1. Country and Sector Background

This project proposes a restructuring and an additional loan in an amount of US$48 million to the state of Rio de Janeiro with the guarantee of the Federative Republic of Brazil, for the Renovating and Strengthening Public Management Technical Assistance Loan (Original project: P106768, Additional Financing: P126735). The restructured and scaled-up project would be titled Strengthening Public Management and Integrated Territorial Development Technical Assistance Project.

The proposed additional loan will allow for scaling up the development impact of a well-performing project by supporting the efforts of the government of Rio de Janeiro (GORJ) to: (i) strengthen public management in additional sectors and (ii) promote an integrated territorial development approach in its public policies. The need for additional financing arises from advances in the government’s approach to improving the effectiveness and efficiency of public services in the state. When the original project was identified and prepared, the GORJ was focused on improving the way it converted public expenditures into concrete results for its citizens by promoting management reform initiatives and introducing results-based management. During the implementation of much-needed management reforms and improvements to key public services (such as health and education), it became clear to the GORJ that it needed a statewide integrated territorial development approach to improve public sector effectiveness and efficiency. As a result, it has started to develop an approach to articulate its public policies on a territorial basis in order to tackle the challenges of promoting integrated urban development. Consequently, the original project will be restructured to reflect the scaled up activities, introduce changes to the health sector activities, and reallocate funds and activities between components.
2. Objectives

The proposed changes to the original project will require minor modifications to the original PDO from “…support the GORJ actions to introduce performance-based management and information technologies to drive service delivery improvements in key public services, including secondary education and hospital care” to “…improve service delivery through introducing performance-based management, information technologies and an integrated territorial development approach in key public services.”

3. Rationale for Bank Involvement

Proactive urban and housing development strategies and social policies are urgently needed to ensure the reemergence of a competitive and green metropolitan region that is environmentally sustainable and offers a high quality of life, as well as equitable access to opportunities and services. The aim is to avoid the results of earlier boom periods (1960s and 1970s), which were accompanied by significant increases in informal settlements (favelas), illegal land parceling, the occupation of environmentally protected areas, and the deterioration of old industrial neighborhoods. Of particular concern is the fact that future growth will be taking place in a fragile natural environment that is highly vulnerable to disasters such as flooding and landslides. The government of the state of Rio de Janeiro has recognized the severity of the challenges faced and is addressing them proactively.

The choice of additional financing as an instrument is suitable and appropriate for the following three reasons: (i) the ongoing project has a satisfactory record of implementation; (ii) the proposed set of activities complements and expands upon the integrated development program in Rio de Janeiro, following the approach developed by the government to tackle its main challenges; and (iii) the additional components allow for the consolidation of the Bank’s technical assistance activities in the state under one instrument, resulting in relevant economies of scale, improved inter-agency coordination, and enhanced flexibility for the client. The latter makes it possible to drive forward the implementation of the policies supported in the overall Bank portfolio for the state in order to provide vital support to the multifaceted challenges of integrated urban development.

4. Description

The restructured and scaled up project will be organized into seven thematic components, plus an eighth small component to support overall project administration. The proposed activities will encompass the following areas: public sector management, public financial management, metropolitan and territorial governance, housing and land regularization, education, health, the environment and disaster risk management, and social development. The proposed changes and new activities are presented below according to the project components. The original project will be restructured to include all the new components and make changes to the original components, as described below.

Component 1: Core government systems and management tools for improved performance and efficiency (restructuring from US$11.87 to US$7.65 million). This component supports activities to revise and strengthen existing public sector management procedures and
administrative systems and introduce results-based management practices. This component will support the following three lines of activities: (i) introduction of results-based management; (ii) improvement of real estate management; and (iii) strengthening the management of the social security system.

Component 2: Strengthening education management capacity and secondary school quality (scaling up from US$2.77 million to US$7.83 million). This component supports activities to strengthen SEEDUC’s technical capacity for evidence-based policy-making, the management of school infrastructure and the quality of secondary education. The component will be scaled up to include activities to support diagnostic studies, the benchmarking of relevant experiences, and the strengthening of the school infrastructure management practices.

