54.4% for component 1 and an ERR of 62.2% for component 2 (using a 12% discount rate).

The project includes a monitoring and evaluation plan. The effectiveness of the proposed intervention will be measured following different methodologies: difference-in-difference, an ex-post cost benefit analysis, and a before and after approach.

RESULTS MATRIX

Project objective:	The program's general objective is to contribute to improving the quality of life of the population of the Município of Vitória through the reduction of urban development disparities, integrating the "Orla Noroeste" northwestern rim zone into the rest of the city.
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EXPECTED OUTCOMES

Outcome indicators	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Component I. Urban development and sustainable environmental management											
Outcome 1. Rise in property values in the <i>Orla Noroeste</i> zone											
Average property value in the <i>Orla Noroeste</i> zone	R\$/m ²	2,020.00	2018					2,890.00	2,890.00	Field research – report by the Program Management Unit (PMU)	CRF 3
Outcome 2. Expansion of plant cover in the Município of Vitória											
Greenspace per inhabitant in the Município of Vitória	Ha/Person	83.5	2017	0	83.7	84.0	84.4	84.8	84.8	SEMMAM ¹ and PMU reports	
Outcome 3. Reduction of landslide-prone areas											
Geological hazard area stabilized	m ²	0	2017	0	0	300	700	540	1,540	SEMOHAB ² and PMU reports	
Outcome 4. Strengthening of government agencies											
Government agencies benefited by projects to strengthen their technological and management tools that will improve public service delivery	Unit	0	2017	0	0	1	1	3	5	City Cooperation Center (CCC) and PMU reports	CRF 25
Outcome 5. Reduction in the time taken by Civil Defense to issue heavy rainfall alerts											
Time lapse between identification of heavy rainfall and alert being issued	Minutes	90	2018	0	0	0	0	30	30	CCC and PMU reports	

¹ Municipal Department of the Environment.

² Municipal Department of Works and Housing.

Component II. Citizen security											
Outcome 6. Reduction of youth homicides (15 to 24 years of age) in the município's five priority districts											
Youth homicides (men and women) from 15 to 24 years of age in the município's five priority districts	Homicide rate per 100,000 inhabitants by age	138	2017	132	127	117	112	96.2	96.6	Data published in SESP/ES, ³ SEMSU, ⁴ and PMU reports	
Outcome 7. Reduction of robberies in the município's five priority districts											
Robberies in the município's five priority districts	Robbery rate per 100,000 inhabitants by age	927	2017	880	850	834	793	741	741	Data published in SESP/ES, ⁵ and PMU reports	
Outcome 8. Reduction in the female homicide rate in the município's five priority districts											
Female homicides in the município's five priority districts	Homicide rate per 100,000 inhabitants by age	13.2	2017	12.4	11.6	10.8	10	9.6	9.6	Data published in SESP/ES and PMU reports	GENDER AND DIVERSITY INDICATORS
Outcome 9. Reduction in the homicide rate among Afrodescendent youth (15 to 24 years of age) in the município's five priority districts											
Homicides among young Afrodescendent men and women (15-24 years of age) in the município's five priority districts	Homicide rate per 100,000 inhabitants by age	169.8	2017	159	150	144	131	118	118	Data published in SESP/ES and PMU reports	GENDER AND DIVERSITY INDICATORS
Outcome 10. Expansion of assistance to women in situations of violence in Vitória											
Resource Center for Care for Women in Situations of Violence (CRAMSV)	Number of women	1,026	2017	1,026	1,126	1,226	1,326	1,426	6,130	CRAMSV and PMU reports	GENDER AND DIVERSITY INDICATORS
Outcome 11. Subnational governments benefited by citizen security projects											
Subnational governments benefited	Number of governments	0	2017	1	0	0	0	0	1	PMU reports	CRF 24

³ State of Espírito Santo Department of Public Security.

⁴ Municipal Department of Urban Security.

⁵ State of Espírito Santo Department of Public Security.

