

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**PROGRAM FOR INTEGRATED URBAN DEVELOPMENT OF THE MUNICIPALITY
OF CAMPO GRANDE-VIVA CAMPO GRANDE II**

(BR-L1422)

LOAN PROPOSAL

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ABBREVIATIONS

AGETTRAN	Agência Municipal de Transporte e Trânsito [Municipal Transportation and Transit Agency]
AWP	Annual work plan
EER	Environmental evaluation report
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
IBGE	Instituto Brasileiro de Geografia y Estatística [Brazilian Institute of Geography and Statistics]
IRR	Internal rate of return
LIBOR	London Interbank Offered Rate
MCG	Município de Campo Grande [Municipality of Campo Grande]
MEP	Monitoring and evaluation plan
NPV	Net present value
PCR	Project completion report
PDTMU	Plano Diretor de Transporte e Movilidade Urbana [Urban Transportation and Mobility Blueprint]
PLANURB	Instituto Municipal de Planejamento Urbano [Municipal Urban Planning Institute]
PLDZEICC	Plano Local de Desenvolvimento da Zona Especial de Interesse Cultural do Centro [Downtown Local Development Plan for the Special Cultural Interest Zone]
PMR	Project monitoring report
PMU	Program Management Unit
SIT	Sistema Integrado de Transportes [Integrated Transportation System]
ZEIC	Zona Especial de Interesse Cultural [Special Cultural Interest Zone]

PROJECT SUMMARY

BRAZIL PROGRAM FOR INTEGRATED URBAN DEVELOPMENT OF THE MUNICIPALITY OF CAMPO GRANDE- VIVA CAMPO GRANDE II (BR-L1422)

Financial Terms and Conditions				
Borrower: Municipality of Campo Grande			Flexible Financing Facility^a	
			Amortization period:	25 years
Guarantor: Federative Republic of Brazil			Original weighted average life:	15.25 years
Executing agency: Municipality of Campo Grande			Disbursement period:	5 years
Source	Amount (US\$ million)	%	Grace period:	5.5 years
IDB (Ordinary Capital):	56	50	Inspection and supervision fee:	b
Local:	56	50	Interest rate:	LIBOR-based
			Credit fee:	b
Total:	112	100	Currency of approval:	U.S dollars from the Ordinary Capital
Project at a Glance				
Project objective/description: The program's general objective is to help revitalize the downtown area of Campo Grande. The specific objectives are to: (i) promote the occupation of vacant urban areas and revitalize commerce in the Special Cultural Interest Zone, by upgrading infrastructure and public spaces; and (ii) improve the efficiency of the mass transit system and enhance downtown accessibility.				
Special contractual conditions precedent to the first disbursement: The borrower will present: (i) the final version of the program's Operating Regulations, including the Environmental and Social Management Plan as an annex, under terms satisfactory to the Bank (paragraph 3.13); (ii) evidence that a Program Management Unit (PMU) has been created (paragraph 3.1); (iii) the terms of reference for hiring the specialists needed to support the PMU, according to the professional profiles agreed upon previously with the Bank (paragraph 3.2); (iv) the signature and entry into force of a cooperation instrument between the PMU and the Municipal Urban Planning Institute (PLANURB), specifying how the parties will coordinate during program implementation (paragraph 3.2); and (v) the opening of the contracting process for the program's financial management system (paragraph 2.6).				
Special execution conditions: (i) Before each work contract is awarded, the borrower will present evidence that it holds possession and other necessary rights on the land in which the work in question will be undertaken (paragraph 3.5); (ii) before starting the works relating to the pilot project referenced in Component I, the borrower will present evidence of the declaration of public utility of the properties needed for the project, that it has determined the financial, economic, and legal viability thereof in terms satisfactory to the Bank (paragraph 3.5); (iii) the borrower will determine the viability of the pilot project referenced in Component I under terms satisfactory to the Bank, within two years of the contract taking effect (paragraph 3.5); (iv) the borrower will prepare an economic displacement plan for the affected merchants, pursuant to the Environmental and Social Management Report (paragraph 3.5); (v) before starting the first bidding process for works or goods to be financed from the loan proceeds, the borrower will set up a Special Bidding Committee for the program (paragraph 3.4); and (vi) before starting the works financed from the loan proceeds, the borrower will have contracted a firm to supervise the respective work (paragraph 3.11).				
Exceptions to Bank policies: None.				
Project qualifies as:^c				
SV	<input type="checkbox"/>	PE	<input type="checkbox"/>	CC <input checked="" type="checkbox"/>
				CI <input type="checkbox"/>

^a Under 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. When considering such requests, the Bank will take operational and risk management considerations into account.

^b 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 corresponding policies.

^c SV (Small and vulnerable countries), PE (Poverty reduction and equity enhancement), CC (Climate change, sustainable energy, and environmental sustainability), CI (Regional cooperation and integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, rationale

- 1.1 Campo Grande, the capital of Mato Grosso do Sul, has an area of 8,093 km², a high urbanization rate (98.6%), and a population of 786,797 inhabitants who account for 32.13% of the state population.¹ Municipal gross domestic product (GDP), which represents 31.9% of the state's total GDP, grew at an average rate of 6.14% per year in 2000-2010.²
- 1.2 The urban dynamic in Campo Grande has changed considerably in the last few years. In a process similar to that under way in other Brazilian state capitals, the downtown area—considered the commercial, cultural, and residential core of the city, and the location of historical buildings—has been suffering a process of population decline and loss of commercial vibrancy since the 1980s, which threatens its economic and social sustainability.
- 1.3 Census data (IBGE, 2010) show that all of the downtown neighborhoods have growth rates of zero or less,³ unlike almost anywhere else in the city.⁴ The population decline in the downtown area stems from the upgrading of the road network and extension of Afonso Pena and Mato Grosso avenues, which encouraged the development of residential zones in the east of the city; the inauguration of the Campo Grande shopping mall; the transfer of Parque dos Poderes (the administrative seat of the state government) to the eastern zone; and the alteration of the urban perimeter.⁵ As a result, the municipality expanded with low population density and a predominantly horizontal building pattern⁶ that makes it more expensive to provide infrastructure in outlying areas—even though the near-downtown areas have the largest number of [job opportunities](#).
- 1.4 In 2008, the Bank approved a loan for the [Municipality of Campo Grande Integrated Development Program \(1960/OC-BR\)](#), which included a set of integrated actions that aimed to partly address the main obstacles to the full development of urban functions, by implementing integrated projects. The program consisted of: (i) the development of planning and management tools to revitalize the city's downtown area;⁷ (ii) the implementation of strategic projects; (iii) improvements to the transportation and mobility systems; and

¹ Source: Brazilian Institute of Geography and Statistics (IBGE), 2010.

² Source: Socioeconomic profile of Campo Grande, 2014.

³ The downtown is the only zone reporting a negative rate of population growth between 2000 and 2010 (-0.63%) (IBGE, 2010).

⁴ In the last decade (2000-2010), while São Paulo, Rio de Janeiro, Curitiba, and Belo Horizonte grew at rates below 1% per year, Campo Grande has grown at an annual rate of 1.72% (IBGE, 2010).

⁵ The most recent change to the urban perimeter, made in 2012, encompassed an area of 36,000 hectares—a 26% increase over the perimeter set 30 years earlier in 1982 (PLANURB, 2014).

⁶ Population density is 97.22 inhabitants/km², which is less than in other similar-sized Brazilian state capitals (Belém, 1,315 inhabitants/km²; João Pessoa, 3,421/km²; Natal, 4,808/km²) (IBGE-Census, 2010).

⁷ The central region has 13 neighborhoods with a population of 71,000. The four neighborhoods comprising the central area of the Special Cultural Interest Zones (ZEIC) have a population of 33,000 inhabitants and are: Amambai, Cabreuva, Centro, and São Francisco.

