

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BRAZIL**

**SOCIAL AND ENVIRONMENTAL PROGRAM IN MANAUS AND THE INTERIOR –  
PROSAMIM**

**(BR-L1553)**

**LOAN PROPOSAL**

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3.	<a href="#">Environmental and social management report</a>
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<b>OPTIONAL LINKS</b>	
1.	<a href="#">Technical analysis</a>
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3.	<a href="#">Financial sustainability analysis</a>
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## ABBREVIATIONS

ABEP-TIC	Associação Brasileira de Entidades Estaduais de Tecnologia da Informação e Comunicação [Brazilian Association of State Information Technology and Communication Entities]
AFI	Sistema de Administração Financeira Integrada [Integrated Financial Administration System]
CGE	Controladoria-Geral do Estado [Office of the State Comptroller General]
DCCRA	Disaster and Climate Change Risk Assessment
ESIA	Environmental and Social Impact Assessment
FEH	Fundo Estadual de Habitação [State Housing Fund]
GDO	General development objective
ICB	International competitive bidding
O&M	Operation and maintenance
PROSAMIM	Social and Environmental Program for the Igarapés in Manaus
QCBS	Quality- and cost-based selection
SDO	Specific development objective
SEJUSC	Secretaria de Estado de Justiça, Direitos Humanos e Cidadania [State Secretariat of Justice, Human Rights, and Citizenship]
SEPM	Secretaria Executiva de Políticas para Mulheres [Executive Secretariat of Policies for Women]
SPMU	Special Project Management Unit
STN	Secretaria do Tesouro Nacional [National Treasury Secretariat]
SUHAB	Superintendência Estadual de Habitação [State Superintendency of Housing]

**PROJECT SUMMARY**  
**BRAZIL**  
**SOCIAL AND ENVIRONMENTAL PROGRAM IN MANAUS AND THE INTERIOR – PROSAMIM**  
**(BR-L1553)**

Financial Terms and Conditions				
<b>Borrower:</b>			<b>Flexible Financing Facility<sup>(a)</sup></b>	
State of Amazonas			<b>Amortization period:</b>	25 years
<b>Guarantor:</b>				
Federative Republic of Brazil			<b>Disbursement period:</b>	5 years
<b>Executing agency:</b>				
State of Amazonas, through the Special Project Management Unit			<b>Grace period:</b>	5.5 years <sup>(b)</sup>
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>	LIBOR-based <sup>(c)</sup>
<b>IDB (Ordinary Capital):</b>	80,000,000	70	<b>Credit fee:</b>	<sup>(d)</sup>
<b>Local</b>	34,285,730	30	<b>Inspection and supervision fee:</b>	<sup>(d)</sup>
<b>Total:</b>	114,285,730	100	<b>Weighted average life:</b>	15.25 years
			<b>Currency of approval:</b>	United States dollars
Project at a Glance				
<p><b>Project objective.</b> The program’s general objective is to help improve the health and socioeconomic conditions of the population in the Igarapé do Quarenta subbasin in Manaus. The specific objectives are to: (i) increase access to drinking water and sanitary sewerage services; (ii) reduce the risk of flooding and improve the quality of critical stormwater drainage infrastructure services, considering climate resilience criteria; (iii) expand the digital service offering from the State of Amazonas; and (iv) support actions under the gender equity policy in the State of Amazonas, with a focus on the program’s area of intervention.</p>				
<p><b>Special contractual conditions precedent to the first disbursement of the loan:</b> The first disbursement of the loan will be contingent on the borrower providing, to the Bank’s satisfaction, evidence of: (i) the approval of the <a href="#">program Operations Manual</a>, under the terms previously agreed with the Bank and its entry into force through a “<i>portaria</i>” [order] published in the Official Gazette of the State; (ii) the publication, in the Official Gazette of the State of Amazonas, of legal instruments (a) assigning program execution to the Special Project Management Unit and (b) expanding the powers of the State Superintendency of Housing (SUHAB) and of the State Housing Fund to address the program’s resettlement actions; (iii) the signature and entry into force of an agreement between the executing agency and SUHAB establishing the terms and conditions of the transfer and partial use of the loan proceeds and the parties’ responsibilities in connection with the program’s resettlement actions; and (iv) declarations of public use of the land, whose expropriation will be necessary for the program works (paragraph 3.7).</p>				
<p><b>Special contractual conditions for execution:</b> The borrower has presented evidence, to the Bank’s satisfaction: (i) prior to the issuance of the first service order for specific water and sanitary sewerage works under the program, of the signature and entry into force of (a) a cooperation agreement between the borrower, the Município of Manaus, and the competent concession holder for water and sanitation services; and (b) a contract for the execution of the works on the sewage treatment plant (ETE Raíz) to be built by the aforementioned concession holder to treat wastewater under the program; and (ii) prior to the issuance of the first service order for specific drainage and urban planning works under the program, of the signature and entry into force of a cooperation agreement between the borrower and the Município of Manaus (paragraph 3.8).</p>				
<p>See also the special contractual conditions in Annex B of the Environmental and Social Management Report (<a href="#">required link 3</a>) and in Annex III—Fiduciary Agreements and Requirements.</p>				
<p><b>Exceptions to Bank policies:</b> None.</p>				

