

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BRAZIL**

**ENVIRONMENTAL SANITATION AND URBAN DEVELOPMENT PROGRAM  
IN THE MANÉ DENDÊ RIVER BASIN**

**(BR-L1487)**

**LOAN PROPOSAL**

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8. <a href="#">Strategic environmental assessment</a>
9. <a href="#">Environmental impact assessment</a>
10. <a href="#">Involuntary resettlement plan</a>

## ABBREVIATIONS

AWP	Annual work plan
EIA	Environmental impact assessment
EMBASA	Empresa Baiana de Águas e Saneamento [Bahia Water and Sanitation Company]
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
ICAS	Institutional Capacity Assessment System
LIMPURB	Empresa de Limpeza Urbana de Salvador [Salvador Sanitation Company]
MDRB	Mané Dendê River Basin
NCB	National public bidding
PAC	Program advisory committee
PEP	Program execution plan
PMU	Program management unit
QCBS	Quality and cost-based selection
SECIS	Secretaria Cidade Sustentável [Municipal Sustainability Department]
SEINFRA	Secretaria Municipal de Infraestrutura e Obras Públicas [Municipal Infrastructure and Public Works Department]
SEMAN	Secretaria de Manutenção da Cidade [Municipal Maintenance Department]
SUCOP	Superintendência de Conservação e Obras Públicas [Superintendency of Conservation and Public Works]

## PROJECT SUMMARY

### BRAZIL ENVIRONMENTAL SANITATION AND URBAN DEVELOPMENT PROGRAM IN THE MANÉ DENDÊ RIVER BASIN (BR-L1487)

Financial Terms and Conditions				
<b>Borrower:</b> Salvador Municipal Government			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			<b>Amortization period:</b>	25 years
<b>Executing agency:</b> Salvador Municipal Government			<b>Disbursement period:</b>	5 years
			<b>Grace period:</b>	5.5 years <sup>(b)</sup>
<b>Guarantor:</b> Federative Republic of Brazil			<b>Interest rate:</b>	LIBOR-based
			<b>Credit fee:</b>	(c)
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Inspection and supervision fee:</b>	(c)
<b>IDB (Ordinary Capital):</b>	67,500,000	50	<b>Original weighed average life:</b>	15.25 years <sup>(d)</sup>
<b>Local:</b>	67,500,000	50	<b>Approval currency:</b>	United States dollars from the Ordinary Capital
<b>Total:</b>	135,000,000	100		
Program at a Glance				
<b>Program objective/description:</b> The program's objective is to help improve the economic well-being and quality of life—in economic, social, and health terms—of people living in the Mané Dendê River Basin through sustainable improvements in social, environmental, and urban development conditions.				
<b>Special contractual conditions precedent to the first disbursement of the loan:</b> (i) creation of the program management unit (PMU) and designation of its members, in accordance with the composition described in the program's execution arrangements; (ii) approval and entry into force of the program's Operating Regulations, in accordance with a draft previously agreed upon with the Bank (paragraph 3.11). See also the special contractual conditions in Annex III (paragraph 3.1) and in Annex B of the environmental and social management report ( <a href="#">required electronic link 3</a> ).				
<b>Special contractual execution conditions:</b> Prior the start of bidding processes for the works under this program (i) the program's advisory council will have been created in accordance with the terms previously agreed upon with the Bank; and (ii) a cooperation agreement between the Bahia Water and Sanitation Company (EMBASA) and the borrower, represented by the Municipal Infrastructure and Public Works Department (SEINFRA), will have been signed and entered into force in accordance with a memorandum previously agreed upon with the Bank (paragraph 3.12). See also the special contractual conditions in Annex III (paragraph 3.2) and in Annex B of the environmental and social management report ( <a href="#">required electronic link 3</a> ).				
<b>Exceptions to Bank policies:</b> None				
Strategic Alignment				
<b>Challenges:<sup>(e)</sup></b>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
<b>Crosscutting themes:<sup>(f)</sup></b>	GD <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input type="checkbox"/>	

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

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

<sup>(c)</sup> The credit fee and the 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 relevant policies.

<sup>(d)</sup> The original weighted average life of the loan could be shorter, depending on the date on which the loan contract is signed.

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

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

## I. PROGRAM DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Background.** Salvador, the capital of the State of Bahia, is one of Brazil's oldest cities. Its 692.82 square kilometers are home to an estimated 2.94 million people, which equates to a population density of 4.24 inhabitants per square kilometer. Salvador is Brazil's fourth largest capital city, accounting for 20% of the state's population. The service sector—particularly tourism—accounts for 60% of the local economy, and Salvador is the second most visited capital city in Brazil.<sup>1</sup> The city has a rainy climate, averaging 2,100 millimeters of rainfall per year and more than 200 millimeters per month between April and June, with daily rainfall of up to 360 millimeters during that time of the year.
- 1.2 Salvador ranks second among Brazilian cities in percentage of the population (32%)<sup>2</sup> living in informal urban settlements of substandard housing units built in areas subject to flooding and landslides, which lack sanitary infrastructure and other essential public services. Water and sewerage services are provided by the Bahia Water and Sanitation Company (EMBASA), a mixed enterprise controlled by the State of Bahia, and are regulated by that state's Basic Sanitation Regulatory Authority (AGERSA). According to the National Sanitation Information System (2015), 93% of Bahia's households are connected to the public water system, but only 78.5% are covered by sanitary sewer services, meaning that nearly 205,000 people lack clean water in their homes and more than 635,000 lack sanitary sewer services. While a high percentage of the connected population (99.5%) is covered by wastewater treatment service, a significant portion of that population is not connected to the network and discharges its wastewater directly into drainage canals, rivers, and streams that flow into the ocean.
- 1.3 A total of 2,720 tons of solid waste are generated each day in Salvador, with a per capita rate of 0.93 kilograms per person per day. Also, 96.7% of the município's residents live in homes served by a solid waste collection system<sup>3</sup> operated by the Salvador Sanitation Company (LIMPURB) through third-party companies. The collected waste is transported to landfills for proper disposal.
- 1.4 **Diagnostic assessment.** One of the main areas where such settlements are located—and where the aforementioned problems are prevalent—is Subúrbio Ferroviário, a coastal strip straddling the Bay of All Saints. It covers 212,000 hectares and is home to 10.4% of the city's population (280,000 residents).<sup>4</sup> Most of its residents are low-income and primarily Afro-descendant (80%), the majority of whom work in the informal economy. Located within Subúrbio Ferroviário is the Cobre River Basin, which in turn includes the Mané Dendê River Basin (MDRB), the area targeted by this project, as well as the São Bartolomeu and Pirajá parks, which are home the region's last remaining and largest reserves of Atlantic Forest in

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<sup>1</sup> Source: Brazilian Institute of Geography and Statistics (IBGE). Population estimates for 2016 and GDP from 2014.

<sup>2</sup> Source: IBGE, 2010 Population Census.

<sup>3</sup> Source: National Sanitation Information System (SNIS). *Diagnósticos dos Serviços de Água e Esgotos* [Diagnostic Assessment of Water and Sewerage Services], 2014; and *Diagnóstico do Manejo de Resíduos Sólidos Urbanos* [Diagnostic Assessment of Urban Solid Waste Management], 2014.

<sup>4</sup> Source: IBGE, 2010 Population Census.

Brazil's cities. The Mané Dendê River meets the Cobre River in São Bartolomeu Park after a nearly 30-meter drop at the Oxum and Nanã falls, both of which have cultural significance for Afro-Brazilian religions.

- 1.5 The MDRB covers an area of 213 hectares and has a population of roughly 31,000, with high rates of poverty (nearly 70% of households earn less than two times the minimum wage, and 18% lack regular monthly income). This, combined with the historical deficiency of essential public services in the area, has contributed to reinforcing social and environmental vulnerability. The Subúrbio Ferroviário district has the city's highest rate of infant mortality (22.8 per 1,000 live births), a phenomenon closely associated with poor sanitary conditions. In terms of vector-borne diseases, Subúrbio Ferroviário has the highest prevalence of schistosomiasis (2,558 cases between 2003 and 2011), and leptospirosis—another major public health problem related to poor sanitation, particularly in rainy periods due to flooding and contaminated watercourses—is also among the most common conditions (15% of all reported cases in the city in 2012). It also has high rates of airborne diseases such as meningitis, tuberculosis, and leprosy, which are also related to poor sanitary conditions.<sup>5, 6</sup>
- 1.6 The lack of effective sanitation adversely impacts the entire population of the basin area. The MDRB's current sewer system consists of approximately 30 kilometers of collection networks and a wastewater lift station<sup>7</sup> that moves the effluent to the existing treatment system. According to the diagnostic assessment conducted in preparing the program, 25% of the wastewater generated in the MDRB is discharged directly or indirectly into the Mané Dendê River: 11% from homes that have sewer connections but which, due to disruptions in the collector and interceptor system, discharge into drains; and the remaining 14% from homes with no sewer connection that discharge their wastewater directly into the river or into drains, polluting waterways and constituting a serious public health risk.<sup>8</sup> The MDRB's current macrodrainage infrastructure<sup>9</sup> includes a total of 1,935 meters of primary channels and 998 meters of secondary channels installed along tributaries. This infrastructure was installed haphazardly in the middle and upper portions of the basin, and lacks the capacity to carry the basin's discharges,<sup>10</sup> resulting in flooding in low areas during periods of heavy rainfall.<sup>11</sup>

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<sup>5</sup> Source: Salvador Municipal Health Plan 2014-2017.