- (iv) improvements to the municipality's administrative efficiency. This program aims to continue the studies financed by loan 1960/OC-BR, and its strategic guidelines.⁸
- 1.5 **Downtown revitalization.** As part of the strategy to revitalize the downtown neighborhoods, the Municipality of Campo Grande (MCG) approved the designation of the downtown area as a [Special Cultural Interest Zone \(ZEIC\)](#),⁹ as part of its 2006 Master Plan; and it proposed formulating and implementing a [Downtown Local Development Plan for the Special Cultural Interest Zone \(PLDZEICC\)](#) that prioritizes the revival of economic activities, conservation of architectural heritage, and the redevelopment of urban spaces and their buildings.¹⁰ The Master Plan also indicated that the MCG would formulate an Urban Transportation and Mobility Blueprint (PDTMU).
- 1.6 Loan 1960/OC-BR financed the preparation of the PLDZEICC and PDTMU, among other activities.¹¹ The PLDZEICC diagnosed the following: (i) economic and sociocultural dimensions (demographic evolution, dynamic of the economic activities, cultural identity); (ii) land-use management (use, occupation, and division of the land; housing; accessibility and mobility; transportation; sanitation, etc.); (iii) environmental quality (water resources; solid waste; air, land, sound, and visual pollution; historical and cultural heritage; preservation and conservation areas or environmentally fragile zones); (iv) potential projects for enhancing the public space; (v) subsidies for preparing an economic policy for the ZEIC; and (vi) the institutional framework needed to implement the ZEIC planning and management process. As a result of the diagnostic study, which was discussed with merchants and other stakeholders in the downtown area, over 90 short-, medium- and long-term actions were identified for urban, economic, and social revitalization. Just four of these were chosen for the new operation: (i) rehabilitation of 14 de Julho street (Rua 14 de Julho);¹² (ii) identification of incentives to build homes for low- and middle- income families in the ZEIC; (iii) diversification of land uses; and (iv) updating of the municipality's urban development legislation.
- 1.7 14 de Julho street contains a group of historical buildings that are symbolic for the city, and it is also the main commercial street in the downtown area. Although

⁸ Loan 1960/OC-BR was approved under the lending facility for financing Brazilian municipalities—[PROCIDADES](#). Individual PROCIDADES operations were for a maximum of US\$50 million, nonetheless the PLDZEICC identified activities for over US\$300 million. This new operation will partly finance the main activities identified in loan 1960/OC-BR and will also help the municipality identify alternative funding mechanisms.

⁹ Areas containing cultural heritage sites are referred to as ZEICs. They have concentrations of cultural assets that need to be preserved, requiring specific urban development regimes to differentiate the use and occupation of the land area in question from the general criteria adopted in the city. The ZEIC lays down guidelines for management of land use and occupation; the road system; urban infrastructure; the level of architectural interference and restrictions on urban development indices.

¹⁰ The PLDZEICC also aimed to increase private sector participation in the commerce, services, and housing sectors, becoming an urban policy tool that guides strategic public and private interventions and the infrastructure investment needs in the area.

¹¹ Loan 1960/OC-BR also funded redevelopment of the area of the old railway in the downtown area, creating a corridor of green areas and public spaces, remodeling and restoration of the large houses located in the *Esplanada Ferroviária*, in addition to specific urban mobility actions in the city. [Summary of the 1st loan](#).

¹² The rehabilitation of 14 de Julho street is regulated by [Complementary Law 161/2010](#).

- 14 de Julho street is located in the heart of the city, with access to economic activities and services, the diagnostic studies performed in the PLDZEICC find that: (i) it is narrower than adjacent streets, thereby restricting potential for pedestrian circulation; (ii) the lack of treescaping creates zones exposed to direct sunlight; (iii) although there is major building potential and a diversity of uses are allowed, 9% of buildings are unoccupied and 72% are single story; and (iv) in the case of homes with more than one floor, only the main floor is occupied, and the rest of the building is vacant. The recommendations made in the PLDZEICC in this regard are: (i) infrastructure restoration; (ii) upgrading of public spaces; (iii) tree planting along the streets; and (iv) prioritization of pedestrian traffic.
- 1.8 In relation to housing incentives, the PLDZEICC identified vacant urban spaces and the building restrictions in the downtown area. The most recent cadastral data on the Urban Property and Land Tax (IPTU) show that in 2014 there was a total of 163 hectares with vacant lots in the 13 neighborhoods of the downtown urban zone, of which at least 20% are located in the four ZEIC neighborhoods. At the same time, infrastructure endowment rates (paving, sanitation systems, drainage, electricity and telephony; waste collection services, street lighting, and cleaning) attain an average of 99% coverage for the entire population of the downtown urban zone.¹³ In terms of building restrictions, in the areas with large vacant urban spaces (such as Brazil's old northwestern railway (*Via Férrea del Noroeste de Brasil*), which has 22.3 hectares and is a national historical heritage site), current legislation only allows buildings of one or two stories to be constructed, which renders many housing ventures unviable.¹⁴
- 1.9 Given this context, the PLDZEICC identified vacant urban land¹⁵ in the ZEIC where [pilot projects](#) of different types could be designed and implemented to promote greater integration between [residential, commercial, and service uses](#), and make better use of the existing infrastructure. To evaluate and implement these projects, a series of feasibility studies needs to be funded to determine the best model for the areas in question, and the mechanisms to implement them.
- 1.10 In addition, the current master plan expires in 2016. Although the master plan specifies guidelines for the entire municipality, some tools to enhance urban revitalization actions were either not considered or need to be improved, such as: (i) density parameters by urban zones; and (ii) the criteria and regulation of urban development tools that restrict real estate speculation. The urban development legislation in the master plan and in the PLDZEICC guidelines needs to be updated, to enable the municipality to more efficiently use various urban development tools contained in the City Charter, such as: subdivision, building and

¹³ Source: Socioeconomic profile of Campo Grande (2014).

¹⁴ During program preparation, meetings were held between the municipality and real estate agents to discuss housing development in the downtown area. The proposals made by the private sector included: (i) multiuse residential buildings that allow for a type of cross-subsidy between residential units and ground-floor commerce; (ii) greater flexibility in requirements for private garage spaces for each apartment; (iii) potential increase in construction to make businesses viable; and (iv) an increase in green areas in the downtown; and others. During the revision of the master plan, the municipality will analyze points (i), (ii), and (iii). The pilot project will investigate the viability of point (iv).

¹⁵ The PLDZEICC also identified degraded buildings such as the old western terminal shopping center (*Centro Comercial Terminal do Oeste*).

compulsory use of the land, and the sale of additional building rights that will promote better use of the infrastructure.

- 1.11 **Urban mobility and mass transit.** Loan 1960/OC-BR included actions to upgrade the urban mobility system, through enhanced road system connectivity, better use of road capacity in the downtown area, and sector planning. Specifically, the loan financed the following: (i) expansion and upgrading of major arteries to improve the connection between the western sector and downtown;^{16, 17} (ii) modernization of the traffic light system; and (iii) consulting services to revise and update the PDTMU, which were necessary because of population growth and the expansion of the urban area in the last two decades, together with an increase in the private vehicle fleet.¹⁸
- 1.12 The PDTMU diagnosed traffic and road system conditions in Campo Grande (including how they are directly related to aspects of land use and occupation). Based on the diagnostic studies performed, proposals were formulated to upgrade the Campo Grande road infrastructure to encourage citizens to use more sustainable means of transportation, such as walking, bicycles, and public transportation, instead of individual motor vehicles, thereby generating benefits for the community at large. One of the main proposals of the PDTMU, which is the focus of this new operation, is to improve the three bus corridors¹⁹ that [pass through the downtown area](#), so as to: (i) serve the main travel destinations; (ii) improve the supply of services; (iii) shorten travel times; and (iv) streamline the number of downtown roads used for mass transit.
- 1.13 Campo Grande's current urban bus transportation system was designed in 1991 with a view to implementing the Integrated Transportation System (SIT). This operates as a trunk-feeder system, in which local bus lines use smaller vehicles in lower-density residential areas to feed trunk-line urban bus stations using larger vehicles. In 2007, the SIT was upgraded by implementing the single-ticket integrated time system, which enables the user to transfer buses at any point on the network without paying an additional fare.
- 1.14 Despite the progress made in the SIT, data from the Municipal Transportation and Transit Agency (AGETRA) for 2014 showed that in 1998-2012 there was a 28% drop in the number of passengers using buses, while the population grew by 28.6%. As a result of the increase in the flow of vehicles and motorcycles, average speeds fell from 28 to 17 km/h. Slowness and lack of confidence in the system, among other reasons, caused part of the population to choose individual means of

¹⁶ In August 2013, a speed delay analysis was conducted to measure the reduction in travel time for users of mass transit and private transportation between the western area and the downtown; the average reduction was 33% in the segments measured.

¹⁷ The results of the [impact assessment report](#) suggest that the transportation actions centered on improving roadways that link the west with the downtown of the city, have a positive and significant effect in the municipality in the short run. This impact is measured as an average 6.7% increase in property values per square meter in the areas immediately surrounding the works.

¹⁸ Campo Grande is the Brazilian state capital with the seventh largest number of vehicles per inhabitant, reporting an average of one automobile for every 2.04 inhabitants (IBGE/National Transportation Department (DETRAN), 2013).

¹⁹ The PDTMU originally recommended improvements in four corridors. One of them, Julio de Castilho avenue, had improvements implemented under loan 1960/OC-BR.