Strategic Alignment			
<b>Challenges:</b> <sup>(e)</sup>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(f)</sup>	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" 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 to the amortization schedule as well as currency, interest rate, commodity, and catastrophe protection 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> In keeping with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate, upon notification to the borrower by the Bank or at the borrower's request, pursuant to the provisions of the loan contract.
- <sup>(d)</sup> 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 relevant policies.
- <sup>(e)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- <sup>(f)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

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

#### 1.1 Background. The city of Manaus (2.22 million inhabitants) experienced its highest



economic growth in the four decades following the 1960 creation of the free trade zone. Job demand attracted thousands of migrants [1],<sup>1</sup> who settled informally on the outskirts of the city and along the waterways crossing it, with no urban planning, sanitary infrastructure, or other utilities [2], [3]. This was also the case in the *igarapés*<sup>2</sup> that make up the Educandos River basin, which contains the Quarenta

*igarapé* sub-basin, where the program's direct area of intervention (324.6 hectares) is located, with approximately 34,806 inhabitants occupying the Armando Mendes, Japlim, Coroado, and Distrito I neighborhoods (see map).

1.2 **Access to urban infrastructure services.** In the program's direct area of intervention, the population is affected [4] by: (i) flooding due to the lack of drainage services, exacerbated by the occupation of *igarapés* by stilt houses, facilitating the proliferation of waterborne diseases; (ii) insufficient housing, fostering the irregular occupation of the *igarapés*; (iii) insufficient solid waste collection, especially in areas that are difficult to access, encouraging dumping in waterways and thus contaminating them; and (iv) the inappropriate occupation of *igarapés*, which aggravates soil erosion and degradation and flooding that affect families, a situation that is becoming increasingly critical considering the impacts of climate change [5].

1.3 A variety of urban conditions, due to the lack of planning, standardization of urban elements, and suitable urban infrastructure and equipment, affect the quality of life of the people living there. The situation is more critical in precariously crowded areas, where residents are constantly exposed to risks to their physical safety when moving between stilt houses and makeshift walkways. Recreational spaces and access roads are also lacking. This means that people living in the program's direct area of intervention have a limited connection to major roads, which receive the main modes of transportation, and to adjacent roads, compromising their movements and integration into the rest of the city.

1.4 **Access to water and sanitation services.**<sup>3</sup> Drinking water and sanitary sewerage services in Manaus are managed by concession holder Manaus Ambiental S.A. until 2045. They have been regulated by the Regulatory Agency for Delegated

<sup>1</sup> [Optional link 16.](#)

<sup>2</sup> Urban waterways and streams that are tributaries to rivers and larger streams.