OUTPUTS

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Component I. Urban development and sustainable environmental management											
Subcomponent 1. Urban improvement of the <i>Orla Noroeste</i> zone											
Roads restored	km	0	2017	0	0	2.0	2.0	1.2	5.2	SEMOHAB report and PMU six-monthly report	
Walkways improved	m ²	0	2017	0	0	2,074	400	200	2,674		
Deck constructed	m ²	0	2017	0	0	7,489	10,716	2,000	20,205		
Public square redesigned ⁶	m ²	0	2017	0	0	1,200	0	0	1,200		
Shellfish processing points redesigned	m ²	0	2017	0	0	0	66.9	0	66.9		
Municipal park renovated	Unit	0	2017	0	0	0	1	0	1	SEMMAM report and PMU six-monthly report	
Museu do Pescador fishing museum annex constructed	Unit	0	2017	0	0	0	1	0	1	SEMOHAB report and PMU six-monthly report	
Fishing center built	Unit	0	2017	0	0	1	0	0	1		
Public squares built	Unit	0	2017	0	0	0	2	0	2		
Bicycle path built	km	0	2017	0	0	5.2	9	1.8	16.0		
Sewer house connections built	Unit	0	2017	0	0	1,500	1,749	0	3,249	SEMMAM report and PMU six-monthly report	
<i>Orla Noroeste</i> property divisions approved	Plan	0	2017	0	0	1	2	0	3	SEMOHAB and PMU reports	
Subcomponent 2. Urban environmental sustainability and natural hazard reduction											
Environmental management plans prepared	Plan	0	2017	0	2	0	0	0	2	SEMMAM and PMU reports	
Greenspace recovered ⁷	Hectare	0	2017	5.0	5.0	5.0	10.0	20.0	45.00		
Mangrove area recovered	Hectare	0	2017	0	0.3	0.3	0.5	0.4	1.5		
Water sources constructed	Unit	0	2017	0	2	5	5	3	15		

⁶ "Redesigned" means the implementation of works to adapt and/or improve the already existing physical space.

⁷ "Recovered" means the degraded area (without vegetation) planted with native saplings.

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Slope containment works undertaken	Work	0	2017	0	15	15	17	6	53	SEMOHAB report and PMU six-monthly report	
Air quality monitoring stations implemented ⁸	Monitoring stations	0	2017	0	1	1	1	1	4	SEMMAM and PMU reports	
Greenhouse gas reduction plan prepared	Plan	0	2017	0	0	0	1	0	1		
Project environmental certifications obtained ⁹	Certificate	0	2017	0	0	0	1	1	2	Certification issued. PMU report	
Vitória Tree-planting Master Plan prepared	Plan	0	2017	0	0	1	0	0	1	SEMMAM and PMU reports	
Climate Change Master Plan prepared	Plan	0	2017	0	0	0	0	1	1		
Subcomponent 3. Modernization of municipal management											
Training courses	Course	0	2017	0	7	15	8	0	30	SEGES ¹⁰ and PMU reports	
City Hall redesigned	Unit	0	2017	0	0	0	0	1	1	SEMOHAB and PMU reports	
CCC implemented ¹¹	Centre	0	2017	0	0	0	0	1	1		
Civil Defense Alert System implemented	Unit	0	2017	0	1	0	0	0	1	Civil Defense and PMU reports	
Vitória Urban Mobility Master Plan prepared	Plan	0	2017	0	1	0	0	0	1	SETRAN ¹² and PMU reports	
Study of downtown functional mobility completed	Study	0	2017	0	0	1	0	0	1	SEDEC ¹³ and PMU reports	
Historic Center Master Plan prepared	Plan	0	2017	0	0	0	1	0	1		

⁸ “Implemented” means the installation of equipment or other item.

⁹ The program will finance the application for certification.

¹⁰ Department of Management, Planning, and Communication.

¹¹ “Implemented” means entry into operation of the intervention.

¹² Municipal Department of Transport, Transit, and Urban Infrastructure.

¹³ City Development Department.

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Final designs for the program works prepared	Project	0	2017	1	3	3	2	0	9	Six-monthly PMU reports	
Component II. Citizen security											
Subcomponent 1. Social prevention of youth violence											
Cultural activities conducted	Activity	0	2017	0	25	25	25	25	100	SEMC ¹⁴ and PMU reports	
Artistic activities conducted	Activity	0	2018	3	3	3	3	3	15		
Art School restored	School	0	2017	0	0	0	0	1	1	SEMOHAB/SEMC and PMU reports	
Health facilities refurbished	Health unit	0	2017	0	0	1	0	0	1	SEMUS ¹⁵ and PMU reports	
Health teams set up	Health unit	0	2017	0	1	1	1	0	3		
Elementary schools set up	School	0	2017	0	0	1	1	0	2	SEME ¹⁶ and PMU reports	
Elementary schools redesigned and equipped ¹⁷	School	0	2017	0	0	1	2	0	3		
Public social assistance facility implemented	Unit	0	2017	0	2	2	3	0	7	SEMAS ¹⁸ and PMU reports	
CRAMSV equipped	Centre	1	2018	0	0	1	0	0	1	SEMCID ¹⁹ and PMU reports	
Conflict mediation, values training, and citizen rights protection activities implemented	Activities	0	2017	0	5	5	10	11	31		
Public facility for the promotion human rights reformed	Unit	0	2017	0	0	0	1	1	2		
Sports facilities refurbished	Unit	0	2017	1	4	1	0	0	6	SEMOHAB and PMU reports	

¹⁴ Municipal Department of Culture.