Component 3: Health Management and Information Systems (scaling up from US$3.21 million to US$8.37 million). This component supports four activities for strengthening health monitoring and to improve evaluation processes and hospital information systems. This component will support the design of business intelligence systems (BI) required to support the improvement of internal hospital processes and workflows by generating and managing information and enhancing routines and protocols.

Component 4: Strengthening metropolitan management through integration and coordination in urban development, housing, and transport (US$13 million). This component will support activities for the development of a framework for metropolitan governance and structural studies in the areas of housing, transport, and land tenure. This component will trigger a collective learning process among private and public stakeholders in the metropolitan region, involving policy roundtables, strategic planning processes, workshops, and study tours coordinated by the state government in the three sectors mentioned above.

Component 5: Strengthening the state’s disaster risk management capacity (US$10.4 million). This component supports activities aimed at improving DRM capacity as well as the state’s early warning system for high rainfall events. DRM activities will include support for the development of a disaster risk management policy/program, which will entail a participatory process to institutionalize DRM in the state. The activities will include preventive measures, institutional capacity improvements, technical support for risk reduction, and improved risk communication.

Component 6: Improving living conditions in the most vulnerable social settings (US$ 9.9 million). This component will support activities aimed at strengthening the capacity of the Secretariat of Social Assistance and Human Rights (SEASDH) to implement an integrated and evidence-based medium-term social development strategy and to support activities by the Public Prosecutor (MP) to combat drugs in the municipalities. The component will have two main subcomponents. The first will focus on activities carried out by the Secretariat of Social Assistance and Human Rights (SEASDH), including (i) organizational restructuring and formulation of a strategic planning process; and (ii) support to the five strategic priorities of SEASDH. The second subcomponent will strengthen the capacity of state and municipal governments to treat drug addiction by (i) mapping the supply of and demand for the network of specialized drug treatment centers; (ii) building capacities within the Public Prosecutor and drug
user attention network; and (iii) monitoring and evaluation of prevention measures adopted by the municipalities.

**Component 7: Strengthening core finance and taxation functions** (US$ 6.1 million). *This component supports the State Secretariat of Finance (SEFAZ) in carrying out studies and adopting new practices aimed at strengthening tax administration and financial management systems*. Activities under this component will strengthen procedures needed to maintain fiscal discipline and strategic allocation of resources that is aligned with Government priorities and efficient service delivery, including tax policy, tax administration and public investment management and costing.

**Component 8: Support for project management** (US$2.323 million; allocation of US$0.6 million from the original loan and US$1.723 million from additional financing). *This new component will finance activities related to the overall administration of the project*. The original project allocated funds to the expenditure category “operating costs” to cover project administration costs. However, some of the required expenditures are related to goods, consultant services, non-consultant services, and training. Therefore, a new component will be created and reallocations between expenditure categories made to adequately reflect the project’s administration needs.

5. **Financing**
   
   **Source:** ($m.)
   
   Borrower 0
   
   International Bank for Reconstruction and Development 48
   
   **Total** 48

6. **Implementation**

   While implementation of the original project was led by the State Secretariat of Planning and Management (SEPLAG) in partnership with the State Secretariat of Education (SEEDUC) and State Secretariat of Health and Civil Defense (SESDEC), institutional arrangements have been modified for the Additional Financing. Activities are divided between three Project Management Units (*Unidades Gestoras de Projeto*, UGPs). The three UGPs are as follows: (i) the SEPLAG UGP, already in existence; (ii) the State Secretariat of Public Works (SEOBRAS) UGP; and (iii) the State Secretariat of Finance (SEFAZ) UGP. The SEPLAG UGP will manage components 1, 2, 3 and 5, as in the original project, with the addition of component 6a. The newly-formed SEOBRAS UGP will be responsible for component 4. The newly-formed SEFAZ UGP will manage components 6b and 7. A backup system will be in place to allow for flexibility of activities between the UGPs. A Coordination Committee, overseen by the Vice-Governor’s Office and including members of each UGP, will be responsible for coordinating inputs for documentation as well as communication with the Bank. The Committee will mediate potential conflicts and will meet every three months to oversee the smooth progression of the project and compliance with Bank policies and requirements.