<sup>6</sup> Social and environmental problems have economic impacts. According to a hedonic price study conducted in preparing this operation, homes located outside flood zones, with better sanitary conditions and better access to urban infrastructure, cost up to 26% more per square meter than similar homes that do not share those characteristics.

<sup>7</sup> The sewer system in the target area (estimated peak flow of 70 liters per second) is part of the Lucaia oceanic disposal system (Rio Vermelho outfall) of the city of Salvador, which consists of a pretreatment plant and a submarine outfall with a capacity of 8,300 liters per second.

<sup>8</sup> A sample analysis in April 2017 yielded a biochemical oxygen demand of 20.1 milligrams per liter, which exceeds the threshold of 5 milligrams per liter established for classification of freshwater by National Environmental Council (CONAMA) Resolution 357/05.

<sup>9</sup> Works for the construction of drainage channels along watercourses.

<sup>10</sup> The main canal was designed for rainfall with a 10-year return period, but works of this nature typically use return times of 25 to 50 years.

<sup>11</sup> The Salvador Municipal Government estimates that some 290 housing units in the MDRB are flooded during extreme rainfall events.

- 1.7 The microdrainage network consists of a series of cylindrical concrete tunnels ranging from 400 to 1,200 millimeters in diameter, manholes, and storm drains with grates. This system has weak points due to a lack of rainwater collection devices (storm drains) on significantly sloped segments, with a lack of drains at street intersections and at some of the system's low points. In addition, the dense and disorderly pattern of housing occupancy hinders access to the system for cleaning and maintenance, causing blockages that considerably aggravate the effects of flooding. Drainage system deficiencies are compounded by the presence of wastewater in watercourses, which significantly exacerbates the impacts on residents during flooding. Lastly, the MDRB is located at topographical high point, with average elevations ranging from 50 to 90 meters, and a difference of 30 meters between peaks and valleys. An estimated 107 housing units sit on hillsides sloped at 30% to 50% and are not built to withstand landslides, thus posing a risk to residents in these areas during heavy rainfall events.
- 1.8 Owing primarily to unplanned housing along the river banks, the MDRB has limited public spaces, and the existing green spaces and plazas lack the facilities or equipment that would make residents want to use them.<sup>12</sup> The area also has a limited stock of public-service buildings; it only serves the local population with primary healthcare services and a municipal and state primary school system. Moreover, most such services are located on higher ground, leaving the residents of valleys at a disadvantage in terms of access. Most thoroughfares, which sit precariously on hillsides, cannot accommodate vehicles and are difficult to navigate even for pedestrians. These make up a street network, often of dirt paths, alleyways, and narrow, uneven stairs. There are approximately 37 kilometers of local paved roads and some 0.6 kilometers of unpaved roads, but many fall short of their integrative purpose due to rough terrain and the fact that they were built in piecemeal fashion, resulting in a disjointed road system.
- 1.9 The tenuous conditions of urban development also hinder trash collection and, in general, urban sanitation. Indeed, 23% of MDRB residents do not have trash collection service. This is primarily due to the local topography and the fact that garbage trucks are unable to access certain areas. Waste in such areas is collected through alternative means, such as dumpsters up to five cubic meters in size, garbage tricycles, and manual collection. Twenty-three household waste dumpsters have been identified in the MDRB, while construction, tree/shrub/vegetation, and other bulk waste are illegally dumped next to them. This improper disposal (mini-dump sites) is the most significant solid waste management problem in the targeted area. As for recycling, the material recovery rate in the area is low (approximately 0.44%), and the only recycling cooperatives in operation (COOPERES and RECICOOP) have very poor working conditions. Each cooperative has approximately 25 members who process some 50 tons of waste per month and receive monthly income of roughly US\$150.<sup>13</sup>
- 1.10 As a result of the multisector and comprehensive character of interventions in the MDRB, several agencies of the Salvador Municipal Government will be involved in

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<sup>12</sup> According to data from the Salvador Municipal Government, the basin includes approximately 0.17 square meters per person of designated recreational areas (plazas, parks, and gardens).

<sup>13</sup> Source: Diagnostic study on the solid waste pilot initiative developed in preparing this operation.

their execution and subsequent operation and maintenance activities.<sup>14</sup> The institutional diagnostic assessment identified common problems, to a greater or lesser degree, in each of these agencies, including: (i) obsolete management procedures and structures; (ii) personnel with extensive seniority but outdated skills; (iii) nonexistent or obsolete management systems; and (iv) inadequate equipment and machinery. Particularly important are the Municipal Infrastructure and Public Works Department (SEINFRA) and the Municipal Maintenance Department (SEMAN), which will be responsible, respectively, for execution and maintenance of drainage infrastructure with the aim of ensuring that the interventions are sustainable. Along these lines, an analysis of SEMAN's capacity to respond to complaints of deficient maintenance in macrodrainage systems (the largest infrastructure component in the program) found a rate of 1,030 complaints per month, which indicates that this unit will require comprehensive strengthening, including an updated management model, if it is to improve response capacity.

- 1.11 **Rationale and proposed interventions.** The area's social and environmental recovery will only be possible through integrated urban enhancement actions and the expansion and rehabilitation of existing infrastructure, as well as through institutional- and community-strengthening actions. To this end, and taking the river basin as the planning and development unit, the program aims to: (i) redevelop the strip along the Mané Dendê River, which will require resettling 1,034 families residing in high-risk areas, including the titling of property; (ii) expand and rehabilitate sewerage infrastructure in order to provide universal service throughout the basin; (iii) expand and rehabilitate infrastructure to prevent flooding and landslides along the main river and its tributaries; (iv) create and rehabilitate public spaces, such as plazas and other green spaces, as well as public infrastructure to remedy service deficiencies, such as the construction of a marketplace, a bus station, a community/cultural center, and a daycare center/school; (v) create and improve access routes; (vi) execute community education and participation programs and install facilities and implement activities to preserve Afro-descendant cultural practices, including implementation of a plan to create jobs and generate income for basin residents; and (vii) strengthen the municipal government entities involved in executing the program and in subsequent operation and maintenance activities of its infrastructure and services.
- 1.12 Macrodrainage should make full use of natural watercourses, in view of ongoing urban-development and housing interventions in the area. Urban-development interventions along the river banks will include the installation of green spaces and recreational areas for residents and the installation of appropriate public or community spaces and facilities. The proposed road network along the river will serve to protect future housing development, as well as to enable access of machinery and equipment to clean and maintain infrastructure. In order to expand and improve the sewerage system, new interceptors and collectors will be installed to connect with the existing system and will carry wastewater to the Cobre lift station, and the local lift station will be decommissioned. The corresponding household and intrahousehold connections to the sewerage system will also be built to ensure, by

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<sup>14</sup> The Bank has program execution experience with various municipal and state agencies (e.g. 3410/OC-BR, 3784/OC-BR, and 2646 OC-BR).

- the end of the program, that residents are able to use the system at 100% effectiveness.
- 1.13 With a view to ensuring that the interventions are environmentally sustainable, a project will be carried out to improve waste management in the MDRB. It will be a pilot initiative to be scaled to the outlying neighborhoods of Salvador, given that such areas share similar problems.<sup>15</sup> “Mini eco-collection points” will be equipped through this pilot initiative to collect waste (e.g. household, construction, tree/shrub/vegetation, and bulk waste, such as discarded furniture), including a voluntary drop site for recyclable material with a construction material recycler and small-scale works for related management efforts. The project will also include the removal of dumpsters and their replacement with underground or semi-underground containers and the installation of green/clean points, as well as construction of a recycling warehouse for local recycling cooperatives and their technical and administrative strengthening for improved selective collection. Lastly, a mobilization and environmental education program for improved waste management will be executed, as will the institutional strengthening of LIMPURB for monitoring the pilot initiative. The “mini eco-collection points” and the new dumpsters will be operated and maintained by the Bahia garbage collection company.
  - 1.14 The program will also promote the environmental, social, and institutional sustainability of the investments. To this end, the municipal government’s capacity to operate, maintain, and expand its services will be strengthened, whereas water and the sanitation infrastructure built will be transferred to EMBASA for its respective operation and maintenance (paragraphs 3.4 and 3.12). Activities to strengthen community health and environmental education and community involvement will also be carried out.
  - 1.15 The proposed interventions have been shown to be effective in multiple studies conducted in similar contexts.<sup>16</sup>
  - 1.16 **The Bank’s sector knowledge and lessons learned.** The Bank has financed a number of similar operations in Brazil, which, despite minor differences, have included similar types of actions—environmental, social, sanitation, and urban development—involving the resettlement of families. Examples include loan

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<sup>15</sup> With a view to scaling up the pilot in other areas of the city, the program provides for an evaluation of procedures and the results of the pilot.