¹⁵ Municipal Department of Health.

¹⁶ Municipal Department of Education.

¹⁷ Three schools will be redesigned, but only two will receive equipment.

¹⁸ Municipal Department of Social Assistance.

¹⁹ Municipal Department of Citizenship, Human Rights, and Employment.

Outputs	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Strategic and operational plans for the Public Safety Observatory prepared	Plan	0	2017	3	5	5	5	5	23	SEMSU and PMU reports	CRF auxiliary indicator 23
Subcomponent 2. Strengthening of the Municipal Guard in crime prevention and control											
Equipment purchased for the Municipal Guard community policing role and assistance to women victims of violence	Items of equipment	0	2017	0	1,000	1,000	2,000	2,900	6,900	SEMSU and PMU reports	
Training provided for the Municipal Guard in community policing and assistance to women victims of violence	Courses	0	2017	2	3	3	1	1	10		

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Brazil
Project number: BR-L1497
Name: Vitória Urban Improvement and Citizen Security Program
(First Stage of the Sustainable Vitória Action Plan)
Executing agency: Município of Vitória
Prepared by: Carlos Carpizo and Edwin Tachlian-Degras (FMP/CBR)

I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment for the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the evaluation of the main fiduciary risks (program risk management (PRM)); (iii) the IPAC institutional capacity analysis; and (iv) working meetings between the Bank's project teams and the Municipal Government of Vitória (PMV). As a result of this work, fiduciary agreements for financial management and procurement were prepared for project execution.

II. FIDUCIARY CONTEXT OF THE COUNTRY AND EXECUTING AGENCY

- 2.1 The country's fiduciary systems allow for effective management of administrative, financial and procurement processes, generally complying with the principles of transparency, economy, and efficiency. The Bank recognizes that using these systems, principally in the municipal domain, entails initial risks until they are aligned with international standards. In this connection, the Bank supports the strengthening and ongoing improvement of these systems.
- 2.2 For this operation, the borrower and executing agency will be the Município of Vitória, acting through its Department of Management, Planning, and Communication (SEGES), within which a program management unit (PMU) will be created to coordinate, plan, monitor, and execute the program activities.
- 2.3 SEGES coordinates the planning and integrated execution of the municipal government's policies, programs, and actions. In this role, it is responsible for securing funding, which involves: intermediating between financial agents and the various departments; assisting in the process of negotiating domestic and international loan operations; evaluating the eligibility of policies for attracting external resources, based on the government's strategy; and preparing procurement plans for programs/projects involving the resources secured.
- 2.4 The SEGES organizational structure includes a Standing Commission on Bidding that deals with the management units of the municipal administration, except those within the jurisdiction of Special Bidding Commissions (SBCs). SEGES is also responsible for the município's procurement portal, used to disseminate and monitor the município's bidding processes. The município uses Banco do Brasil's *e-Licitações* system for online reverse auctions.

- 2.5 External oversight of the município is provided by the State of Espírito Santo Audit Office (TCE/ES), which audits the município's accounts each year, and by the Federal Audit Office (TCU), which oversees funds obtained from federal transfers. The TCE/ES, a subsidiary body of the state legislature, assesses the efficiency and effectiveness of the financial, budgetary, accounting, asset, and operational management of the agencies and entities under its jurisdiction.
- 2.6 For internal control, the município established the Municipal Comptroller General's Office (CGM), which has four functional divisions dealing with: internal audit; internal control; management of compliance with contracts and agreements; and integrity, transparency, and prevention of corruption. The CGM's functions include providing support and preventive monitoring for the município's periodic account filing with the TCE/ES.

III. INSTITUTIONAL CAPACITY ASSESSMENT, FIDUCIARY RISK, AND MITIGATION MEASURES

- 3.1 The IPAC and PRM analyses showed that the Município of Vitória has a medium level of fiduciary risk. Nonetheless, the program's multisector approach and the multiple procurement processes necessary to reach its targets could cause difficulties in procurement, works contracting, and consulting services. To reduce risks, the following are proposed: (i) appointment of staff working exclusively with the PMU, as well as personnel responsible for technical execution; (ii) creation of a Program Advisory Committee (PAC); (iii) preparation and dissemination of program Operating Regulations that specify the workflows and responsibilities of the agencies involved in the execution model; (iv) contracting of individual consultants to support the PMU in the management of procurement processes in accordance with Bank policies on urban, social, environmental, and program management issues; (v) creation and training of the Special Bidding Commission (SBC); and (vi) fiduciary training for members of the teams responsible for program execution, preparation of disbursement requests, and familiarity with the Bank's procurement policies.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT (FIDUCIARY)