- transportation, which further impairs mobility in the city, particularly in the downtown area, where 55% of people use public transportation.²⁰
- 1.15 In 2014, the MCG obtained funding from the Ministry of Cities in the Growth Acceleration Program to expand and improve the mass transit infrastructure and its management. This includes the corridors targeted in the PDTMU and other specific actions to upgrade road infrastructure. The implementation of these corridors and other road works fulfils the PDTMU and PLDZEICC guidelines.
- 1.16 Lastly, Law 12.587/2012 requires all Brazilian municipalities with over 20,000 inhabitants to prepare an Urban Mobility Plan integrated with their respective master plans, by 2015. The new law issued guidelines such as restrictions on circulation at predetermined times, the charging of urban infrastructure user fees, spaces exclusively for public mass transit and for nonmotorized means of transportation; in addition to setting policies for public and private parking areas. Nonetheless, although the Campo Grande PDTMU has identified the main urban mobility works, they still need to be adapted to the new rules mentioned. The updating of the integrated urban mobility plan and the master plan under the influence of the new legislation will be the municipality's first chance to work on these policies in a comprehensive way.
- 1.17 **Lessons learned.** The preparation of this operation took into account the lessons learned from loan 1960/OC-BR, which are available in the [Impact Assessment Report](#) and the [Project Completion Report \(PCR\)](#).²¹ The lessons included: (i) select the key projects for funding—14 de Julho street is a priority project which various key stakeholders in the municipality and community consider to have major catalyzing potential; (ii) link issues such as housing, institutional framework, and local economic development—the pilot project will be chosen for its economic potential by addressing issues of housing and other land uses in the ZEIC; (iii) identify local needs during the planning and implementation stages, making sustainable interventions through a participatory process—for that purpose, the MCG held a process of ongoing participatory hearings during program preparation; and (iv) design evaluations to reflect the program's impact more precisely—this new operation includes the gathering of information needed to measure the program's impact. In addition, the design of this operation has drawn on the international literature on successful downtown revitalization experiences, which usually emphasize the following: diversification, regulation, an appropriate mix of land uses, including the prioritization of mixed residential uses²² and more dense

²⁰ Source: *Tendência Pesquisa de Mercado* [Market research trend], 2012.

²¹ In 2013, loan operation 1960/OC-BR was selected as one of the 14 Bank projects to form part of the pilot test of the new PCRs, in which project performance was analyzed (effectiveness, analysis of vertical logic, results achieved, attribution analysis, efficiency, relevance, and sustainability, among other items), and it put forward findings and recommendations.

²² Levy, D. et al., in *Effects from Living in Mixed-income Communities for Low-income Families: A Review of the Literature* (2010), provide details on the benefits noted in urban zones with mixed-use, mixed-income residences, which range from positive results relating to access to job options, to improvements in health and education outcomes. Tatian et al. (2012), in *Building better neighborhoods*, claim that residential instability (absence of permanent residents) generates security problems in urban zones and is associated with shortcomings in access to education and quality health services, which highlights the need for a suitable balance between quality residential uses with access to other urban uses.

- uses²³ (paragraphs 1.9 and 1.10); (ii) the relation between accessibility and the growth of the central economic activity hubs, through integrated and efficient mass transit systems²⁴ (paragraph 1.15); and (iii) the prioritization of pedestrians and cyclists ahead of automobile users²⁵ (paragraph 1.24).
- 1.18 This new operation also takes into account the literature on gender and urban transportation, which reveals a gender gap in the use of means of transportation, the number of trips per day, and the number of stops per trip.²⁶ Recognition of women's heavy reliance on public transportation and issues related to personal safety, are reflected in the funds allocated to improving urban mobility, through more efficient transportation routes, better equipped and illuminated bus stops, and the proposal to build bus transfer terminals with spaces that are specially designated and signposted for women (paragraph 1.25).
- 1.19 **Synergy with other operations²⁷ and the Bank's knowledge products.** Several elements of the design of the new operation reflect lessons learned from recent or ongoing studies by the Bank. For example, emphasis on increasing population density in the central areas of the city is consistent with the findings of a recent

²³ Richard Florida, in *"Cities with Denser Cores do Better"* (2012), based on data on North American cities, finds a correlation between high density levels and economic development indicators. In particular, the analysis shows that the positive effects on economic growth and productivity (economic output per person) are greater not only in the denser areas, but also in places where that density is concentrated in urban central hubs.

²⁴ See the study on the 48 central hubs of Giuliano, G. et al. 2012. *"Network Accessibility and Employment Centers"*. According to Chatman (2013), in *Does the TOD need the T?* Accessibility depends both on transportation mode alternatives and on the quality of the urban fabric, in terms of the availability of jobs, presence of commerce and services, and access to affordable housing. This conclusion stresses the need to balance investments in mobility with better design and management of land use.

²⁵ In *Evaluating Active Transport Benefits and Costs*, Litman (2014) systematically describes methods to measure the economic and social benefits of nonmotorized transportation, providing empirical evidence of positive results in which local authorities have bet on active modes of transportation. Tatian et al. (2012) compile conclusions from a variety of studies that demonstrate a relation between nonmotorized mobility and positive results in terms of political participation, perception of safety, and greater opportunities for action, among other things.

²⁶ Peters, D., *Gender and Sustainable Urban Mobility*, a thematic study prepared for the [Global Report on Human Settlements 2013](#). Women make more trips, generally travel with small children and/or baby strollers, or purchases, and perceive greater lack of safety on public transportation than men, so they value flexibility and good lighting. (*Guía para la Integración de la Perspectiva de Género en los Sistemas de Transporte Urbano que Optimizan la Movilidad* [Guide to mainstreaming gender in mobility-optimizing urban transportation systems], IDB 2013). See also the study by Duchè, C. (2011), *"Gender and Transport,"* produced under the auspices of the International Transport Forum, which confirms these trends and puts forward recommendations for a better participatory design of urban mobility infrastructures.

²⁷ The following programs constitute the Bank's most significant experiences in this domain: Quito Historic Center Rehabilitation Program I and II (loans [822/OC-EC](#) and [1630/OC-EC](#), respectively); Rehabilitation of Downtown Areas and Land Management Support in Cuenca (loan [1761/OC-EC](#)); and Preservation of Urban Historical and Cultural Sites (Monumenta Program) (loan [1200/OC-BR](#)). These programs were characterized by: (i) the adoption of an integrated approach, prioritizing structural projects able to trigger urban revitalization processes; (ii) intensive community participation; (iii) the promotion of private investment, which helps make the initiatives more dynamic and sustainable; and (iv) local government involvement in their management.

Bank study,²⁸ based on evidence from around 8,600 municipalities in Brazil, Chile, Ecuador, and Mexico. This detected that an increase in urban density leads to lower municipal spending per capita on public services for areas with up to 9,000 residents per km² (Campo Grande falls under that threshold). Another Bank study on the housing sector in the region²⁹ noted the need to treat the lower-income segments as heterogeneous groups, some of which could be viable customers for private housing developers, as is proposed the new operation³⁰—a point also highlighted previously in the Bank’s flagship publication in 2012, entitled *Development in the Americas*.³¹

- 1.20 **Strategic alignment and intervention strategy.** The program is consistent with three priorities set in the Bank’s strategy with Brazil (2012-2014) (document GN-2662-1), as it contributes to the sustainable development of cities by: (i) building urban management capacities; (ii) improving the delivery of infrastructure and municipal management services in medium-sized cities; and (iii) improving urban transportation in medium-sized cities. The program is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) since it will strengthen institutions that support urban development, and also with the Bank’s Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy. It is also aligned with the Bank’s Infrastructure for Competitiveness Strategy (document GN-2710-5), by supporting urban infrastructure development; and with the three dimensions of the Urban Development and Housing Sector Framework Document (GN-2732-2)³² and the guidelines of the Transportation Sector Framework Document (GN-2740-3).³³
- 1.21 The program will contribute to the lending priorities of the Ninth General Increase in the Resources of the Inter-American Development Bank (GCI-9) (document AB-2764) by supporting climate change initiatives.³⁴ It will also contribute to the following outputs: (i) municipal governments supported; and (ii) persons with access to enhanced low-carbon public transportation systems, as defined in the

²⁸ The results of this Bank study are documented in: Nora Libertun de Duren and Roberto Guerrero Compean “*Growing Resources for Growing Cities: Density and the Cost of Municipal Services in Latin America*”, Urban Studies. Forthcoming, 2015.

²⁹ *Many Paths to a Home: Emerging Business Models for Latin America and the Caribbean’s Base of the Pyramid. Opportunities for the Majority*. 2014. IDB.