<sup>16</sup> Empirical evidence that the interventions are effective: Samarasinghe, Oshadhi and Sharp, Basil M.H., 2008. “Flood Prone Risk and Amenity Values: A Spatial Hedonic Analysis.” Australian Agricultural and Resource Economics Society Conference (52nd), 5-8 February 2008, Canberra, Australia; and Okmyung Bin, Jamie Brown Kruse, and Craig E. Landry, 2008. “Flood Hazards, Insurance Rates, and Amenities: Evidence from the Coastal Housing Market,” *Journal of Risk & Insurance*, American Risk and Insurance Association, Vol. 75(1), pages 63-82. Although these studies are from Australia and the United States, the physical characteristics of the locales in question (e.g. proximity to coastline, abundance of water resources, such as rivers and streams, and elevation above sea level) make these studies applicable to the city of Salvador. Other studies include Annette Prüss-Ustün et al. “Burden of Disease from Inadequate Water, Sanitation and Hygiene in Low- and Middle-income Settings: A Retrospective Analysis of Data from 145 Countries.” *Tropical Medicine & International Health*, Vol. 19, Issue 8, pages 894-905, August 2014; and Kremer, Michael and Zwane, Alix Peterson (2007). “What Works in Fighting Diarrheal Diseases in Developing Countries? A Critical Review,” CID Working Paper No. 140, March 2007. Lastly, the ex post evaluation of operation 649/OC-BR is included ([link](#)).

- operations 2165-OC/BR (PROSAMIN) in Manaus and 3303/OC-BR (PROMABEN) in Belém, as well as others focused on urban development of marginal settlements such as the Favela Bairro project in Rio de Janeiro. Experience has shown the need for a comprehensive approach to problem-solving. This approach includes recovery of damaged ecosystems, resettlement of families living in high-risk or environmentally vulnerable areas, expanded coverage of water and sanitary sewer services, works to reduce the impact of flooding, and overall urban development of the area.
- 1.17 Another lesson gleaned from PROSAMIN and PROMABEN is the need for residents to be involved in the search for solutions from the outset, as an essential ingredient in the sustainability of improvements. Specifically, resettlement plans must spell out actions for implementation and be discussed and approved by the community. The active participation of those to be resettled will be promoted in preparing and selecting alternatives for replacement housing. Housing units that are substandard but do not pose risks will be upgraded as a program investment. One related lesson is that land tenure should be formalized and a land use plan should be in place to provide low-income people with access to formal housing. Interventions will be planned in great detail and will generally be carried out in the same physical space as, and coordinated with, resettlement timetables in order to minimize the duration of temporary resettlement.
- 1.18 **The municipal government's strategy.** In 2016 the Salvador Municipal Government revised the city's master plan for urban development, which consists of Plan Salvador 500, establishing guidelines, strategies, projects, and actions to be implemented through 2049, when the city will turn 500 years old. These plans prioritize the poorest areas of the city in order to remedy the marginalization and neglect experienced by residents. As a result, these plans prioritized urban and environmental recovery of Subúrbio Ferroviário, starting with the Cobre River Basin, through the Program for Environmental Sanitation and Urban Development of Outlying Neighborhoods of Salvador, slated for execution over 12 years and to be addressed in a proposed municipal ordinance, with a view to ensuring the program's continuity.
- 1.19 **The Bank's country strategy with Brazil.** The proposed operation is consistent with the Bank's Country Strategy with Brazil 2016-2018 (document GN-2850) in that it contributes to the strategic areas of "reducing inequity and improving public services, which includes water supply and sanitation services, and of "strengthening institutions at the three levels of government." It also reflects the criterion of multisectorality promoted by the country strategy and the proposed approach for promoting the sustainable growth of metropolitan areas. In addition, the operation is included in the 2017 Operational Program Report (document GN-2884).
- 1.20 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the development challenges of (i) social inclusion and equality, as it will improve health and environmental conditions in the targeted areas; and (ii) productivity and innovation, through measures to improve urban planning and reduce the impact of extreme events, as well as impacts related to the costs of mobility of local residents. The program is also aligned with the crosscutting theme of climate change and environmental sustainability, as it includes macrodrainage and microdrainage

works,<sup>17</sup> protection of hillsides, and resettlement due to risks posed to housing and people as a result of extreme rainfall, including the environmental recovery of degraded areas. Along these lines, approximately 25% of the operation's proceeds will finance climate-change adaptation activities in accordance with the Joint Report on Multilateral Development Banks' Climate Finance. These resources contribute to the IDB Group's target of increasing its financing of climate-change projects to 30%, by volume, of all approved operations by end-2020. In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the outputs "households with new or improved access to sanitation" and "homes protected from flood risk." Lastly, the program is aligned with the "Sustainable Infrastructure for Competitiveness and Inclusive Growth" strategy (document GN-2710-5), particularly with the priority area of "support the construction and maintenance of an environmentally and socially sustainable infrastructure," and it is consistent with the dimensions of success and lines of action, set forth in the Water and Sanitation Sector Framework Document (document GN-2781-3), of universal access and improved service quality and of social and environmental sustainability.

- 1.21 **Compliance with the Public Utilities Policy.** This project and national sector-specific objectives are consistent with the principles of the Public Utilities Policy (document GN-2716-6) and satisfy the conditions of financial sustainability and economic evaluation set forth in this policy, as EMBASA is able to cover its operation and maintenance costs through rate revenues (paragraph 1.32). Also, the costs of solid waste management in the município of Salvador are covered by collection of a waste fee and municipal budget resources. Moreover, the works to be financed by the project are socioeconomically viable (paragraph 1.30) ([optional electronic link 6](#))

**B. Objectives, components, and cost**

- 1.22 **Objective.** The program's objective is to help improve the economic well-being and quality of life—in economic, social, and health terms—of people living in the MDRB through sustainable improvements in social, environmental, and urban development conditions. The program will finance the following components:
- 1.23 **Component I: Environmental sanitation and urban development (US\$114.63 million).** This component will finance: (i) macrodrainage and microdrainage works (approx. 9 km); (ii) slope containment works; (iii) sanitary sewers and wastewater collectors (approx. 15 kilometers of these networks); (iv) water supply works; (v) construction of new housing units for families to be resettled (approx. 1,030 housing units) and upgrading of existing housing units (approx. 540); (vi) appropriations, compensation, and other costs associated with the resettlement of families and the execution of program works; (vii) urban road construction/upgrading (approximately 25 kilometers) and landscaping; (viii) public facilities and other interventions in the project area; (ix) studies, projects, and supervision; and (x) implementation of a solid waste pilot project. These actions will help improve urban, health, and environmental infrastructure, as well as reduce the risk of flooding in the MDRB.

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<sup>17</sup> For the macrodrainage system, the program has taken into account a greater degree of variability and volatility in conditions of extreme precipitation during the rainy season by incorporating a 50-year return period in the critical design considerations.

- 1.24 **Component II: Social, environmental, and institutional sustainability (US\$7.26 million).** This component will finance: (i) health and environmental education studies, job and income generation, as well as cultural projects to help strengthen the community that take into account the cultural practices of the Afro-descendant population; (ii) communication and technical/social work, including orientation, monitoring, and support for families; and (iii) institutional strengthening of municipal agencies, especially SEINFRA, SEMAN, Salvador's Superintendency of Conservation and Public Works (SUCOP), the Mário Leal Ferreira Foundation, and any other agencies with the same legal responsibilities and competencies that may succeed them.
- 1.25 **Program administration and management.** In addition to the activities described in Components I and II, the program will finance management activities, consulting assignments, audits, and evaluation and monitoring.
- 1.26 **Cost and financing.** The total cost of the program is US\$135 million, of which US\$67.5 million will be financed by the Bank from the Ordinary Capital and US\$67.5 million will be financed by the local counterpart contribution. The budget is broken down by component in Table I-1. The proceeds of the loan will be used to finance all program costs.

**Table I-1. Program cost (US\$ million)**

	<b>IDB</b>	<b>Local contribution</b>	<b>TOTAL</b>
Component I: Environmental sanitation and urban development	57,320,000	57,310,000	114,630,000
Component II: Social, environmental, and institutional sustainability	3,490,000	3,770,000	7,260,000
Administration and management	6,690,000	3,600,000	10,290,000
Finance charges	–	2,820,000	2,820,000
Program total	67,500,000	67,500,000	135,000,000

- 1.27 **Beneficiaries.** The program will benefit some 1,034 families to be resettled and 540 families whose homes will be improved in terms of sanitation, environmental conditions, or infrastructure in order to reduce their marginalization and vulnerability. In addition, works for sanitation, drainage, transportation, and containment of embankments and hillsides will benefit all residents of the MDRB (estimated at 31,000 people<sup>18</sup>) as a result of improved environmental and urban conditions.