- 4.1 **Contractual conditions precedent to the first disbursement of the loan proceeds:** To ensure that the executing agency is fully prepared to start executing the program on the established schedule, prior to the first disbursement, evidence will be provided of the creation of the program's SBC and appointment of its members working exclusively with the program and with the relevant experience in Bank-financed bidding processes, to reduce risks of execution delays.
- 4.2 **Special contractual condition for execution.** Within six months after the effective date of the loan contract, the borrower will provide evidence that the program's financial and accounting management system has been implemented, in accordance with the Bank's requirements.

- 4.3 **Disbursement management.** The executing agency will deliver the program's financial planning according to the guidelines agreed upon between the Bank and the country. The minimum percentage required for replenishment of the advance of funds will be 80%.
- 4.4 **Exchange rate.** For the purposes of Article 4.10 of the General Conditions of the Loan Contract, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, the agreed exchange rate will be the rate in effect on the effective date on which the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary. In addition, for the purpose of determining the equivalency of the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the buyer exchange rate set by the Central Bank of Brazil on the day prior to the date of the reimbursement request.
- 4.5 **Financial supervision.** The program's annual financial reports, audited by Bank-eligible external auditors under terms of reference agreed upon with the IDB, will be delivered within 120 days after the fiscal year-end.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement execution.** Procurement processes will be conducted through the PMU, supported by an SBC. Procurements of works, goods and nonconsulting services will follow the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9). Consultants will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9), both of March 2011. The Bank will review procurement processes as established in the procurement plan ([required link 4](#)).
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ generated under the project, and subject to international competitive bidding (ICB), will be executed using the standard bidding documents (SBDs) issued by the Bank. Procurements subject to national competitive bidding (NCB) will use the country bidding documents agreed upon with the Bank (or satisfactory to the Bank, if not yet agreed upon).
- 5.3 **Use of country systems.** For purchases of off-the-shelf goods or services, the Bank will accept the use of online reverse auction systems for up to the shopping threshold amount for off-the-shelf goods (indicatively, US\$5 million), namely the *ComprasNet* systems of the federal government procurement portal and Banco do Brasil's *e-Licitações* system. Any system or subsystem that may subsequently be approved will also be applicable to the operation.
- 5.4 **Selection and contracting of consultants.** The consulting service contracts generated under the project will be executed using the standard request for proposals (SRP) issued by the Bank. The sector specialist will review the terms of

¹ Under the Bank's Procurement Policies, nonconsulting services are treated as goods.

reference for the contracting of consulting services. Single-source selection is envisaged for the following activities:

5.5 Main procurements.

Activities	Bidding or selection method	Estimated date	Estimated amount (US\$)
Works			
Urban redevelopment of <i>Orla Noroeste</i> + urbanization of the area around the Transshipment Unit	NCB	Jan-20	20,393,939.40
Modernization and improvement of Vitória City Hall	NCB	Jul-20	10,606,060.61
Construction of the "Eunice Pereira Silveira" Elementary School + construction of the full-day "Ronaldo Soares" Elementary School + redesign and expansion of "Francisco Lacerda de Aguiar" Elementary School	NCB	Jul-19	10,909,090.90

5.6 **Single-source selection.** The firm Barst Arquitetura e Urbanismo Ltda. will be engaged via single-source selection to prepare the Basic and Final Design for *Orla Noroeste* Phases 1B and 2, for an estimated amount of US\$909,000. This firm won the national bidding process for preliminary urban development, landscaping, and architectural studies for the *Orla Noroeste* zone (a competitive process open to foreign firms), making it the exclusive provider of the awarded designs. As a result of the competition, Barst Arquitetura e Urbanismo Ltda. was engaged in 2015 to prepare the final designs for *Orla Noroeste* Phase 1. The operation is expected to finance a new contract with the firm for Phases 1b and 2 of the same program. Single-source selection is justified under paragraph 3.10(a) of policy document GN-2350-9, "for tasks that represent a natural continuation of previous work carried out by the firm," in view of the need to maintain continuity in the technical approach, along with the experience gained and the professional accountability of the same consultant, given that performance in the previous work has been satisfactory. The Society for Ecological Restoration (SER) will also be engaged via single-source selection for an indicative amount of US\$150,000, as justified by paragraph 3.10(d) of policy document GN-2350-9, "when only one firm is qualified or has experience of exceptional worth for the assignment," since the SER is currently the only organization to have published international standards for the practice of ecological restoration, and is preparing a certification system based on those standards for use in the program.