³⁰ This operation prioritizes the building of housing for families earning between three and six times the minimum wage.

³¹ See the example on p. 2 of *Room for Development. Housing Markets in Latin America and the Caribbean. Development in the Americas*. Edited by Bouillon C. P. 2012. IDB.

³² The three dimensions are: (i) city residents gain access to quality urban infrastructure and services; (ii) the region’s cities intervene in their habitat to prevent its degradation and to make it more sustainable; and (iii) local institutions improve urban governance capacity.

³³ As a general goal, the guidelines propose that Latin America and the Caribbean should have accessible, efficient, inclusive, sustainable, and safe transportation systems that reduce poverty, promote quality of life and economic development, and include the development of effective and sustainable urban transportation systems as dimensions of success, and that the countries have institutions with the capacity to generate and implement transportation sector policies, plan and execute projects, and monitor and regulate services.

³⁴ The program proposes a change in land use, to provide for better use of infrastructure, well-placed access to lower-middle class housing, and less expansion of the urban perimeter. The program also promotes the use of public transportation downtown and limits public parking options.

Results Matrix. The program is included in the 2015 Operational Program Report (document GN-2805).

B. Objectives, components, and cost

- 1.22 **Objective.** The program's general objective is to contribute to the revitalization of the downtown area of Campo Grande. The specific objectives are to: (i) promote the occupation of vacant urban areas and revitalize commerce in the ZEIC, by upgrading infrastructure and public spaces; and (ii) improve the efficiency of the mass transit system and enhance downtown accessibility. The program is divided into two components.
- 1.23 **Component I. Downtown revitalization (US\$42.55 million).** This component will finance the following: (i) rehabilitation of 14 de Julho street and cross streets, including redevelopment of existing infrastructure, the expansion of public walkways, installation of underground electric power and communication services networks, street furniture, and tree planting, among other items; (ii) implementation of a multipurpose pilot project, preferably for housing, commerce, and services³⁵ (for which funding can be provided for studies, procurements and/or the construction of buildings and/or vacant land areas and redevelopment works); and (iii) the contracting of consulting services.
- 1.24 The latter include: (i) updating of the master plan; (ii) updating of the PLDZEICC;³⁶ and (iii) preparation of economic-financial, socioenvironmental, legal-institutional viability studies, and implementation and management studies to model the aforementioned pilot project, and help to determine how to implement and manage this intervention.
- 1.25 **Component II. Urban mobility (US\$56.55 million).** This component will finance: (i) the upgrading of three bus corridors (North, South, and Southwest), with infrastructure works including, among others:³⁷ (a) remodeling and expansion of the Morenã bus station; (b) the construction of approximately 86 prepaid embarkation/disembarkation stations; and (c) the construction of a new viaduct and improvements to an at-grade intersection; (ii) the construction of four new transfer terminals (Cafezais, São Francisco, Tiradentes, and Parati);³⁸ (iii) the installation of around 500 bus stops; (iv) updating of the PDTMU; and (v) expropriations to be financed out of the local counterpart funding.
- 1.26 **Program management (US\$9 million).** In addition to the activities included in Components I and II, the program will finance: (i) consulting services for monitoring

³⁵ The [pilot project](#) will be selected according to criteria of eligibility, viability, and other provisions contained in the loan contract and program Operating Regulations, and will require the Bank's prior no objection. The selection will be based on projects included in the PLDZEICC prepared under loan 1960/OC-BR. Depending on resource availability, and with the Bank's prior no objection, the borrower may use funds from this loan to finance more than one pilot project.

³⁶ The update to the PLDZEICC will include identifying the needs of existing companies, through studies in the ZEIC.

³⁷ Road infrastructure interventions in the above-mentioned corridors.

³⁸ The transfer terminals will have spaces specially designated and signposted for women who use public transportation, including seats for expectant mothers, ample spaces for managing baby strollers, purchases, etc., and adequate lighting in all bus stations, for an increased sense of safety.

and evaluation; (ii) management and engineering activities, consisting of: (a) contracting consulting services for works supervision; (b) contracting specialists to support the Program Management Unit (PMU); (c) training PMU staff; (d) implementing a plan for communicating and disseminating the program's actions; and (e) expenses for the procurement of equipment and one vehicle; and (iii) external audits.

C. Key outcome indicators

- 1.27 The following outcome indicators were defined in conjunction with the MCG: (i) the rise in downtown real estate values (%); and (ii) travel times for mass transit users. Further details on the indicators and their values are contained in Annex II, [Results Matrix](#), and in the [Monitoring and Evaluation Plan \(MEP\)](#).
- 1.28 **Economic viability.** To determine the [economic viability of Component I](#), a cost-benefit analysis was performed, applying a 12% annual discount rate. In this case, the analysis used a hedonic pricing model to estimate the benefits of the program's actions on property prices in the area. Information was taken from the cadastre of the Real Estate Property Transfer Tax (ITBI) and from the Urban Property and Land Tax (IPTU) to determine property values. Three scenarios were established in this economic viability analysis—conservative, moderate, and positive—the results of which are shown in Table 1 below:

Table 1. Internal rate of return/sensitivity analysis

Scenarios	NPV (US\$ million)	IRR	Increase in real estate prices	
			Commercial and services	Housing
Baseline: Conservative	5,695	36.6%	5.50%	4.00%
Moderate	9,852	53.8%	5.75%	4.25%
Positive	15,176	97.2%	6.00%	4.50%

- 1.29 This analysis showed that the program obtains an internal rate of return (IRR) of 36.6% and a net present value (NPV) of US\$5.7 million under the conservative scenario.
- 1.30 The [economic viability of Component II](#), which included all of the works envisaged in the North, South, and Southwest corridors (paragraph 1.25), quantified the benefits in terms of: (i) reductions in travel times and operating costs; and (ii) the economic costs of investment, operation and maintenance, resulting from the implementation of Component II, compared to the without-project situation, with a 12% annual discount rate. The period of analysis was 20 years. The estimated IRR for Component II was 43.46%, and the NPV was US\$277 million. The sensitivity analyses confirmed the project's robustness to more adverse scenarios, demonstrating that a reduction on the order of 20% in benefits reduces the IRR to 34.52%; a 20% increase in costs lowers it to 36.04%, while a combined 10% reduction in benefits and a 10% increase in costs produces an IRR of 35.35%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program's total cost is US\$112 million, of which 50% will be financed with an investment loan drawn from the Bank's Ordinary Capital, while the other 50% will be provided by the MCG. The total cost will be broken down according to the funding sources and investment categories shown in Table 2.

Table 2. Summary of Program Costs (US\$)

Categories	IDB	Local	Total	%
Component I. Downtown revitalization	42,200,000	350,000	42,550,000	38.0
Component II. Urban mobility	2,600,000	53,950,000	56,550,000	50.5
Program management	8,600,000	400,000	9,000,000	8.0
Finance charges		1,300,000	1,300,000	1.2
Contingencies ³⁹	2,600,000	0	2,600,000	2.3
Total	56,000,000	56,000,000	112,000,000	100.0

- 2.2 Disbursements will be released over a five-year period following the disbursement schedule summarized in Table 3.

Table 3. Disbursement Schedule (US\$ thousand)

Financing source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	915	14,352	21,761	11,248	7,724	56,000
MCG	296	3,913	22,413	17,791	11,588	56,000
Annual total	1,211	18,265	44,174	29,039	19,311	112,000
%	1.0	16.0	39.0	26.0	17.0	100

- 2.3 **Financial analysis.** According to the analyses performed by the federal government, the MCG is in a position to contract this loan with the Bank and fulfills the indices set by the Fiscal Responsibility Law.

B. Environmental and social risks

- 2.4 The program's actions: (i) will have a temporary adverse environmental impact in the construction phase; and (ii) do not include involuntary resettlements. Nonetheless, should resettlement or the temporary interruption of the affected businesses be necessary, the borrower will submit a plan of action to the Bank, specifying the measures to be adopted (paragraph 3.5).

³⁹ These resources will not be for loan finance charges.

- 2.5 This was classified as a “category B” operation under the Bank’s Environment and Safeguards Compliance Policy (OP-703). To comply with that policy, an environmental evaluation report (EER) was produced, which identified the main impacts and potential socioenvironmental risks, stressing the interventions of Components I and II, along with the prevention and mitigation measures, in addition to [the environmental control of those impacts](#). The EER includes an [Environmental and Social Management Plan \(ESMP\)](#), which describes the precautions and measures to be taken to control, prevent, and mitigate the potential negative impacts that were identified in the [Environmental and Social Management Report \(ESMR\)](#). The ESMP defines the responsibilities, procedures, and actions for the correct socioenvironmental management of the program. Pursuant to the Bank’s Access to Information Policy (document GN-1831), the EER was posted on the municipality’s website and presented and discussed in public consultations in May 2015.