**C. Key outcome indicators**

- 1.28 The main outcomes of the program are related to the reduced risk of flooding, reduced vulnerability of MDRB residents, and social and environmental sanitation of the MDRB. The key outcome indicators are listed in Table I-2 below.

<sup>18</sup> IBGE data from 2010.

**Table I-2. Key indicators**

<b>Outcome indicator</b>	<b>Unit of measurement</b>	<b>Baseline</b>	<b>Target</b>
Housing units flooded in the program's target area	Housing units per year	290	0
Households connected to sewerage network in MDRB	Households	8,256	10,053
Developed recreational areas	Square meters per person	0.17	0.85

- 1.29 **Technical viability.** The analysis of technical viability entailed diagnostic assessments, risk analyses, demand projections for public services related to urban development and sanitation, hydrological studies for macrodrainage and microdrainage works, and all technical studies needed to ensure proper scaling of various alternatives to cover the current and future needs of residents, including the effects of climate change on local hydrological conditions. A comparative analysis of technically, socially, and environmentally viable solutions was conducted for each type of intervention, and the lowest-cost alternative was selected ([optional electronic link 1](#)). Basic technical designs are being prepared for the selected alternatives; these will include the technical specifications of equipment. Lastly, to ensure consideration of criteria and outcomes critical to the technical viability of the proposals, the basic designs and execution-related documents will comply with the standards of the Brazilian Association of Technical Standards and will be submitted to the Bank for its no objection before the corresponding works are put out to bid.
- 1.30 **Socioeconomic viability.** A cost-benefit analysis of all program-financed interventions was conducted using the hedonic-price methodology. Using a discount rate of 12%, the project is socioeconomically viable with an economic internal rate of return of 40.3% and a net present value of US\$8.7 million ([optional electronic link 2](#)). This analysis was supplemented with the corresponding sensitivity analysis, which found the project to be sound.
- 1.31 According to data provided by EMBASA, an average household in the city of Salvador pays approximately US\$15.20 per month for water, garbage collection, and wastewater treatment. According to income data from the household survey conducted in preparing this program, the aforementioned amount is about 4% of the average monthly household income in the target area. A special rate is available to households classified as poor, which pay approximately US\$8.30 per month, or about 5% of the average monthly income of poor households—an acceptable level in accordance with international standards.
- 1.32 **Financial viability and sustainability of investments.** Separate analyses were conducted of the historical and projected financial capacity of both the Salvador Municipal Government and EMBASA, the latter of which will operate and maintain the water and sewerage works. The historical financial analysis and financial projections of the Salvador Municipal Government show that it has enough resources to cover the project counterpart contribution and to maintain the program's works. The municipal government's financial management was satisfactory in the last five years of the historical analysis. It also demonstrated its capacity to manage expenditure by limiting increases in spending to within the income growth rate, by taking measures to improve collection efforts; during these years, it ran a primary

surplus. The municipal government has also been complying with legal requirements related to debt levels. Financial projections for the municipal government were conducted in view of satisfactory fiscal outcomes of the past five years and expected investments. Consequently, these projections show that the municipal government is expected to maintain a primary surplus during the projected period. Program resources will also be used to strengthen SEMAN to ensure the sustainability of drainage investments. Meanwhile, historical financial data show that EMBASA's rates for water and sanitation services have been covering its operation and maintenance costs, averaging EBITDA<sup>19</sup> of 21% of operating revenue in the past four fiscal years. Rates are adjusted annually for inflation, and the agency's collection rate is above 90%. The base scenario for EMBASA's financial projections shows that it will be able to remain financially solvent during the projected period ([optional electronic link 4](#)).

- 1.33 **Institutional viability.** An Institutional Capacity Assessment System (ICAS) analysis of SEINFRA, an agency of the Salvador Municipal Government, was conducted in preparing the program. It found a medium level of risk ([optional electronic link 3](#)). An institutional strengthening plan for this agency was developed, and it was decided that SEINFRA will be supported by a PMU to be created as part of its internal structure with a multidisciplinary team, as well as by a project management firm (paragraph 3.3). In addition to EMBASA, other municipal agencies will be involved in program execution; their program-related duties and responsibilities will set forth in the program's Operating Regulations (paragraph 3.4) ([optional electronic link 5](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Type of financing.** This loan has been structured as a specific investment loan since all project costs, preliminary designs, and technical, environmental, financial, and socioeconomic viability analyses have been determined and carried out. The execution period will be five years starting on the effective date of the loan contract. Table II-1 provides the timetable for disbursements.

Table II-1. Disbursement timetable (US\$ million)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	6.37	10.96	18.54	19.70	11.93	67.5
Local contribution	6.42	11.13	18.07	19.70	12.18	67.5
%	9.47	16.37	27.11	29.19	17.86	100%

### B. Environmental and social risks

- 2.2 **Environmental safeguards.** In accordance with Operating Policy OP-703,<sup>20</sup> the program has been classified as Category "A," primarily due to the large number of families that must be resettled and because the works will have some impact on a

<sup>19</sup> Earnings before interest, tax, depreciation, and amortization.

<sup>20</sup> The Bank's Environment and Safeguards Compliance Policy.

- protected area (São Bartolomeu Park) and on sites of cultural interest, although these risks will be mitigated. The social and environmental risks deemed medium and high are: (i) potential opposition to the resettlement process among the affected population<sup>21</sup> and interest groups in the basin, to be mitigated by implementing an engagement mechanism<sup>22</sup> that will enable local community leaders to take part in the resettlement process, prioritizing the use of local labor in executing the works, and establishing a mechanism for direct communication with the general public and, in particular, with those affected; (ii) potential opposition, among groups of African origin who use the Oxum Falls in São Bartolomeu Park, to the solution proposed to remedy the reduction in flow at the falls, a risk to be mitigated by executing works to ensure a constant minimum flow<sup>23</sup> at the falls, while carrying out a process of continuous consultation with such groups and implementing a communication plan; and (iii) potential delays in executing housing solutions through third parties,<sup>24</sup> a risk to be mitigated by closely monitoring the execution of such works and identifying alternatives.
- 2.3 Other potential environmental and social risks, which were classified as low during program preparation and that will be monitored during execution, include (i) street violence in target neighborhoods; (ii) increased expectations of improved housing in the works' indirect areas of influence among residents who will not be displaced but who live in substandard housing; (iii) increased costs of buying and renting housing in the target area after the urban-development conditions of such housing have been improved; (iv) generation of a relatively significant amount of rubble as a result of the demolition of housing units located on the river bank or over the river itself, as well as the excavation of potentially polluted material to be removed from the bed of the Mané Dendê River; and (v) other impacts associated with construction works in a densely populated environment with difficulties related to access, such as the risk of accidents in transporting materials, debris and excavated materials; temporary disruptions in access to public services, housing, and other buildings; occupational safety and health risks, as well as community health risks, due to excavation and other works.
- 2.4 Due to the nature of the program, which includes different types of interventions throughout the basin, three environmental and social studies were conducted, published,<sup>25</sup> and consulted in preparing the project: an environmental strategy assessment of all planned works; an environmental impact assessment (EIA) of the

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<sup>21</sup> The involuntary resettlement process will encompass some 1,000 families; it includes family residences and commercial properties, and other structures.

<sup>22</sup> The engagement mechanism implemented by the município includes both formal and informal leaders. Working groups are formed with these leaders that facilitate ongoing two-way communication, thus constituting an example of a good practice.

<sup>23</sup> The project carried out to ensure a minimum flow volume for the falls was validated in consultations with the leaders of these groups.

<sup>24</sup> Some 420 housing solutions will be implemented through private entrepreneurial initiatives to be financed by the Salvador Municipal Government as part of the local contribution. In preparing the project, these housing units were found to be in compliance with the Bank's environmental and social policies. The Bank has reached agreement with the executing agency on a monitoring mechanism for this activity; its no objection is required to include these works within the local counterpart.

<sup>25</sup> The environmental strategy assessment was published on 5 April 2017, the involuntary resettlement plan on 1 June 2017, and the EIA on 9 June 2017.

most significant works (macrodrainage, rainwater collectors, and road system); and an involuntary resettlement plan. In addition, a diagnostic assessment and action plan will be prepared to avoid impacts on the cultural uses of the falls in São Bartolomeu Park. Measures to control, prevent, and mitigate potential negative impacts have been set forth in the environmental and social management plan and are summarized in the environmental and social management report.