5.7 **Procurement supervision.** The procurement supervision method as determined by the Bank will be ex post, except where ex ante supervision is warranted.

Threshold for ex post review		
Works	Goods	Consulting services
US\$25 million	US\$5 million	US\$1 million

- 5.8 Ex post reviews will be every 12 months, in accordance with the project supervision plan. The review reports will include at least one physical inspection visit,² chosen from among the procurement processes subject to ex post review.
- 5.9 Procurements conducted through the country system will also be subject to supervision through the country system.³

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 6.1 The Município of Vitória, acting through the PMU, will plan the financial execution of the activities as established in the program execution plan (PEP), the budgets, and the annual work plan (AWP). The budget allocated to program activities will be approved through the Municipal Budget Law.
- 6.2 The Municipal Department of Finance (SEMFA) is responsible for execution of the municipal budget, and for financial programming and the monitoring of budget execution. SEMFA will guarantee that the resources allocated to the program's investments and activities each year (both the Bank financing and local contribution) are properly budgeted and available for execution, in accordance with the work execution schedule. Coordination between the PMU and SEMFA will be crucial for effective and timely financial execution.

B. Disbursements and cash flow

- 6.3 The program resources will be disbursed to an account designated by the município, to be used exclusively for program execution.
- 6.4 Loan disbursements will be made in U.S. dollars under the advance of funds modality. Requests for advances must satisfy the project's actual liquidity needs, as documented in the financial plan and covering a period of up to six months. Each advance of funds (except the first) will require accounting for at least 80% of funds previously advanced for which supporting documentation has not been provided.
- 6.5 Expenses considered ineligible by the Bank will be reimbursed from the local contribution or from other resources, at the Bank's discretion, depending on the nature of the ineligibility.

C. Accounting, information systems, and reporting

- 6.6 The município uses the SMAR system for all financial execution, record keeping, and budgetary monitoring, accounting, and accountability activities.
- 6.7 All the program's accounting and financial information will be recorded in the SMAR system.
- 6.8 Within six months after the signature of the loan contract, the PMU will demonstrate that commercial software has been purchased and is running

² The inspection determines whether the procurements exist, leaving the verification of quality and compliance with specifications to the sector specialist.

³ Depending on the scope of system use, supervision may be supplemented with project audits, in which case it should be mentioned in this annex.

properly, to issue financial reports for the project in dollars, by investment category and source of financing, in line with IDB requirements. Alternatively, the município may design and implement a specific module within the SMAR system, or another of its systems, to meet this requirement.

D. External control and reports

- 6.9 External control will be exercised by an independent external audit firm contracted according to the Bank's specific policies and procedures. The TCE/ES will be eligible to perform the program's external audit.
- 6.10 The project will deliver duly audited annual financial statements to the Bank, no later than 120 days after the fiscal year-end, in accordance with procedures and terms of reference previously agreed upon with the Bank.

E. Supervision plan

- 6.11 The supervision plan may be modified during project execution, as risk circumstances are observed or additional controls are needed as determined by the Bank.

Supervision activity	Supervision plan			
	Nature/scope	Frequency	Responsibility	
			Bank	Executing agency
Procurement	Review of procurement processes and the contracting of works and consulting services	As per the procurement plan	Sector and procurement specialist	PMU/município
	Review of processes above the thresholds for ICB and single-source selection	Throughout execution period	Sector and procurement specialist	PMU/município
	Supervision visit	Annual	Sector specialist and fiduciary team	
Financial	Ex post review of disbursements and procurements	Annual	Fiduciary team	PMU/audit firm
	Annual audit	Annual	Fiduciary team	Audit firm
	Review of disbursement requests	Periodic	Fiduciary team	
	Supervision visit	Annual	Sector specialist and fiduciary team	

F. Execution mechanism

- 6.12 The borrower will be the Município of Vitória, which will execute the program through a PMU to be created within the SEGES.
- 6.13 In addition to the PMU, the execution plan provides for a strategic body, the Program Management Committee, to support coordination between the PMU and the municipal and other government agencies involved in program implementation.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/18

Brazil. Loan ___/OC-BR to the Municipality of Vitoria. Vitória Urban Improvement and Citizen Security Program (Phase One of the Sustainable Vitória Action Plan)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Municipality of Vitoria, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Vitória Urban Improvement and Citizen Security Program (Phase One of the Sustainable Vitória Action Plan). Such financing will be for the amount of up to US\$100,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2018)