<sup>3</sup> *Plano Municipal de Saneamento Básico 2014, Município de Manaus.*

Public Utilities of the Município of Manaus since 2017. The contract calls for universal access to drinking water and sanitary sewerage coverage for 80% of the concession area by 2030. In the program's direct area of intervention, approximately 17.7% of the population does not have access to drinking water at home and nearly 100% does not have sewerage. Consequently, people discharge their wastewater directly into the street, drainage systems, and *igarapés*, causing unhealthy conditions<sup>4</sup> that are aggravated by climate change,<sup>5</sup> as an increase in the intensity and frequency of rains accelerates soil degradation, erosion, and sedimentation of canals,<sup>6</sup> degrading water quality [6]. In addition, methane gas is produced due to the anaerobic decomposition of the organic matter in wastewater accumulating in the *igarapés*.

- 1.5 **Quality of the current drainage service.** The drainage infrastructure<sup>7</sup> is not properly maintained, causing critical conditions in its capacity, operation, and service life due to the accumulation of sediment and garbage, the deterioration of the coating, and vegetation growth, among other causes. A study carried out during the program's preparation estimated that macro and micro drainage infrastructure lost 43% and 19% of its service capacity, respectively, worsening the conditions of vulnerability of the population in its area of influence. This makes it necessary to prioritize its rehabilitation, encouraging intensive use of labor,<sup>8</sup> to reduce the unemployment caused by the COVID-19 pandemic<sup>9</sup> that profoundly impacted economic activity in the State of Amazonas, making it one of the 10 states hardest hit by unemployment, according to the Brazilian Institute of Geography and Statistics (2021), with a rate of 15.8% in 2020.<sup>10</sup>
- 1.6 **Access to digital services.** Online government processes account, on average, for around 5% of the cost of in-person processes (Roseth et al., 2017).<sup>11</sup> In terms of demand, the population of the State of Amazonas can receive more and better digital services because its connectivity levels are high; 89% of residents report having Wi-Fi at home and 97.7% have access to the Internet via cell phone (IDB, 2021).<sup>12</sup> However, in terms of supply, the digital transformation of the State of Amazonas poses some challenges: (i) although its governance and its dedicated cybersecurity team are worthy of mention,<sup>13</sup> it ranked 21st out of 27 federative entities on the

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<sup>4</sup> Survey (2021). A survey in the program's direct area of intervention found that the number of hospitalizations for diarrhea averaged 1,636 individuals per 100,000 inhabitants. The average in the Manaus Metropolitan Area was 115 (DATASUS, 2019).

<sup>5</sup> *Diagnóstico preliminar da vulnerabilidade e as previsões dos efeitos das mudanças climáticas na saúde pública no município de Manaus*; Ministry of Health, 2010.

<sup>6</sup> According to the [2020 Development in the Americas report](#) entitled "From Structures to Services," to close access gaps, reduce inequalities, and achieve benefits, in addition to investing in infrastructure, efforts must be made to ensure quality services to provide users with adequate infrastructure.

<sup>7</sup> Around 7,500 km of macro drainage canals and about 20,600 km of micro drainage networks.

<sup>8</sup> The [2020 Development in the Americas report](#) estimates that approximately 30,000 direct and indirect jobs are created in Latin America and the Caribbean for every US\$1 billion invested in infrastructure.

<sup>9</sup> COVID-19 in Manaus ([link](#)).

<sup>10</sup> *Pesquisa Nacional por Amostra de Domicílios Contínua*, [Brazilian Institute of Geography and Statistics](#).

<sup>11</sup> On average, over 2,000 procedures are managed in the region.

<sup>12</sup> [Link](#).