- 2.5 In preparing the program, two public consultation events<sup>26</sup> were held with the participation of community leaders, as well as numerous individual meetings, in order to introduce the project and its components and clarify the need to resettle some families, as well as to present and discuss the EIA and the resettlement plan. The proposals received from the community were incorporated in the program's design, including: (i) the decision that all housing solutions offered to the families to be resettled would be located in the same neighborhood and in close proximity to their current housing units; (ii) the decision to build a marketplace within the basin and near the river, which was requested by the community; and (iii) incorporation of the component of protection of springs at various sites identified by those consulted.

### **C. Fiduciary risks**

- 2.6 The institutional capacity assessment of SEINFRA shows that it has the requisite capacity to carry out financial and procurement management, as well as the corresponding monitoring efforts. At the program's risk management workshop, the potential for delays in awarding contracts and conducting procurement processes was identified as a medium-level risk due to procurement management weaknesses. The proposed mitigation measures include (i) creation of a PMU and a special procurement committee, and the commissioning of a firm with procurement experience to support program management; and (ii) training the PMU in the Bank's procurement policies.

### **D. Other program risks**

- 2.7 In addition to the risks described above, the program's main risks related to development, public management, and governance, which have been deemed medium or high risks, are as follows: (i) low level of institutional coordination between the Salvador Municipal Government and EMBASA; (ii) delays in approving the loan at the federal level; (iii) delays in legalizing or expropriating land parcels; and (iv) exchange rate variations. The proposed mitigation measures include (i) signing of a cooperation agreement between the Salvador Municipal Government and EMBASA, (ii) monitoring and coordination of interaction with federal authorities, (iii) institutional strengthening of the Municipal Treasury Department (SEFAZ); and (iv) budgetary provision for contingencies.

## **III. IMPLEMENTATION AND MANAGEMENT PLAN**

### **A. Summary of implementation arrangements**

- 3.1 **Borrower and executing agency.** The borrower and executing agency will be the Salvador Municipal Government. Program activities will be coordinated and

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<sup>26</sup> The reports on the public consultations held were included as annexes to the environmental strategy assessment, the EIA, and the involuntary resettlement plan (see optional links in the electronic links list).

- executed through SEINFRA. The Federative Republic of Brazil will be the guarantor of the loan.
- 3.2 For program execution, the borrower will establish a PMU within SEINFRA's internal structure and linked to the office of the head of SEINFRA, which will serve as the liaison between the IDB and other agencies participating in the program. The PMU will carry out the program's planning, administrative and financial management, as well as its technical monitoring and evaluation ([optional electronic link 3](#)).
  - 3.3 The PMU will receive technical support from the municipal administrative agencies involved with the actions to be executed, as well as from a management support firm and consulting assignments, to be financed with program resources. The PMU will be comprised of a general director and at least one manager in each of the following areas: infrastructure, social, environmental, institutional, administrative-financial, and procurement. The qualifications and responsibilities of each of these technical specialists will be established in the program's Operating Regulations ([optional electronic link 5](#)). These specialists will work exclusively for the program on a full-time basis.
  - 3.4 The roles and responsibilities of all municipal agencies involved in the execution of the program will be established in the program's Operating Regulations ([optional electronic link 5](#)). EMBASA will support the execution of water and sewerage works and will be responsible for their operation and maintenance ([optional electronic link 3](#)).
  - 3.5 For program execution, the borrower will form a program advisory committee (PAC), the composition of which will be detailed in the program's Operating Regulations. It will be chaired by the head of SEINFRA. The PAC will promote dialogue between the PMU and the other municipal entities involved in the program. A special bidding committee will also be formed to carry out bidding process in accordance with Brazilian law and Bank policies ([optional electronic link 3](#)).
  - 3.6 **Program Operating Regulations.** Program execution will be governed by the program's Operating Regulations, which will include the following main aspects: (i) a detailed execution plan, including the composition of the PAC; (ii) institutional powers and responsibilities of the entities involved; (iii) rules and procedures for administrative and financial management; (iv) monitoring procedures; and (v) the environmental and social management plan ([optional electronic link 5](#)).
  - 3.7 **Program execution plan (PEP).** The program's activities will be programmed through the PEP, revised on an annual basis, and established in the corresponding annual work plan (AWP). The PEP contains the detailed information equivalent to the AWP for each year of program execution. However, it must be amended each year in view of the program's actual progress. The annual revisions to the PEP must be submitted to the Bank.
  - 3.8 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements (Annex III) reflect the financial and procurement management guidelines for program execution. They have been developed on the basis of an analysis of the fiduciary context of the country and executing agency, the institutional analysis of the executing agency, the risk workshop held with personnel from all participating agencies, the meetings held with personnel of the executing agency,

and ongoing meetings with the project team and key personnel from participating agencies.

- 3.9 **Advance procurement and retroactive financing.** With a view to facilitating the initial execution of the works included under the program, the Bank may retroactively finance up to US\$13.5 million (20% of the proposed loan amount) against the loan and up to US\$13.5 million (20% of the estimated local contribution) against the local contribution, for eligible expenditures made by the borrower prior to the loan approval date, provided that requirements substantially analogous to those established in the loan contract have been met. Such expenditures must be incurred on or after 14 March 2017 (project profile approval date), but in no case may they include expenditures incurred more than 18 months prior to the date of the approval of the loan.
- 3.10 **Procurement plan.** The procurement plan details the program's procurement processes to be carried out in accordance with the Policies for the Procurement of Goods and Works 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). This detailed information includes (i) contracts for works, goods, and consulting services needed to carry out the program; (ii) proposed procurement methods for contracting goods and selecting consultants; and (iii) the procedures used by the Bank for procurement oversight. The borrower must update the procurement plan annually, or as the program's needs dictate. Any proposed revision to the procurement plan must be submitted to the Bank for approval.
- 3.11 **Special conditions precedent to the first disbursement.** In accordance with the terms and conditions previously agreed upon with the Bank, the following will be conditions precedent to the first disbursement: (i) creation of the PMU and designation of its members, in accordance with the composition described in the program's execution arrangements; (ii) approval and entry into force of the program's Operating Regulations, in accordance with a draft previously agreed upon with the Bank. These conditions are deemed essential to ensure that the borrower is prepared to begin executing the program, with a duly constituted PMU and with Operating Regulations that establish detailed guidelines on operational aspects and on coordination between the PMU and the areas and agencies involved in execution; and to ensure that processes for expropriating the land deemed necessary for the works are at an advanced stage.
- 3.12 **Special conditions for execution.** Prior the start of bidding processes for the works under this program (i) the program's advisory council will have been created in accordance with the terms previously agreed upon with the Bank; and (ii) a cooperation agreement between the EMBASA and the borrower, represented by SEINFRA, will have been signed and entered into force in accordance with a memorandum previously agreed upon with the Bank. These conditions are crucial to ensure that the borrower established a dialogue mechanism between the various areas, agencies, and entities participating in the program, which will serve to facilitate their coordination and involvement and to ensure that the municipal government and the water and sanitation utility (EMBASA) have clearly established

their roles and obligations in executing the water and sanitation works financed by the program.

- 3.13 **Operation and maintenance.** The borrower, acting through the executing agency, commits to: (i) appropriately maintaining the works and equipment included in the program, in accordance with generally accepted technical standards; (ii) submitting to the Bank, within five years after conclusion of the first of the program's works and within the first quarter of each calendar year, a report on the status of such works and equipment, as well as the annual maintenance plan for that year. If, through the inspections performed by the Bank or through the reports that are submitted, the level of maintenance is found to be below the agreed upon levels, the borrower and the executing agency will take measures to fully correct such deficiencies.
- 3.14 **Audits.** During the loan disbursement period, and within 120 days after the close of the municipal fiscal year, the program's audited annual financial statements will be submitted to the Bank. The audit must be performed by independent auditors acceptable to the Bank. The scope and other aspects will be governed by the Financial Management Policy for IDB-financed Projects (Operational Policy OP-273-6) and the guidelines for financial statements and external audits. The costs of the audit will be financed with program resources. The executing agency will hire the auditing firm.

**B. Summary of results monitoring arrangements**

- 3.15 **Monitoring.** The executing agency will prepare reports on progress and attainment of outcomes in activities for which it is responsible. Monitoring arrangements will include (i) the procurement plan, (ii) the PEP, (iii) the AWP, (iv) annual verification of fulfillment of the targets set out in the results matrix; and (v) semiannual reports covering (a) activities carried out, progress in execution, problems encountered, and solutions adopted; (b) evaluation of results matrix, procurement plan, AWP, and risk analysis; and (c) analysis of the project monitoring report, for which the fulfillment of targets for indicators and planning for the following six months will be evaluated.
- 3.16 **Evaluation.** The following program evaluations will be commissioned: (i) a midterm evaluation, to be submitted within a period of 90 days following the 30th month of the loan contract's signature date or after disbursement of 50% of the program's resources, whichever comes first; and (ii) a final evaluation, 90 days after the close of the original disbursement period or extensions thereof. The proposed evaluation methodology is a before-and-after approach, to consist of measuring outcome indicators for the program baseline and after the interventions have been implemented, and comparing these measurements to verify fulfillment of targets. An ex post evaluation will also be conducted using the methodology used for the ex ante evaluation, comparing costs of investments made, operation and maintenance costs, and program benefits estimated using the hedonic-price methodology in accordance with the monitoring and evaluation plan ([required electronic link 3](#)) and an evaluation of the procedures and outcomes of the solid waste pilot, with a view to assessing its scalability in other areas of the city. The evaluation report will be part of the project completion report.