C. Fiduciary risks

- 2.6 As a result of the exercise to evaluate the risks inherent to implementation, the following fiduciary risk was identified: potential delays arising from the need to hold international bidding processes, which is the most complex aspect of this project and could cause delays, bearing in mind the executing agency’s previous experiences with the Bank. The mitigation actions are: (i) the creation of a Special Bidding Committee for the program; (ii) the appointment of a specific attorney to analyze program processes; (iii) the holding of training events for the implementation team; and (iv) as a **special contractual condition precedent to the first disbursement, the opening of the contracting process for the program’s financial management system**.
- 2.7 **Other risks and mitigating actions.** On issues of public management and governance, the risk of interruptions to program implementation was identified, owing to political instability in the municipal government and the risk of budgetary-fiscal constraints of the Mobility Growth Acceleration Program that could affect Component II, if contracts are not put out to tender owing to fiscal cuts by the federal government. The mitigating actions are: (i) revision of the master plan; (ii) wide-ranging discussion and involvement of civil society and the private sector; (iii) adequate programming of the annual work plan (AWP) and the procurement plan, to anticipate selection-related constraints; and (iv) the tendering of the Growth Acceleration Program contracts in the second half of 2015.

D. Other project risks and special considerations

- 2.8 Another risk identified in terms of sustainability, is the possibility that not all of the works constructed under the program are maintained to acceptable technical standards. The mitigating actions are: (i) the borrower will pledge to take the measures needed to ensure that the works financed by the program are maintained according to generally accepted technical standards; (ii) in addition, it will file an annual maintenance report and plan with the Bank (during the first quarter of the year) and for three years after the last disbursement; and (iii) the borrower will undertake to require third parties to maintain the works transferred to them in accordance with the program and under the terms mentioned above. In addition, gentrification has been identified as a potential social risk, because the revitalization activities could increase property values in the affected

neighborhoods, which would displace and marginalize low-income inhabitants (paragraph 1.17). The mitigating actions include: (i) [the analysis of the socioeconomic conditions of the MCG and impact areas](#); (ii) the implementation of a multipurpose pilot project for families earning between three and six times the minimum wage; and (iii) the holding of training courses run by the Lincoln Land Institute.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Execution mechanism.** The borrower will be the MCG, and the Federative Republic of Brazil will guarantee the financial obligations arising from the loan. The borrower will issue a municipal decree creating a Program Management Unit (PMU), within the project clearinghouse created under Municipal Decree 12297/14, an entity that reports directly to the Government and Institutional Relations Department. **As a special contractual condition precedent to the first disbursement, the borrower will provide evidence that a PMU has been created.**
- 3.2 The PMU will coordinate, monitor, and execute the program's activities. It will receive collaboration from the following agencies and/or entities linked to the MCG, according to their respective competencies: PLANURB;⁴⁰ the Municipal Infrastructure, Transportation and Housing Department (SEINTRHA); the Municipal Planning, Management, and Oversight Department (SEPLANFIC); the Municipal Administration Department (SEMAD); the Campo Grande Municipal Attorney's Office (PGM); the Municipal Culture Foundation (FUNDAC); the Municipal Information Technology Institute (IMTI); AGETRAN; and the Municipal Environment and Urban Development Department (SEMADUR). **A special contractual condition precedent to the first disbursement will be the signing and entry into force of a cooperation instrument between the PMU and PLANURB, specifying how the two parties will coordinate during program implementation.** The PMU will consist of: (i) a general coordinator; (ii) a subcoordinator of downtown revitalization; (iii) a subcoordinator of urban mobility; (iv) consultants in the financial management, engineering, socioenvironmental, and information areas; and (v) a technical support team. For that purpose, **a special contractual condition precedent to the first disbursement will be the presentation of terms of reference for hiring of the specialists needed to support the PMU, satisfying the professional profiles previously agreed upon with the Bank.**
- 3.3 The PMU's functions will include: (i) preparation of the program's operational planning (including the AWP, multiyear execution plan, procurement plan, and financial plan, among others); (ii) evaluation of the final designs of the works and the terms of reference for contracting services for other program actions;

⁴⁰ The responsibilities of [PLANURB](#) include preparing, accompanying, evaluating, and updating Campo Grande's urban policy (including updating the Master Plan). The institute is also responsible for advising the municipal government on issues relating to physical land use planning. For this reason, the PMU needs to coordinate with PLANURB on the urban revitalization actions envisaged in the program.

- (iii) preparation of terms of reference; (iv) preparation and monitoring of bidding processes for works, goods and services procurement; (v) control and monitoring of works supervision and inspection, and of service contracts; (vi) coordination and supervision of environmental considerations; (vii) control of accounting and archives, presentation of disbursement requests and rendering of accounts; (viii) physical and financial control, and the preparation of physical and financial progress reports; (ix) monitoring and evaluation of the intermediate outcomes and of the targets and indicators of the Results Matrix and the Program Monitoring Report (PMR); (x) the contracting of the management systems for financial monitoring; and (xi) the contracting of external audits.
- 3.4 The special bidding committee will provide support in conducting the program's goods procurement and works and services contracting processes. As a special execution condition, before launching the first bidding process for works or goods to be financed with the loan proceeds, the borrower will set up said special bidding committee.
- 3.5 **Special execution conditions:** (i) before each work contract is awarded, the borrower will provide evidence that it possesses the legal and other rights required on the land on which the respective work will be done; (ii) before starting the works relating to the pilot project mentioned in Component I, the borrower will provide evidence of the declaration of public utility of the properties needed for that project, and that it has verified the financial, economic, and legal viability of the project to the Bank's satisfaction; (iii) the borrower will determine the viability of the Component I pilot project in terms satisfactory to the Bank, within two years of the loan contract taking effect; and (iv) the borrower will prepare an economic displacement plan for the affected merchants, pursuant to the [ESMR](#).
- 3.6 **Advance of funds.** The program will operate with funds advanced by the Bank to satisfy the project's actual liquidity needs. Advances of funds will abide by the Bank's disbursement procedures, and new funding requests can be processed after at least 80% of funds already received have been accounted for.
- 3.7 **Procurement of works, goods, and services** These related procurements and the contracting of consulting services will be undertaken according to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). Works, goods, and services procurements are set forth in the procurement plan and will be processed pursuant to Annex III, Fiduciary Agreements and Requirements.
- 3.8 **Financing land and/or buildings.** For executing the Component I pilot project, land plots and/or buildings will be financed.⁴¹ The financing of these expenditures is consistent with the document Modernization of Policies and Practices that Restrict

⁴¹ In keeping with paragraph 1.9, the Municipality of Campo Grande has identified some land plots and/or buildings that are considered appropriate for the pilot projects. Each project requires the use of specific properties (presentation of pilot project). When it is decided which pilot project will be carried out, we will know which land/building will be financed. The total value of the land and/or buildings identified for the pilot projects is estimated to be below 18% of the loan amount (US\$1.6 million and US\$8.6 million for areas one and two, respectively), as per the Real Estate Market Valuations Report.

the Use of Resources in Investment Loans (document GN-2331-5), given that: (i) this is a necessary expense for reaching project objectives; (ii) their use is productive; and (iii) it is possible to establish that the cost is reasonable at market prices. The analysis of the market value of land and/or buildings that could be financed can be found in the [Real Estate Market Valuations Report](#).