<sup>13</sup> The State of Amazonas reported not having digital transformation strategies (present in 37% of states) or cybersecurity protocols (present in 23% of states). [IDB \(2021\)](#).

digital service offering index<sup>14</sup> in 2021, meaning that it does not have a strategy or trained officials to accelerate the digitalization of its services with quality and efficiency;<sup>15</sup> (ii) it does not have a one-stop service portal, a single access point, or a citizen portal (with different users and passwords), which is in addition to the 54% of users of currently fragmented digital services who report having difficulties using them (the average in Brazil is 45%); and (iii) its processes, information management systems, and equipment are inefficient, as they are 15 years old, on average.

- 1.7 **Gender, diversity, and inclusion.** Multiple factors in the State of Amazonas and the city of Manaus demonstrate the high vulnerability of not only white but also indigenous and quilombola women, who will be served by the program. With respect to gender, the femicide rate in Manaus in 2013 was 6.5%, placing the city 15th among Brazil's 27 capitals. As far as wage gaps are concerned, in 2019 women were paid on average 22% less than men. According to a social study of the population to be resettled, of a total of 1,216 women, accounting for 58% of the population, 92% are heads of household. Of this percentage, 42% have a high school or technical education level, 32.5% have basic education, and 89% are 30 to 59 years old. Another factor adding to the vulnerability is their employment status, as 29% are self-employed and 33% are unemployed. In terms of diversity, statistics on the indigenous and quilombola population<sup>16</sup> and data cross-referencing gender with diversity are lacking for the State of Amazonas and Manaus. Generally speaking, 180 indigenous communities live in Brazil's Amazon region, with approximately 208,000 individuals belonging to 17 ethnic groups, Ticuna being the largest such group.<sup>17</sup> The quilombola population cannot be estimated for the State of Amazonas or nationally due to the lack of a census, hence the importance of the data that will be collected through this program<sup>18</sup> (paragraph 1.14).
- 1.8 **Climate change considerations.** Studies [\[7\]](#) on Brazil show that the northern and northeastern parts of the country are expected to see marked increases in mean annual temperature, greater drought and precipitation extremes, and a significant destabilization of the annual hydrological cycle, which may lead to lower precipitation. Models for the State of Amazonas<sup>19</sup> show an increase in consecutive dry days per year, an increase in rain intensity but a reduction in annual average precipitation, and a trend towards a higher annual average temperature under the RCP8.5 scenario.<sup>20</sup> These changes will affect Manaus inhabitants, their physical environment, and their livelihoods, making those in flood-prone areas in particular

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<sup>14</sup> Brazilian Association of State Information Technology and Communication Entities (ABEP-TIC) (2021).

<sup>15</sup> [2020 Development in the Americas report](#). The digitalization of services will spur economic growth (increasing GDP by 5.7% on average for Latin America and the Caribbean) and benefit the poorest by driving down service prices.

<sup>16</sup> The government estimates the number of people to be 1,133,106. Social organizations estimate around 23 million.

<sup>17</sup> [Optional link 11](#).

<sup>18</sup> According to the Inter-American Foundation, in 2020 there were close to 6,000 quilombola communities in 24 of Brazil's 27 states.

<sup>19</sup> ETA-Miroc5 and ETA-Hadley models used by the Ministry of Science and Innovation ([online platform](#)).

<sup>20</sup> Greenhouse Gas Representative Concentration Pathway under a critical scenario assuming high demographic growth and intensive energy use with high emissions.

more vulnerable. The discharge of organic load directly into canals and *igarapés*, in an environment marked by restricted flow and high temperatures, also generates pollution and is a source of methane emissions.