Development Effectiveness Matrix		
Summary		
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Development Objectives</b>	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Climate Change and Environmental Sustainability	
Country Development Results Indicators	-Households with new or upgraded access to sanitation (#)* -Households protected from flood risk (#)*	
<b>2. Country Development Objectives</b>	Yes	
Country Strategy Results Matrix	GN-2850	Expand and improve water supply and basic sanitation.
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		
<b>3. Evidence-based Assessment &amp; Solution</b>	Evaluable	
3.1 Program Diagnosis	9.8	
3.2 Proposed Interventions or Solutions	3.0	
3.3 Results Matrix Quality	4.0	
<b>4. Ex ante Economic Analysis</b>	2.8	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	10.0	
4.2 Identified and Quantified Benefits	4.0	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
<b>5. Monitoring and Evaluation</b>	7.5	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	5.0	
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	A	
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, External Control, Internal Audit. Procurement: Information System, parison.
Non-Fiduciary		
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	Yes	Technical Cooperation BR-T1321 aims to support the preparation of studies, operational documents and projects that will allow the development of activities necessary for a good definition, planning and preparation of the PROSASAL - Nuevo Mane Dende Program, while at the same time generating conditions for an efficient execution.
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		

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

The "Program for environmental sanitation and urbanization of the Mane Dende river basin" (New Mane Dende) in Brazil aims to improve quality of life conditions, specifically in the health and economic areas, of the population of the Mane Dende river basin. This will be achieved through the sustainable improvement of urbanization and socio-environmental conditions of the area. The project is structured into two components: (i) environmental sanitation and urbanization, including sanitation, drainage, resettlement of families, improvement of housing and improvements in roads and urbanization in general; and (ii) social, environmental and institutional sustainability, including studies and plans that contribute to community strengthening and environmental education, social participation actions linked to resettlement activities, and actions for institutional strengthening.

The vertical logic presented in the POD is consistent, covering inputs, products, results and impact. However, according to the activities to be carried out in the project, one of the results indicators corresponds more logically with an output of the program. The results matrix includes indicators for the main outputs, results and impacts of the program. The indicators in the results matrix meet the SMART criteria and include baseline and target values, with the exception of an impact indicator that is presented at a level of aggregation much higher than the intervention area. As final impact indicators, the value of real estate in the intervention area will be measured, and the number of hospitalizations per year for diarrheal diseases in children under 5 years in the intervention area and surrounding territories.

The Borrower and Executing Agency will be the Municipal Preference of Salvador (PMS). The activities of the project depend on several instances of the public administration and will be coordinated and implemented through the Urban Infrastructure Secretariat.

The Monitoring and Evaluation activities have been planned and budgeted. They will be carried out by the SMP through the Program Management Unit and will use as data sources measurements of the progress of the works and activities to be collected in semi-annual reports. An ex-ante economic evaluation has been carried out to guarantee the project's profitability and it is planned to carry out an ex-post economic evaluation for which property survey data will be collected. The project also plans to carry out an intermediate and a final process evaluation. The program has innovative activities (such as the use of mini-eco points for the management of solid waste), but does not contemplate making an impact evaluation with attribution of it for the moment.

## RESULTS MATRIX

<b>Program name</b>	Environmental Sanitation and Urban Development Program in the Mané Dendê River Basin									
<b>Program objective</b>	The program's objective is to help improve the economic well-being and quality of life—in economic, social, and health terms—of people living in the Mané Dendê River Basin (MDRB) through sustainable improvements in social, environmental, and urban development conditions.									
<b>Impacts</b>										
<b>Indicator</b>	<b>Unit of measure</b>	<b>Baseline</b>	<b>Base year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Program end</b>	<b>Comments/ Means of verification</b>
Property values in target area	R\$/m <sup>2</sup>	750.00	2017					937.50	937.50	Source: Primary data (field research)  Responsible agency: SEINFRA
Hospital admissions per year for acute diarrheal illness (waterborne) among children under 5 (per 100,000 population) in the program's target and surrounding areas (districts of Itacaranha, Rio Sena, Alto da Terezinha, and Plataforma)	Admissions/year	1,483	2016					300	300	Source: Salvador's epidemiological surveillance information system  Responsible agency: SEINFRA, through the Department of Health  Comment: The Outlying Neighborhoods Sanitary District (baseline for data) includes other nearby neighborhoods in addition to those listed, with a total population of 329,000 residents. The spillover effects of interventions in adjacent areas can be reflected by including these nearby areas.
<b>Outcomes</b>										
<b>Outcome 1: Risk of flooding and vulnerability reduced in the MDRB</b>										
Housing units flooded in the program target area	Housing units/year	290	2017					0	0	Source: Civil Defense reports Responsible agency: SEINFRA

Indicator	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Program end	Comment/Mean of verification
Occupied housing units in landslide zones of program target area	Housing units	107	2017					0	0	Idem Landslide zones are identified on the landslide map prepared as part of the study titled "General Plan for Interventions, Viability Analysis, and Basic Project of the Environmental Sanitation and Urban Development Program in the Mané Dendê River Basin"
<b>Outcome 2: MDRB improved socially and environmentally</b>										
Wastewater discharged into the Mané Dendê River	Liters/second	10	2017					0	0	Source: Municipal Sustainable Department (SECIS) Responsible agency: SEINFRA, through SECIS
Households connected to the sanitation system through a sewerage network in the MDRB	Households	8,256	2017					10,053	10,053	Source: EMBASA reports Responsible agency: SEINFRA, through SECIS
Solid waste collected at intervention points ("mini eco-collection points") in the pilot program	Tons/day	26	2016					21	21	Source: LIMPURB reports Responsible agency: SEINFRA, through LIMPURB Comment: Included are construction, tree/shrub/vegetation, and bulk waste. The amount of such waste is expected to decline, since recycling rates are expected to increase during the period, meaning there will be less waste to be collected.

Indicator	Unit of measure	Baseline	Base year	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Means of verification
Recyclable solid waste collected at pilot program intervention points	Tons/day	1	2016					1.25	1.25	Source: LIMPURB reports Responsible agency: SEINFRA, through LIMPURB Comment: Included is recyclable waste at the voluntary drop spots at the "mini eco-collection points"
Preventive maintenance index	Complaints/year	1,030	2016	-				500	500	Source: Office of the Salvador Municipal Ombudsperson (OGMS)/ reports by type of complaint; reports of macrodrainage problems in Salvador Responsible agency: SEINFRA, through OGMS

**Outputs**  
**Component I: Environmental sanitation and urban development**

Output	Unit of measure	Associated outcomes	Cost	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Means of verification
Macrodrainage works built in the MDRB	Meters	1	US\$10,875,965	0	0	220	603.57	803.36	306.38	1,933.31	Responsible agency: SEINFRA/PMU Semiannual reports on measurements of works approved by SEINFRA Total length of main channel located in All
Microdrainage works built in the MDRB	Meters	1	US\$3,644,194	0	0	713.49	3,428.44	2,440.09	358.37	6,940.39	Responsible agency: SEINFRA/UGP Semiannual reports on measurements of works approved by SEINFRA Total length of new of complementary microdrainage devices in All
Embankment and hillside containment works in the MDRB	Square meters	1	US\$10,193,784	0	0	17,430.39	24,389.80	21,264.64	0	63,084.83	Responsible agency: SEINFRA

Output	Unit of measure	Associated outcomes	Cost	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Mean of verification
											Works measurement report, prepared and approved by SEINFRA
Water supply networks built in the MDRB	Meters	2	US\$414,398	0		1,887	1,887	1,887	1,000	6,661	Cost includes transposition of Cobre River reserve, network, and water connections Responsible agency: SEINFRA Works measurement report prepared and approved by SEINFRA
Sewerage networks built in the MDRB	Meters	2	US\$681,719	0	0	3,060.57	3,275.72	3,599.32	2,352.32	12,287.93	Responsible agency: SEINFRA Works measurement report, prepared and approved by SEINFRA. Specific number of collectors
Wastewater interceptors built in the MDRB	Meters	2	US\$2,628,950	0	0	562.15	601.67	661.11	432.06	2,256.99	Idem
Household wastewater connections built in the MDRB	Units	2	US\$465,068	0	0	262	280	308	650	1,500	Idem
Intrahousehold wastewater connections built in the MDRB	Units	2	US\$902,162	0		436	466	512	1,084	2,498	Idem
New thoroughfares built in the MDRB	Meters	2	US\$13,232,563	0	0	0	3,625.03	7,014.24	3,742.32	14,381.60	Idem Includes pedestrian walkways, stairways, and footpaths
Existing thoroughfares paved in the MDRB	meters	2	US\$3,594,547	0	0	1,850.45	2,806.9	2,727.13	1,000	8,384.48	Idem "Improved" means that the thoroughfares will be paved
Housing units built in the MDRB	Units	2	US\$29,517,824	0	90	436	336	172	0	1,034	Idem Includes physical construction and provision of