- 3.9 **Single-source selection.** Single-source selection will be used in keeping with paragraph 3.10(a) of document GN-2350-9, and the information technology firm SOFTPLAN will afford continuity to the services provided for the program's accounting-financial management system, which was financed from loan 1960/OC-BR.
- 3.10 **Recognition of local counterpart expenditures.** The Bank may recognize as a charge against the local counterpart funding, up to US\$11.2 million (20% of the estimated amount of the local contribution) in eligible expenditures made by the borrower before the loan approval date, on works supervision, engineering studies, and the mass transit works described in Component II, provided requirements substantially similar to those defined in the contract have been fulfilled. The expenditures in question must have been made on or after the project profile approval date of 20 March 2015, but in no case will expenditures be included if they were made more than 18 months before the loan approval date.
- 3.11 **Works supervision.** The borrower will engage technical and environmental supervision services to oversee the works to be funded by the program. A special execution condition will require the borrower, before starting the works financed with program funds, to have contracted a firm to supervise the work in question.
- 3.12 **Audit.** Within 120 days of the close of the borrower's fiscal year during the disbursement period, the borrower will deliver the program's annual financial statements to the Bank, audited by a firm of independent external auditors acceptable to the Bank. The last of these audited financial statements will be submitted no later than 120 days after the date of the last disbursement.
- 3.13 **Program Operating Regulations.** The [program Operating Regulations](#) will specify arrangements for execution mechanisms and interagency coordination between the PMU and the entities or agencies that will support it in program implementation. This will include the eligibility criteria and the socioenvironmental measures envisaged in the ESMR approved by the Bank. It will also define the selection criteria and guidelines for assessing the viability of the pilot project mentioned in Component I. **As a special contractual condition precedent to the first disbursement of the loan, the borrower will present the final version of the Operating Regulations, including the ESMP in an annex, in terms satisfactory to the Bank.**

B. Summary of results monitoring arrangements

- 3.14 **Monitoring and tracking system.** The PMU will use the multiyear execution plan, AWP, procurement plan, and Results Matrix to monitor program execution. The PMU will prepare semiannual progress reports, including the information needed to complete the PMR. The PMU will have a management information system that will record all program contracts and expenses, generating data for its monitoring and tracking.

- 3.15 **Program evaluation.** The program envisages results evaluation through two impact assessments, one for the urban revitalization component and the other for the mobility component. For that purpose, administrative information compiled continuously since before the execution of the programs and until after they have ended will be used. To estimate the impact of the urban revitalization component, a hedonic pricing approach will be implemented,⁴² to make it possible to capture the difference in citizens' welfare based on a difference-in-differences analysis. The mobility and transportation component will be measured through quasiexperimental synthetic control strategies, taking advantage of the incorporation of improvements on a segment of the city's corridors. An amount of US\$150,000 has been earmarked to contract consulting services to perform the evaluations. The evaluation methodology, objective, work plan, and budget were agreed upon with the MCG and are specified in the [multiyear execution plan](#).

⁴² According to hedonic pricing theory, changes in property prices as a result of varying one attribute (while holding everything else constant) determines the equilibrium valuation of that attribute by individuals. A change in house prices resulting from the provision of new urban infrastructures would be reflected in the marginal willingness to pay for each of the attributes. In this context, it can be concluded that the urban infrastructure intervention has had a positive impact if home prices in the treatment group (those that have benefited from the urban investments) are higher than they would have been without the investment (estimated by the control group, or by homes with similar characteristics that do not benefit from the investments).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	-Lending to support climate change initiatives, renewable energy and environmental sustainability		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)	-Municipal or other sub-national governments supported		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2662-1	(i) Support large and medium-sized Brazilian cities in improving urban transportation, and (ii) Increase capacities for urban management and the provision of municipal services/infrastructure in medium-sized cities and metropolitan regions.	
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability			
	Highly Evaluable	Weight	Maximum Score
3. Evidence-based Assessment & Solution	9.1		10
	8.0	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	2.4		
3.3 Results Matrix Quality	2.6		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	9.3	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	6.8		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
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. Procurement: National Public Bidding.	
Non-Fiduciary	Yes	Monitoring and Evaluation National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
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			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The Program of Integrated Urban Development in the Municipality of Campo Grande aims to contribute to the economic reactivation of the central region. More specifically, it aims to promote living conditions, revitalize commerce, and improve access. The project proposes the improvement of infrastructure and public spaces, and enhancing the efficiency of the public transportation system. The problem is diagnosed based on data by the Instituto Brasileiro de Geografia e Estatística (IBGE, 2010) where an estimation on population growth for the central neighborhoods shows null growth as opposed to the average 1.7% in the region. The absence of population growth is attributed to investments in peripheral zones. This in turn has resulted in a low demographic structure and a horizontal construction pattern in the municipality. This structure is identified as the cause of elevated costs to provide public infrastructure.

This operation aims to continue the work started with operation 1960/OC-BR, which had the goal to diagnose, develop instruments and identify strategic projects to promote the development of urban functions. This diagnosis supports the choice of the intervention areas in the current loan. Even though evidence of the effectiveness of the intervention is provided for changes on several development indicators, no argument or direct evidence is provided on its effectiveness on the chosen result indicators. The results matrix has a clear vertical logic. Many of the product indicators are not specific in spite of an inclusion in the Monitoring & Evaluation Plan (MEP) of a more detailed description. The expected change for the result indicator for component I and the indicator have different units and points are deducted for this inconsistency. A cost-benefit analysis estimates a project IRR of 36.6%.

The proposed evaluation includes estimation of program impacts with a fixed effects methodology for the results indicator associated with component I. Value of real state in the central region. The evaluation proposed includes an estimation of program impacts with a synthetic cohorts methodology for the results indicator associated with component II: Travel time for public transportation users. For this component, it is not clear which units will be used to generate the comparison group or if estimation assumptions will be met. As a result, points related to the definition of a counterfactual are deducted.

The project is classified as low risk. The main risks identified are discontinuity in execution due to municipal elections in October of 2016 and that the construction units do not meet with the specified technical norms. The proposed mitigation actions are planning and involvement of the private and civil sectors for the first risk, and the generation of reports, maintenance for up to three years after the last disbursement and stipulation of third parties for the maintenance for the second risk.

RESULTS MATRIX

General objective	The program's general objective is to help revitalize the downtown area of Campo Grande.
Specific objectives	The specific objectives are to: (i) promote the occupation of vacant urban areas and revitalize commerce in the Special Cultural Interest Zone (ZEIC), by upgrading infrastructure and public spaces; and (ii) improve the efficiency of the mass transit system and enhance downtown accessibility.

Indicators	Measurement unit	Baseline (2014)	Final target		Source/ Means of verification	Comments
		Value	Value	Year		
EXPECTED OUTCOME 1: INCREASE IN DOWNTOWN REAL ESTATE VALUES						
Property prices in the downtown area	R\$/m ²	R\$1,847.73	5.5%	2020	Project Completion Report (PCR) – Program Management Unit (PMU). Source: Treasury Department – Urban Property and Land Tax (IPTU)/Property Transfer Tax (ITBI)/Property Value Chamber (CVI).	5.5% rise in property values (commercial and services) in the program area. The baseline was defined using the average property values contained in the cadastre of the Municipality of Campo Grande (IPTU, ITBI, CVI). This valuation is incrementally higher than the average value in the control area. The indicator is consistent with the program's ex ante economic evaluation.
EXPECTED OUTCOME 2: TRAVEL TIME FOR USERS OF CAMPO GRANDE MASS TRANSIT						
Travel time of mass transit users in relation to the synthetic control	Minutes	To be defined	To be defined	2020	PCR and progress reports. Records of journey times provided by the Municipal Transportation and Transit Agency (AGETTRAN). Synchro / Simtraffic system.	The baseline and target will be obtained by the local team. The indicator analysis methodology is specified in the program's monitoring and evaluation plan.

OUTPUTS

Indicators	Measurement unit	Base-line	Intermediate measurements					Final target		Source / Means of verification	Comments
			Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
			2016	2017	2018	2019	2020				
INVESTMENT COMPONENTS											
Component I - DOWNTOWN REVITALIZATION											
14 de Julho street (Rua 14 de Julho) paved.	Meters	0	-	-	-	1,400	-	1,400	2019	Work delivery document/Works status reports (measurements). Semiannual program report – PMU.	Segment between Fernando Correa da Costa Avenue and Mato Grosso Avenue.
Standardization of road surfacing on 14 de Julho street completed.	Meters	0	-	-	-	1,400	-	1,400	2019	Work delivery document/Works status reports (measurements). Semiannual program report – PMU.	Segment between Fernando Correa da Costa Avenue and Mato Grosso Avenue.
Underground cabling and installation of underground electric power and communications services networks on 14 de Julho street completed.	Meters	0	-	-	-	1,400	-	1,400	2019	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	Segment between Fernando Correa da Costa Avenue and Mato Grosso Avenue.
Implementation of urban furniture and tree planting on 14 de Julho street.	Meters	0	-	-	-	1,400	-	1,400	2019	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	Segment between Fernando Correa da Costa Avenue and Mato Grosso Avenue.
Downtown urban development plan updated.	Plan	0	-	-	1	-	-	1	2018	Municipal Development and Urbanization Board (CMDU) minutes/Semiannual program report– UGP.	Downtown Urban Development Plan approved by the CMDU.