- 1.9 **Strategy of the State of Amazonas.** The program interventions fall under the 2014 [Plano Diretor Urbano e Ambiental do Município de Manaus](#), which, under the strategy for the environmental reclassification of the territory, seeks to protect and improve the natural heritage of Manaus, giving priority to the maintenance of specially protected spaces, conflict resolution, and the mitigation of environmental degradation processes resulting from incompatible uses and poor sanitation. The planned interventions are contained in the State of Amazonas' multiyear plan, approved by State Law 5,055 for the period from 2020 to 2023, which lays out the legal and budgetary basis for the program.
- 1.10 **Program design and strategy.** The strategy takes a basin-wide approach to solving the problems, with multisector interventions in water, sewerage, storm drainage, flood prevention [8], family resettlement, and the provision of housing, urban development and mobility, the improvement of environmental [9] and health [10] conditions, the reduction of vulnerability, the enhancement of climate resilience,<sup>21</sup> and the improvement of livelihoods and associated ecosystems within the program's direct area of intervention [11], where the poor and vulnerable population<sup>22</sup> of Manaus<sup>23</sup> is concentrated. The above is of utmost importance due to the positive link [12] between environmental quality, health, and the availability of drinking water, sanitary sewerage, and drainage services. The likelihood of contracting waterborne diseases decreases when joint drinking water, sanitary sewerage [13], and drainage [10] services are available, which has a direct effect on reducing infant mortality and morbidity [14]. To that end, the proposal is to: (i) implement gray and green drainage as part of urban design (grass, reforestation, interlocking flooring and paving); (ii) make drinking water and sanitary sewerage services universally accessible in the program's direct area of intervention and resolve the problem of access to solid waste services indirectly to improve access to neighborhoods; and (iii) target measures to promote gender inclusion and diversity, primarily women from resettled families.
- 1.11 The urban planning intervention strategy will promote the restructuring and regulation of land use and occupation in line with the existing urban structure and the needs of the population, including persons with disabilities,<sup>24</sup> for inclusive, climate-resilient, and low-carbon development. The following are proposed: (i) low-income housing in green apartment buildings that are inclusive for persons with disabilities, have covered markets and commercial and service areas (prioritizing resettled families and promoting gender inclusion), are energy efficient, and have facilities for remote work and educational and business activities, making

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<sup>21</sup> [2020 Development in the Americas report](#). To have resilience, a regulatory framework is needed to sustainably improve infrastructure through natural infrastructure adaptation, mitigation, and use.

<sup>22</sup> Manaus is among the 10% of municípios with the highest social inequality. The *Bolsa Família* program benefits 27% of families living in the area from which people would be removed ([optional link 7](#)).

<sup>23</sup> Socioeconomic survey (2020). In the program's direct area of intervention, 37% of households earn less than one minimum wage per month. In the resettlement area, 50% earn less than one minimum wage (R\$1,039 in 2020).

<sup>24</sup> Article 3, Law [13,146](#) of 6 July 2015.

- adaptation to the new normal easier; (ii) rehabilitation and expansion of the road network using porous pavement to facilitate infiltration in order to better connect the population to the rest of the city;<sup>25</sup> (iii) revitalization of degraded areas adjacent to bodies of water with mechanisms that prevent their improper occupation; and (iv) green infrastructure in bike lanes, parks, and squares, ensuring accessibility for persons with disabilities.<sup>26</sup> The strategy includes strengthening socioenvironmental management and communication as part of the resettlement.
- 1.12 **Strategy for the rehabilitation of current critical infrastructure.** The strategy aims to improve the quality of existing drainage infrastructure, restoring conveyance capacity and reducing the population's vulnerability. A "maintenance shock" is planned for critical macro and micro drainage infrastructure with intensive use of labor to support economic recovery from COVID-19 (paragraph 1.5), creating approximately 260 jobs during its implementation.
- 1.13 **Strategy for expanding the digital public service offering.** This strategy aims to increase the digital services provided to the population by the State of Amazonas. Taking advantage of the potential of the digital transformation requires strategic thinking, a comprehensive long-term vision, and the ability to achieve results in connectivity, governance, digital talent and infrastructure, and modern regulation.<sup>27</sup> The strategy includes: (i) improving strategic planning and human talent development for efficient implementation; (ii) modernizing management and expanding digital public services on a one-stop portal; and (iii) modernizing digital infrastructure ([optional link 13](#)).
- 1.14 **Strategy for gender inclusion and diversity.** The strategy aims to improve: (i) the productive inclusion of women, training them in job skills and promoting their employment in the program works and business units; (ii) their representativeness in bodies (committees and working groups) that make decisions on program implementation; (iii) the generation of statistical information on gaps to inform public policy; and (iv) support and social services for women. To this end: (i) the actions taken by the Executive Secretariat of Policies for Women (SEPM) in the areas of prevention, violence, job creation, and technical training will be expanded and the generation of statistical data on gaps, including on the indigenous and quilombola population, will be improved through the creation of a gender observatory and the implementation of mobile points of service for women with an approach to preventing violence against women, including black, quilombola, and indigenous women; and (ii) the conditions of resettled female heads of household will be improved, promoting their participation in management and supporting entrepreneurship under the program, including technical training in business management [\[15\]](#).
- 1.15 **Strategy for improving climate resilience.** This strategy seeks to reduce the vulnerability of the population in the program's direct area of intervention to the impacts of climate change, thus improving its resilience. Macro drainage