Output	Unit of measure	Associated outcomes	Cost	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Means of verification
											water, sanitation, and electricity service
Housing units improved in the MDRB	Units	2	US\$1,819,629	0	67	178	188	107	0	540	Idem The indicator will be measured in accordance with applicable IBGE criteria for appropriate housing
Families compensated for resettlement (includes: compensation, rent, moving expenses, technical/social team)	Families	2	US\$19,111,626	0	90	436	336	172	01	1,034	Responsible agency: SEINFRA Specific progress reports on status of resettlement plan by the social coordination unit of the PMU/SEINFRA Does not include produced housing units
Urban development and landscaping works executed in the MDRB	Units	2	US\$2,672,471	0	0	6	7	11	0	24	Responsible agency: SEINFRA Works measurement report, prepared and approved by SEINFRA
Urban infrastructure (marketplace, bus station, community/ cultural center, and daycare center/ school) built in the MDRB	Units	2	US\$6,458,867	0	0	1	2	2	0	5	Idem
"Mini eco-collection points" built in the MDRB	Units	2	US\$276,150	0	0	0	4	1	0	5	Idem
Green/clean areas built in the MDRB	Units	2	US\$7,057	0	0	0	2	6	2	10	Idem
Waste sorting warehouses built and equipped in the MDRB	Units	2	US\$184,100	0	0	0	1	0	0	1	Idem
Executive projects prepared for the MDRB	Set of projects	2	US\$2,675,487	0	0	1	0	0	0	1	Responsible agency: SEINFRA Includes amount for pilot initiatives

Component II: Social, Environmental, and institutional sustainability											
Output	Unit of measure	Associated outcomes	Cost	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Mean of verification
Program comprehensive communication and education plan developed (institutional, solid waste, health and environmental, and resettlement)	Plan developed	1 and 2	US\$46,025	0	1	0	0	0	0	1	Responsible agency: SEINFRA SEINFRA report on receipt and approval of plan
Program comprehensive communication and education plan implemented (institutional, solid waste, health and environmental, and resettlement)	Plan implemented	1 and 2	US\$891,074	0	0	0	0	0	1	1	Responsible agency: SEINFRA SEINFRA report on implementation activities
Training and technical assistance program for solid waste cooperatives implemented (Note: training content)	Plan implemented	2	US\$188,518	0	0	0	0	0	1	1	Idem
Institutional strengthening plans for municipal entities developed	Plans developed	1 and 2	US\$138,075	4	4		0	0	0	8	Idem
Institutional strengthening plans for municipal entities implemented	Plans developed	1 and 2	US\$5,216,164	0	4	4	4	0	0	12	Idem
Training program for community organizations in the program implemented	Program implemented	1 and 2	US\$76,708	0	0	0	1	0	0	1	Idem
Cultural projects for preservation of Afro-Brazilian cultural practices in São Bartolomeu Park implemented	Set of projects implemented	1 and 2	US\$92,050	0	0	0	0	1	0	1	Idem
Job creation and income generation plan in the MDRB developed	Plan developed	1 and 2	US\$50,000	0	0	1	0	0	0	1	Responsible agency: SEINFRA

Output	Unit of measure	Associated outcomes	Cost	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Comments/Means of verification
											SEINFRA report on receipt and approval of plan
Job creation and income generation plan in the Mané Dendê River Basin implemented	Plans	1 and 2	US\$164,783	0	0	0	0	0	1	1	Idem
Plan for monitoring water quality in the Mané Dendê River implemented	Measurements <sup>1</sup>	1 and 2	US\$92,050	1	6	6	6	6	6	30	Responsible agency: SEINFRA, through SECIS. SEINFRA report on implementation activities
Plan for managing the environmentally protected area of the Cobre River developed	Plan developed	1 and 2	US\$306,833	0	0	0	0	0	1	1	Responsible agency: SEINFRA, through SECIS SEINFRA report on receipt and approval of plan

<sup>1</sup> "Measurement" means a measurement series that will include flow rate, biochemical oxygen demand, dissolved oxygen, temperature, and coliform bacteria analysis in the vicinity of the outfall. Measurements will be distributed throughout the year so as to include both dry and rainy periods.

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

<b>Country:</b>	Brazil
<b>Project number:</b>	BR-L1487
<b>Name:</b>	Environmental Sanitation and Urban Development Program in the Mané Dendê River Basin
<b>Executing agency:</b>	Salvador Municipal Government
<b>Prepared by:</b>	Leise Estevanato and Edwin Tachlai-Degras (FMP/CBR)

### I. EXECUTIVE SUMMARY

- 1.1 The institutional assessment for fiduciary management of the program was based on: (i) the current fiduciary context of the country; (ii) an assessment of the main fiduciary risks; and (iii) an ICAS analysis. This effort has yielded the following fiduciary agreements for the execution of program procurement and financial management.

### II. FIDUCIARY CONTEXT OF THE COUNTRY AND THE EXECUTING AGENCY

- 2.1 Brazil has robust country fiduciary systems that allow for effective management of administrative, financial, oversight, and procurement processes in compliance with principles of transparency, economy, and efficiency. The Bank's fiduciary strategy for Brazil is aimed at the progressive and sustainable use of country fiduciary systems.

#### A. Organizational and functional structure

- 2.2 In the Município of Salvador, government agencies use the Integrated Fiscal Management and Planning System (SIGEF), which is the instrument used for budgetary, accounting, and treasury management. SIGEF is administered by the município's Finance Department.
- 2.3 To plan and organize program actions, the entities use and adhere to the following country systems to support management: (i) the multiyear plan, which establishes government guidelines, objectives, and targets; (ii) the Law on Budgetary Procedures, which guides the government's budgeting activities, (iii) the Annual Budget Act, which estimates and sets government spending for the current fiscal period; and (iv) the Fiscal Responsibility Act, which sets limits on government spending.
- 2.4 The executing agency will be the Municipal Infrastructure and Public Works Department of Salvador (SEINFRA), through the program management unit (PMU) and will be supported with human resources provided by a project management support firm.

- 2.5 SEINFRA's fiduciary management was evaluated in meetings held between the Bank's fiduciary team and staff members from the executing agency's administrative/financial and procurement areas. This analysis was supplemented with the findings of the ICAS conducted on SEINFRA and of the risk assessment workshop.
- 2.6 The PMU will be responsible for operation's fiduciary administration of the operation, including preparing the budget, conducting and supporting procurement processes, and assisting in contract execution and procedures for authorizing and recognizing the respective expenditures and payments.
- 2.7 The assessments performed found that the Salvador Municipal Government has qualified personnel and a medium level of institutional capacity to manage the actions to be carried out in the program, with a medium level of institutional risk for the operation. A risk assessment workshop, held as part of program preparation, found a medium level of risk for procurement management due to SEINFRA's lack of knowledge regarding the Bank's procurement and financial management policies. To mitigate this risk, a PMU will be formed and will be supported by a project management support firm, and a launch workshop and periodic training workshops for the PMU on the Bank's procurement policies will be planned. These workshops will be held after the loan is approved by the Bank's Board of Executive Directors.

**B. Fiduciary risk assessment and mitigation actions**

- 2.8 The ICAS assessment finds indicates that SEINFRA has a medium level of institutional capacity with proven competence in its area of action, while its specific capacity related to program execution needs to be strengthened. The risk assessment workshop also found a medium level of risk for the operation.

**III. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE LOAN CONTRACT**

- 3.1 **Conditions precedent to the first disbursement.** To ensure that the executing agency is prepared to begin executing the program in accordance with the established timetable, a condition precedent to the first disbursement will be the creation of the program's special bidding committee.
- 3.2 **Special contractual conditions for execution.** Before the start of bidding processes for the works, and to ensure successful program execution, the municipal government will provide evidence that it has hired the company that will support program management in order to provide knowledge and experience to the PMU.
- 3.3 **Exchange rate.** The exchange rate for the Bank's accounts for expenditures paid with the proceeds of an advance of funds will be the conversion rate of the amount disbursed in the currency of the loan to the local currency of the borrower's country. To determine the equivalence of expenditures incurred in local currency charged to the local contribution, and for the purpose of reimbursing expenditures charged to the loan, the applicable exchange rate will be the rate in effect as of the date on which the Salvador Municipal Government, or any other individual or entity who has been authorized to make expenditures, makes a payment to a contractor, supplier, or beneficiary.