Indicators	Measurement unit	Base-line Value	Intermediate measurements					Final target		Source / Means of verification	Comments
			Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
			2016	2017	2018	2019	2020				
Pilot project implemented in the downtown area.	Pilot project	0	-	-	-	-	1	1	2018	Letter issued by the Municipal Environment and Urban Development Department (SEMADUR). Semiannual program report.	Pilot project approved by SEMADUR. (*)
Campo Grande Master Plan updated.	Plan	0	1	-	-	-	-	1	2016	CMDU minutes/ Semiannual program report.	Plan approved by the CMDU.
Component II - URBAN MOBILITY											
Urban bus transfer stations competed, with designated and signposted spaces to take account of women's needs. Cafezais, São Francisco, Parati, Tiradentes.	Station	0	-	-	2	2	-	4	2019	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	Passenger capacity: Cafezais: 20,500 passengers/day Parati: 19,000 passengers/day; Tiradentes: 25,000 passengers/day; São Francisco: 21,000 passengers/day. Women's needs include: Expectant mothers, ample spaces for handling strollers and shopping, and lighting among other things.
Remodeling and expansion of the Morenão urban bus transfer station completed.	Station	0	-	1	-	-	-	1	2017	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	Expansion of capacity by 12,000 users/day, totaling 67,000 users/day. The bus station will be implemented in the southern corridor.

(*) Municipal Environment and Urban Development Department.

Indicators	Measurement unit	Base-line	Intermediate measurements					Final target		Source / Means of verification	Comments
			Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
			2016	2017	2018	2019	2020				
North corridor (<i>Corredor Norte</i>) paved	Km	0	-	-	-	5.52	17.18	22.7	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Pavement markings and signage implemented in the north corridor.	Km	0	-	-	-	-	22.7	22.7	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Embarkation and disembarkation stations implemented in the north corridor.	Unit	0	-	-	-	-	32	32	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Southwest corridor (<i>Corredor Sudoeste</i>) paved.	Km	0	-	3.32	3.87	4.92	9.05	21.16	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Pavement markings and signage implemented in the southwest corridor	Km	0	-	-	-	-	21.16	21.16	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Embarkation and disembarkation stations implemented in the southwest corridor	Unit	0	-	-	-	-	33	33	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	

Indicators	Measurement unit	Base-line	Intermediate measurements					Final target		Source / Means of verification	Comments
			Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
			2016	2017	2018	2019	2020				
South Corridor (<i>Corredor Sur</i>) implemented	Km	0	-	-	8.89	2.97	6.07	17.93	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Pavement markings and signage implemented in the south corridor.	Km	0	-	-	-	-	17.93	17.93	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Embarkation and disembarkation stations implemented in the south corridor	Unit	0	-	-	-	-	21	21	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Olavo Vilela de Andrade / Costa e Silva avenue overpass constructed in the south corridor	Unit	0	-	-	-	-	1	1	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Bus stops implemented	Unit	0	0	100	100	100	200	500	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	
Urban mobility plan updated, with its respective master plans, pursuant to Federal Law 12.587/2012	Unit	0	-	-	-	1	-	1	2019	Plan approved by the CMDU /Municipal Decree. Semiannual program report – PMU.	

SECTOR INDICATOR											
Indicators	Measurement unit	Baseline	Intermediate measurements					Final target		Source / Means of verification	Comments
			Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
		Value	2016	2017	2018	2019	2020	Value	Year		
Kilometers constructed or rehabilitated	Km	0	-	3.32	12.76	14.81	32.3	63.19	2020	Work delivery document/Works status reports (measurements). Semiannual program report– PMU.	The following interventions were considered for this indicator: 14 de Julho street and the north, southwest, and south corridors.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Brazil
Project number:	BR-L1422
Name:	Program for Integrated Urban Development of the Municipality of Campo Grande— Viva Campo Grande II
Executing agency:	Municipality of Campo Grande
Prepared by:	German Zappani (Financial Specialist), Marcos Teixeira de Almeida (Procurement Specialist), and Mario Ferreira de Andrade (Financial consultant).

I. THE COUNTRY AND EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 1.1 Brazil's fiduciary systems have developed significantly in recent years, in all spheres of federal, state, and municipal government. They allow for proper management of administrative, financial and procurement processes, generally fulfilling the principles of transparency, economy, and efficiency. Nonetheless, the Bank also recognizes that using the country's fiduciary systems, particularly at the municipal level, entails initial risks, until the systems in question are fully adjusted to international standards. In this connection, the Bank has been providing support for their strengthening and continuous improvement.
- 1.2 The borrower and executing agency in this operation will be the Municipality of Campo Grande (MCG), which has a government-direct administration structure divided into 13 departments: Governance and Institutional Relations (SEGOV); Planning, Finance, and Control (SEPLANFIC); Infrastructure, Transportation, and Housing (SEINTRHA); Administration (SEMAD); Social Policies and Assistance (SAS); Economic Development, Science and Technology, Tourism, and Agribusiness (SEDESC); Environment and Urban Development (SEMADUR); Education (SEMED); Youth (SEMJU); Policies for Women (SEMMU); Revenue (SEMRE); Public Safety (SEMSP); and Public Health (SESAU); along with an Attorney's Office and a General Ombudsperson's Office.
- 1.3 A Project Management Unit (PMU), reporting directly to SEGOV, manages projects executed by the Municipality. This unit, which will also be responsible for managing the program, consists of a general coordinator and staff from the Municipality, together with contract consultants in the financial, engineering, architecture, socioenvironmental, and legal areas. This team has wide-ranging experience in the execution of IDB investment projects; and some of its members were involved in managing the previous program.
- 1.4 In addition to this direct administration structure, the MCG has a range of autonomous units and foundations linked to various departments, which provide technical services and assistance. These include the Municipal Information Technology Institute (IMTI) which developed the information system for the

Municipality's financial, accounting, and budgetary control system, aligned to the new chart of accounts defined by the National Treasury Department of the federal government. This system (SICONT) has been operating since January 2015 and will be used by the program.

II. INSTITUTIONAL CAPACITY ASSESSMENT, FIDUCIARY RISK EVALUATION, AND MITIGATION ACTIONS

- 2.1 The executing agency's fiduciary management was evaluated based on meetings held with the Bank's project team; with the Project Management Unit (PMU/SEGOV) and the technical staff and managers of the Municipal Planning, Management, and Control Department (SEPLANFIC); the Municipal Infrastructure, Transportation, and Housing Department (SEINTRHA); and the IMTI. In addition, the following information used in the preparation of this project was taken into account, together with information from project BR-L1104, which was executed by the Municipality and recently concluded: the institutional capacity assessment system (ICAS), ex post evaluation, external audit reports, risk matrix, and other monitoring reports prepared by the Bank and the executing agency. Drawing on all of this material, we have prepared the procurement- and financial management-related fiduciary agreements to be applied in program execution.
- 2.2 The Municipality's procurement processes will be undertaken through the procurement clearinghouse (*Central de Compras*), a SEMAD unit which is responsible for all municipal tendering and contracting processes. To streamline the program's operations, a Special Bidding Committee (CEL) will be set up inside the PMU, which will receive technical professional, operational and legal support from the unit itself, in the preparation and prior review of all program documents. Given the PMU's previous experience, no problems are foreseen in these activities. The specific fiduciary risks, and their mitigation measures, are specified in the operation's Risk Matrix. In both financial and procurement terms this was classified as a medium-risk operation.

III. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 3.1 The following issues will be considered:
 - a. Prior to the first disbursement, evidence is to be presented to the Bank's satisfaction of:
 - (i) Formal designation of the PMU/SEGOV as the unit responsible for the program's management and coordination activities, with defined functions and responsibilities, and staff allocation.
 - (ii) Implementation of the Operating Regulations.
 - (iii) Creation of the Special Bidding Committee (CEL/PMU) for the program's operations.
 - (iv) Definition of the criteria to be used for converting expenses incurred in local currency into U.S. dollars: (a) at the exchange rate prevailing on the payment date; or (b) in the case of advances of funds, at the

effective exchange rate on the date on which the currency of the operation is converted into local currency.

- (v) Requirement that accounts justifying the amounts disbursed by the Bank as advances of funds should be submitted when at least 80% of the respective advance has been used.