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<sup>25</sup> Given the considerations in the guidelines for the expansion and reconfiguration of the road network in the city, established in the PlanMob2 Urban Mobility Plan.

<sup>26</sup> Following the guidelines for persons with disabilities and reduced mobility in the [Plano Diretor Urbano e Ambiental do Município de Manaus](#) on urban mobility.

<sup>27</sup> IDB (2021), [Vision 2025](#).

infrastructure, family relocation, and green investment<sup>28</sup> (focused on increasing infiltration and replenishing aquifers, reducing runoff speed, and decreasing gray infrastructure, among other things) will help increase climate resilience. Access to safe water will make the population less vulnerable in a more unpredictable rain cycle. Sanitation investments will help reduce methane emissions. In this context, the Bank's "[Vision 2025](#) – Reinvest in the Americas" stresses the importance of promoting sustainable infrastructure and the conversion to climate-resilient, low-carbon development pathways.

- 1.16 **The Bank's experience in the country.** In 2003, the State of Amazonas created the Social and Environmental Program for the Igarapés in Manaus (PROSAMIM), offering a response to socioeconomic, environmental, and urban planning problems. The Bank has been supporting the State of Amazonas since 2006 in gradually cleaning up the 148 *igarapés* in Manaus through the following completed loan operations: PROSAMIM I (1692/OC-BR, approved on 30 November 2005 for US\$200 million), PROSAMIM I Supplementary Financing (2165/OC-BR, approved on 15 July 2009 for US\$110 million), PROSAMIM II (2006/OC-BR, approved on 6 August 2008 for US\$220 million), and PROSAMIM III (2676/OC-BR, approved on 13 December 2011 for US\$391 million), benefiting more than 70,155 inhabitants. As part of the various PROSAMIM phases, institutional strengthening measures were implemented to, inter alia, expand the operational and management capacity of institutions responsible for the operation and maintenance (O&M) of built works.
- 1.17 **Lessons learned.** The lessons learned during the Bank's operations<sup>29</sup> in Brazil and the region were incorporated into this program to make the improvements sustainable, among other aims. These include: (i) a comprehensive and multisector approach as an essential component of making an impact (paragraph 1.10); (ii) shared social management with the presence of committees of community representatives, local support groups, and the Crisis Management Commission to guarantee the population's engagement; (iii) joint action with the environmental body to ensure that there are no licensing delays using the same modality for the program as for PROSAMIM, through the Environmental Protection Institute of the State of Amazonas, responsible for obtaining licensing, management, and monitoring guidelines; (iv) the creation of strategic partnerships, like in PROSAMIM, where an Integrated Group for the Prevention of Encroachments on Public Areas was established, in which state and municipal authorities operate to prevent encroachments on and construction in already expropriated areas, as well as assistance with resettlement processes for the Public Defender's Office of the State of Amazonas; (v) the regularization of land tenure with a land use plan that provides low-income individuals with access to formal housing; (vi) communication actions, such as support for the development of social actions (paragraph 1.24), promoting participation by resettled individuals in the preparation and selection of alternative housing arrangements; and (vii) coordination of eviction and resettlement actions in a linear fashion within the