- 3.4 **Submittal of the program's audited annual financial statements.** Financial statements audited by the Court of Accounts of the Municípios of the State of Bahia or, as applicable, by an external audit firm approved by the Bank, will be submitted within a period of 120 days after the close of the fiscal year.

#### **IV. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION**

- 4.1 **Procurement.** Works by the municipal government of Salvador are put out for bid and carried out by SUCOP, with the exception of works specific to the health and education sectors.
- 4.2 SEINFRA has a sector bidding committee, which is attached to the office of the head of SEINFRA. The various areas prepare bidding processes on the basis of annual demand for procurement processes, and the Materials and Assets Management Sector (SEGEM) conducts the processes related to pricing. SEINFRA submits the bidding processes to the Office of the Municipal Government Attorney (PGMS) for evaluation and authorization in advance. By law, the latter and SEINFRA are responsible for supervising all bidding processes.
- 4.3 Municipal government procurement processes for consumables and contracting of third-party services are centralized pursuant to Decree 23,586 of 2013. It stipulates that the Municipal Management Department, through its Office of Logistics and Assets, is responsible for conducting bidding processes of this nature.

##### **A. Procurement execution**

- 4.4 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services<sup>1</sup> generated under the program and subject to international competitive bidding (ICB) will be conducted in accordance with document GN-2349-9 using the standard bidding documents issued by the Bank. Contracts subject to national competitive bidding (NCB) will be conducted using country bidding documents agreed upon with the Bank.
- 4.5 **Selection and contracting of consultants.** Contracts for consulting services generated under the program will be conducted in accordance with document GN-2350-9 using the standard bidding documents issued by or agreed upon with the Bank.
- 4.6 **Use of the country procurement system.** The reverse e-auction system on the Bank of Brazil's procurement site will be used for the procurement of simple goods and services up to the threshold for shopping for simple goods (up to US\$5 million). Any subsequently approved system or subsystem will be applicable to the operation. Contracts in amounts equal to or greater than the established thresholds will be governed by Bank policies. Section 1 of the Bank's procurement policies will continue to apply to all contracts regardless of amount or type.
- 4.7 **Advance procurement and retroactive financing.** To help start the execution of works for the program, the Bank may retroactively finance, as a charge against the loan proceeds, up to US\$13.5 million (20% of the proposed loan amount) and

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<sup>1</sup> Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-9](#)), paragraph 1.1: Under the Bank's procurement policies, nonconsulting services are treated as goods.

recognize, as a charge against the local contribution, up to US\$13.5 million (20% of the estimated amount of the local contribution) in eligible expenses incurred by the borrower prior to the loan approval date, provided that requirements substantially analogous to those established in the loan contract have been met. Such expenditures must have been incurred on or after 14 March 2017 (project profile approval date), but in no case more than 18 months prior to the loan approval date.

**Thresholds for international bidding and international shortlists**

Method	ICB works	ICB goods and nonconsulting services	International shortlist for consulting services
Threshold	US\$25 million	US\$5 million	US\$1 million

**Main procurement items**

Activity	Selection method <sup>2</sup>	Estimated date of bid announcement	Estimated amount (US\$)
<b>Works</b>			
Macrodrainage and microdrainage networks	NCB	2019	14,520,000
Sanitary sewer networks, road system, and paving	NCB	2019	21,505,000
Housing, water supply networks, and external connections	ICB	2019	31,752,000
<b>Consulting firms</b>			
Program management support	QCBS	January 2018	6,359,000
Preparation of detailed designs for sanitation and urban development	QCBS	March 2018	2,654,000
Works supervision	QCBS	October 2018	3,538,000
Technical/social support	QCBS	2018	1,490,000

\* 18-month procurement plan ([link](#)).

**B. Procurement supervision**

4.8 Procurement processes will be subject to ex post supervision, except for cases in which ex ante supervision is justified. The first process for each type of procurement process will be subject to prior supervision by the Bank. Ex post supervision will be used thereafter up to the following thresholds.

<b>Ex post review thresholds</b>		
Works	Goods	Consulting services
US\$25 million	US\$5 million	US\$1 million

<sup>2</sup> If a procurement processes is conducted using a country system, this must be indicated in the “selection method” box.

- 4.9 Ex post reviews will be conducted on an annual basis in accordance with the program's supervision plan. Reports on the ex post reviews will include at least one physical inspection visit<sup>3</sup> selected from among the procurement processes subject to ex post review.
- 4.10 The supervision of procurement conducted using the country system will also be carried out using the country system.

**C. Records and files**

- 4.11 SEINFRA, through the PMU, will maintain the program's records and files in an appropriate physical space. In preparing and filing program reports, the formats or procedures that have been agreed upon and established in the program's Operations Manual will be used.

**V. FINANCIAL MANAGEMENT**

**A. Programming and budget**

- 5.1 SEINFRA, acting through the PMU, will be responsible for planning for execution of activities in accordance with the PEP, the budgets, and the AWP. SEINFRA uses planning instruments such as the AWP and the Annual Budget Act. The budget for program activities is part of the Annual Budget Act.

**B. Accounting and information systems**

- 5.2 The Salvador Municipal Government uses the SIGEF accounting information system. It combines budgeting, accounting, and treasury activities that are mandatory for all municipal public entities. SIGEF allows for efficient centralized management of all municipal government financial resources.
- 5.3 All budgetary, accounting, and financial information for the loan operation will be recorded in SIGEF. This system does not currently allow for automatic reporting in U.S. dollars, by investment category, or by source of financing as the Bank requires. Therefore, the implementation of a management and financial system to facilitate automatic issuance of financial reports for the program will be verified within six months after the loan contract is signed.

**C. Disbursements and cash flow**

- 5.4 The program will use the treasury system of the Salvador municipal government. Expenditures will be subject to the budgetary and financial execution process and will be duly recorded in SIGEF.
- 5.5 Bank resources used to pay program expenses will be administered through an exclusive account that allows for independent identification of loan proceeds, including revenues and payments.
- 5.6 Disbursements will be made in U.S. dollars under the advance of funds modality. The Bank will disburse funds on the basis of a 120-day projection submitted by the executing agency; for any subsequent advances of funds, a rendering of accounts will be provided for at least 80% of previously advanced resources.

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<sup>3</sup> The inspection verifies the existence of procurement processes, leaving the verification of quality and compliance with specifications to the sector specialist.

- 5.7 Expenses deemed ineligible by the Bank must be repaid using proceeds from the local contribution or other resources at the Bank's discretion, depending on the nature of the ineligibility.

**D. Internal control and internal auditing**

- 5.8 The Municipal Government of Salvador's Office of the General Comptroller, attached to the Office of the Mayor, is the central body of the integrated internal control system. As such, it is responsible for monitoring the execution of programs, projects, and activities in order to evaluate outcomes in terms of efficiency and effectiveness in financial management, budgeting, accounting, equity, and operational management of municipal government agencies, among other duties.

**E. External control and reports**

- 5.9 External control will be exercised by the Court of Accounts of the Municípios of the State of Bahia once eligible or by a previously selected independent auditing firm to be hired in accordance with the Bank's specific policy and procedures for this purpose. The project must submit duly audited financial statements to the Bank each year within 120 days after the close of the fiscal year.

**F. Financial supervision plan<sup>4</sup>**

- 5.10 The supervision plan may be amended during project execution in response to changes in risk levels or if the Bank determines the need for additional control measures.

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<sup>4</sup> See the Financial Management Guidelines for IDB-financed Projects (Operational Policy OP-273-6), Annex I: "Application of Financial Management Principles and Requirements," Requirement 4: Project financial supervision.

Supervision activity	Supervision plan			
	Nature/scope	Frequency	Responsible entity	
			Bank	Executing agency
Procurement	Review of procurement processes	As indicated in the procurement plan	Sector and procurement specialists	PMU
	Review of processes above thresholds for ICB and direct contracting	Throughout the execution period	Sector and procurement specialists	PMU
	Supervision visits	Annual	Sector specialist and fiduciary team	
Financial	Ex post review of disbursements and procurement processes	Annual	Fiduciary team	PMU – external auditor
	Annual audit	Annual	Fiduciary team	PMU – external auditor
	Review of disbursement requests	Periodic	Fiduciary team	
	Supervision visits	Annual	Sector specialist and fiduciary team	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/17

Brazil. Loan \_\_\_/OC-BR to the Municipality of Salvador. Mané Dendê River Basin  
Environmental Sanitation and Urbanization Program

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 Salvador, 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 Mané Dendê River Basin Environmental Sanitation and Urbanization Program. Such financing will be for an amount of up to US\$67,500,000 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 \_\_\_ \_\_\_\_\_ 2017)