IV. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 4.1 **Bidding documents.** Procurements will be undertaken through the CEL/PMU to be created for the program. When financed by the Bank, works, goods, and nonconsulting services will be procured according to the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9); and consultants will be selected and contracted pursuant to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), both of March 2011. Procurement processes will be reviewed by the Bank as specified in the procurement plan.
- 4.2 **Use of the country procurement system.** The country system can be used to procure off-the-shelf goods and services, according to the models approved by the Bank. Any system or subsystem approved subsequently will also be applicable to the operation. The operation's procurement plan, and updates thereto, will indicate which contracting processes will be executed through the approved country systems.
- 4.3 **Financing land and/or buildings.** For executing the Component I pilot project, land plots and/or buildings will be financed.¹ The financing of these expenditures is consistent with the document Modernization of Policies and Practices that Restrict the Use of Resources in Investment Loans (document GN-2331-5), given that: (i) this is a necessary expense for reaching project objectives; (ii) their use is productive; and (iii) it is possible to establish that the cost is reasonable at market prices. The analysis of the market value of land and/or buildings that could be financed can be found in the [Real Estate Market Valuations Report](#).
- 4.4 **Single-source selection.** Single-source selection will be used in keeping with paragraph 3.10(a) of document GN-2350-9, and the information technology firm SOFTPLAN will afford continuity to the services provided for the program's accounting-financial management system, which was financed from loan 1960/OC-BR.
- 4.5 **Individual consultant selection.** Individual consultants will be selected on the basis of their qualifications to do the work, by comparing the qualifications of at

¹ In keeping with paragraph 1.9, the Municipality of Campo Grande has identified some land plots and/or buildings that are considered appropriate for the pilot projects. Each project requires the use of specific properties (presentation of pilot project). When it is decided which pilot project will be carried out, we will know which land/building will be financed. The total value of the land and/or buildings identified for the pilot projects is estimated to be below 18% of the loan amount (US\$1.6 million and US\$8.6 million for areas one and two, respectively), as per the Real Estate Market Valuations Report.

- least three candidates. When the situation so requires, advertisements can be placed in the local or international press to obtain résumés of qualified consultants.
- 4.6 **Recurrent costs.** Procurements of up to US\$50,000 are envisaged for goods and up to US\$50,000 to contract services aimed at restoring the headquarters building of the program's PMU.
- 4.7 **Advance procurements.** The Bank will be able to recognize procurements made, or to be made, in the periods specified in the loan contract:
- a. Recognition of expenditures against the local contribution: the Bank may recognize up to US\$11.2 million (20% of the estimated amount of the local contribution) in eligible expenditures made by the borrower before the loan approval date, against the local contribution. Expenses relating to works supervision, engineering studies, and the collective transportation works described in Component II will be eligible for recognition, provided requirements that are substantially analogous to those defined in the contract have been fulfilled. The expenditures in question must have been made on or after the project profile approval date of 20 March 2015, but in no case will expenditures be included if they were made more than 18 months before the loan approval date.
- 4.8 **Other.** Possible purchases of land and/or properties in accordance with the Bank's policy thereon, as specified in document GN-2331-5 and Guide CC-6004-2.

B. Thresholds for international bidding and international shortlist

- a. International competitive bidding (ICB) for works: over US\$25 million;
- b. ICB for goods and services: over US\$5 million;
- c. International advertising for consulting services: amount over US\$200,000 and national shortlist: below US\$1 million.

C. Main procurements

Activity	Selection method	Estimated date	Estimated amount (US\$ thousand)
Works			
Revitalization of 14 de Julho street and intersecting streets	ICB	October 2015	27,200
Firms			
Works supervision	Quality- and cost-based selection (QCBS)	October 2015	7,600
Studies and projects in the downtown area	QCBS	October 2015	3,000
Individuals			
Consultants to assist the management	Individual consultant selection	October 2015	2,500

D. Procurement supervision

- 4.9 The supervision method will be:
- a. Ex ante: (i) for all ICB for works, goods, and services; (ii) for all consulting services over US\$1 million; and (iii) for the first procurement under each procedure.
 - b. Ex post: all other procurements.
- 4.10 The Bank will review procurement processes as indicated in the procurement plan.

E. Special provisions

- 4.11 Not applicable.

F. Records and archives

- 4.12 The archives will be located in the PMU offices under appropriate security conditions.

V. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 5.1 The municipality's activities and budget are programmed by SEPLANFIC, which encompasses four superintendencies (Planning and Programming; Budgetary Management; Expenditure Control and Management; and Financial Management) and a unit known as the General Audit Department of the Municipality, which was created in 2012 but has not yet been implemented.
- 5.2 SEPLANFIC's main responsibility is to define the budgetary guidelines, prepare official budget documents (multiyear plan (PPA), Budgetary Guidelines Law (LDO), Annual Budget Law (LOA)), control budget execution, and manage the Municipality's actions in the economic, financial, and accounting spheres.
- 5.3 The main budgetary planning and execution control instrument is currently the recently implemented SICONT integrated governmental management information system, which contains budget, financial, and accounting modules.
- 5.4 The budget proposals prepared annually by the various municipal departments, including the program's requirements, are consolidated in SEPLANFIC, which, after they have been approved, accompanies the entire execution process, including commitment, settlement, and payment records. For 2015, the Municipality has a total approved budget of approximately R\$3,672 million, including both current and capital expenses.

B. Accounting and information systems

- 5.5 The processes used to record commitments, alterations, settlements, and payments, along with the corresponding program accounting records, will abide by the Municipality's rules and procedures.
- 5.6 As the municipality's official record-keeping system, SICONT will record all program operations, by source of funding, using the federal government's official chart of accounts. This system does not yet have the operational facilities needed

- to record accounting information according to the investment categories defined in the loan contract; nor can it generate the financial reports required by the Bank.
- 5.7 To overcome this, the PMU will make temporary use of the information system of the SOFTPLAN information technology firm, which has all facilities needed for the program's financial control, and the preparation of disbursement tables, monitoring reports, and reports for the external audit, pursuant to the Bank's requirements. This system was used satisfactorily in the Bank's previous program, and the PMU professional staff have wide experience in operating it. This system will be contracted directly, since it is an extension of the service contract pertaining to the loan that has just concluded.
- 5.8 SICONT will be the primary source of the program's financial information, and will ensure the transparency and integrity of the data and records.

C. Disbursements and cash flow

- 5.9 Disbursements, cash flow, and program payments will be made using the structure of the financial management functional units existing in the municipal government. Disbursements will be made mainly as advances of funds. It is recommended that disbursements in this category be semiannual; accounts for related eligible expenses should be presented when at least 80% of the amount advanced has been used. Disbursement processes will be reviewed ex post with a frequency to be determined by the Bank, based on the existing risk. Funds advanced by the Bank will be deposited in a bank account specially opened by the PMU for the management and control of these funds.

D. Internal control

- 5.10 In July 2012, Decree 11.888 created the Municipal General Audit Department within the SEPLANFIC structure, with the main purpose of evaluating government actions and the work of public administrators. It is organized in two operational units: Supervision and Inspection, and Accounting. Owing to a lack of resources, compounded by recent changes of government, its organization was put on hold in 2013, and there are no plans to revive it in the short term. Nonetheless, the Accounting Coordination Unit which is already part of the SEPLANFIC structure, remains fully operational.

E. External control and reports

- 5.11 There is no external control function for the use of internally generated municipal funds. Third-party funds obtained from loan contracts and/or agreements are supervised by the State Audit Department (*Tribunal de Contas do Estado – TCE*) in the case of state-level funds, and by the Office of the Comptroller General of the Union (*Controladoria Geral da União – CGU*) in the case of federal funds. Private firms are used when necessary in external operations.
- 5.12 The program's financial statements will be audited by an independent external audit firm, contracted pursuant to the Bank's policies. The audited financial statements as at 31 December will be presented annually to the Bank, within 120 days following the end of each calendar year, starting with the year in which disbursements of the loan proceeds begin.

F. Financial supervision plan

- 5.13 The annual supervision plan is designed for a medium-risk operation. An annual supervision plan will be prepared which can be altered during project implementation, according to the observed risk circumstances, or to meet additional control needs as determined by the Bank.

G. Execution mechanism

- 5.14 The PMU will coordinate, monitor, and execute program activities, in collaboration with the other departments and autonomous bodies participating in execution, in keeping with their respective areas of competence, such as: PLANURB, SEINTRHA, SEPLANFIC, SEMAD and AGETRAN, for the activities of the special bidding committee that will be created. It will be supported by the operational structure of the Municipality and will undertake all operations involving financial records, disbursements, and the preparation of the reports required by the Bank.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Brazil. Loan ___/OC-BR to the Municipality of Campo Grande
Integrated Urban Development Program of the
Municipality of Campo Grande -
VIVA CAMPO GRANDE II

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 Campo Grande, as Borrower, and with the Federative Republic of Brazil, as Guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Integrated Urban Development Program of the Municipality of Campo Grande - VIVA CAMPO GRANDE II. Such financing will be for an amount of up to US\$56,000,000 from the Ordinary Capital resources of the Bank, 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 ___ _____ 20__)

LEG/SGO/CSC/IDBDOCS: 39796885
Pipeline No. BR-L1422