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<sup>28</sup> According to the [2020 Development in the Americas report](#), green infrastructure can produce many of the same services as conventional or "gray" infrastructure, with the same cost-effectiveness and efficiency.

<sup>29</sup> The Bank has financed similar operations, such as PROSAMIM in Manaus (2676/OC-BR), PROMABEN in Belém (3303/OC-BR), and PSU IV (1819/OC-UR) in Montevideo.

- works schedule to control new occupations and reduce the duration of temporary removals. These lessons were incorporated into the Resettlement Plan ([optional link 9](#)). The lessons learned in digitalization include: (i) defining targets taking into account successful experiences in other Brazilian states and the use of comparative assessment tools between states; (ii) combining the digitalization of administrative processes with the delivery of services to citizens (paragraph 1.24); (iii) building the executing agency's capacities through specialized advisory services for the successful implementation of complex technological products (paragraph 1.24); and (iv) ensuring a single-channel approach to improving services so that the entire population is reached (paragraph 1.13). The program complements operation ATN/OC-18194-BR, which supported its preparation and will support its implementation.
- 1.18 **The Bank's strategy with the country.** The operation is aligned with two strategic objectives set forth in the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973) to (i) narrow infrastructure gaps; and (ii) promote e-government and digital solutions to foster transparency, accountability, and efficiency. It is also aligned with the crosscutting themes of: (i) gender and diversity, (paragraphs 1.7, 1.14, and 1.19); (ii) environmental sustainability and climate change (paragraphs 1.8, 1.15, and 1.19); and (iii) innovation and digital transformation (paragraphs 1.6, 1.13, and 1.19). The program is included in the Update of the Annex III of the 2021 Operational Program Report (document GN-3034-2).
- 1.19 **Strategic alignment.** The operation is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with: (i) social inclusion and equality, by seeking to expand and improve water and sanitary sewerage services with an emphasis on vulnerable populations; and (ii) productivity and innovation, by financing the development and implementation of a plan for the digital transformation of the State, increasing the population's access to digital services. It is also aligned with the crosscutting themes of: (i) gender and diversity, by promoting and expanding opportunities for female labor participation, creating a gender observatory, and improving the supply of walk-in social services with an approach to preventing violence against women, including quilombola and indigenous women; (ii) institutional capacity and rule of law, by building capacities in digital transformation, modernizing management, and expanding the digital service offering (paragraphs 1.7, 1.14, 1.19, and 1.24); and (iii) climate change and environmental sustainability, by including measures to enhance the climate resilience of infrastructure, resettling communities under threat of flooding, promoting the use of green infrastructure, and reducing methane-generating pollutant loads. A total of 65.71% of the operation's resources will be invested in climate change mitigation and adaptation activities, according to the [joint methodology of the multilateral development banks](#), contributing to the IDB Group target of increasing financing for climate change projects to 30% of approvals in 2021, given the financing of macro and micro drainage infrastructure (adaptation) and wastewater collection, transport, and treatment, which reduces emissions (mitigation).
- 1.20 The operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: "households with new or upgraded access to water and sanitation," "beneficiaries of enhanced disaster and