   Each Secretariat involved in the project will identify a point of contact (POC) and each UGP will work closely with the POCs in day-to-day implementation, fiduciary aspects, and safeguards defined in the Loan Contracts, Disbursement Letter, Project Operational Manual, Project
Appraisal Document (PAD), Additional Financing Project Paper, Safeguards Data Sheet, among others. Each UGP will have a minimum structure consisting of a Coordinator, Procurement Specialist and Financial Management Specialist.

7. Sustainability

An emphasis has been placed on state-wide integrated planning and the implementation of information management systems in the project activities, encouraging the availability and integration of databases across sectors. This will increase the sustainability of improvements made in public management and integrated territorial development.

8. Lessons Learned from Past Operations in the Country/Sector

The proposed operation seeks to respond to the GORJ’s request for World Bank support to its integrated approach and represents the consolidation of World Bank technical and financial support to the state of Rio de Janeiro in a broad range of areas. Over the past years the Bank has developed a close partnership with the state of Rio de Janeiro. The state’s reform program receives support through two development policy loans (DPLs): the Fiscal Sustainability, Human Development and Competitiveness DPL (P117244, approved in December 2009 and disbursed in May 2010), and the Metropolitan Urban and Housing DPL (P122391, approved in March 2011); A third DPL, the Fiscal Consolidation, Human Development and Public Financial Management Development Policy Loan (P126465), which focuses on medium-term sustainable fiscal measures as well as health and education, is currently under preparation. This third DPL is especially linked to Component 7 of the proposed operation as it supports two main pillars of tax administration: enrollment in the synchronized taxpayer registration system with the Federal and Municipal tax administrations to simplify the registration procedures and increase compliance as well as the development and implementation of the taxpayer general ledger to allow better control of debts. The Bank has also developed an extensive engagement in urban transport through the Rio de Janeiro Mass Transit Project II (P111996) and the Upgrading and Greening the Rio de Janeiro Urban Rail System Additional Financing (AF) Project (P125630). While the original project that this operation will support focuses on public sector management, education, and health, the additional financing requested herein will expand upon those activities and include technical support for priorities in metropolitan and territorial governance, public transportation, the environment and disaster risk management (DRM), housing and land regularization, and social development. In other words, the restructured and scaled up technical assistance project will provide a platform for continued integrated dialogue over the several areas of the GORJ’s reform and development strategy.

9. Safeguard Policies (including public consultation)

Although no direct negative environmental impacts are expected from the original project activities, the environmental assessment safeguard policy (OP 4.01) was triggered to ensure that proper consideration is given to mitigate potential future negative environmental impacts in the context of planning for sustainable development and growth, as well as those that may result from the adoption of sustainable environmental practices in establishing a quality accreditation system for health units (particularly as this concerns management of waste). As agreed during
project preparation, the state government will develop a framework to guide hospital waste management.

The proposed new activities are all firmly grounded in existing Bank engagement with the GORJ, which has been already subject to extensive consultation and review. Based on conversations with the safeguard team (SAT), the environmental framework prepared for the ongoing project (solely focused on hospital waste management) was updated to reflect the scaled up scope of the project. The environmental category of the additional financing project has been raised to B, from the original project’s environmental category of C. As a precautionary measure, two new safeguards are triggered. The involuntary resettlement (OP/BP 4.12) safeguard is triggered due to studies and activities related to risk mapping, land tenure regularization, and metropolitan plans, while the natural habitats (OP/BP 4.04) safeguard is triggered because of the potential impact of planning and disaster risk management activities.

10. List of Factual Technical Documents


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