climate change resilience,” and “agencies with strengthened digital technology and managerial capacity.” The program is aligned with the Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy (document GN-2710-5) in the priority area of “support [for] the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life”; the Gender Action Plan for Operations 2020-2021 (document GN-2531-19) with the lines of action to reduce, prevent gender-based violence, and strengthen women’s capacities and opportunities to access nontraditional jobs; and the following Sector Frameworks Documents: (i) Water and Sanitation (document GN-2781-8), with the premise that “projects and programs are environmentally and socially sustainable and incorporate climate change and environmental and cultural sustainability considerations”; (ii) Housing and Urban Development (document GN-2732-11), with the lines of action for overcoming structural social exclusion, as the program seeks to improve underserved and informal neighborhoods, provide suitable housing, reduce pollution, and increase the climate change mitigation and resilience levels by promoting the use of nature-based solutions; (iii) Climate Change (document GN-2835-8), as the program and services promoted take into account climate change and risks related to natural disasters and encourage water safety; and (iv) Gender and Diversity (document GN-2800-8), by promoting gender equality and the empowerment of women. The operation is related to the fourth thematic area—“Sustainable Infrastructure and Sustainable Cities”—of the Amazon Initiative, Establishment of the Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon (document GN-3036-4), by including the development of sustainable infrastructure to improve the environmental, health, and climate resilience conditions of Manaus and a government with more digital services that will stimulate the public and private sectors.

- 1.21 **Consistency with the Public Utilities Policy (document GN-2716-6).** The program meets the financial sustainability and economic evaluation conditions of the Public Utilities Policy and is consistent with the principles of that policy. Manaus Ambiental S.A. has been covering its O&M costs and financial obligations with income from tariffs, with an increasing generation of operating cash. The Government of the State of Amazonas has a balanced fiscal position and low debt levels (paragraph 2.12). The concession holder offers a social rate to vulnerable populations (paragraph 1.29) ([optional link 5](#)).

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

- 1.22 **Objectives.** The program’s general objective is to help improve the health and socioeconomic conditions of the population in the Igarapé do Quarenta subbasin in Manaus. The specific objectives are to: (i) increase access to drinking water and sanitary sewerage services; (ii) reduce the risk of flooding and improve the quality of critical stormwater drainage infrastructure services, considering climate resilience criteria; (iii) expand the digital service offering from the State of Amazonas; and (iv) support actions under the gender equality policy in the State of Amazonas, with a focus on the program’s area of intervention.

- 1.23 **Component I. Infrastructure works, urban sanitation, resettlement, and rehabilitation of critical infrastructure<sup>30</sup> (US\$70.31 million from the IDB; US\$33.58 million from counterpart resources).** The following will be financed: (i) macro drainage works<sup>31</sup> with open-air canals, tunnels, and special concrete structures; micro drainage with service lines; drinking water distribution network, meters, and household and in-home connections; (ii) implementation of collecting sewers, lift stations, and household and in-home sanitary sewerage connections; (iii) resettlement planning and execution, including technical social work, housing assistance, indemnification, compensation, property titling, and the like; (iv) complementary urban development works, including housing for resettled families, parks, squares, and the rehabilitation and construction of roads, including interconnections with existing trunk roads; (v) the maintenance and rehabilitation of critical macro and micro drainage infrastructure, with intensive use of labor, creating jobs; and (vi) consulting services for the preparation of complementary studies and projects (paragraph 1.28) and for the supervision of works.
- 1.24 **Component II. Gender inclusion and diversity, socioenvironmental management, and digital transformation (US\$6.84 million from the IDB; US\$211,245 from counterpart resources).** The following will be financed: (i) gender and diversity actions, including vocational training, support for implementation of the gender observatory, and the establishment of points of service for women in vulnerable situations; (ii) the development and implementation of a socioenvironmental management plan and communication plan focused on family resettlement and support with a view to implementing community development and participation, communication, social inclusion, productive employment and income management, and environmental and health education actions; and (iii) (a) support for implementation of a digital transformation and cybersecurity strategy; (b) training for public servants to operate the services implemented in the State of Amazonas; and (c) the procurement of database servers and other equipment for the digital transformation and management modernization process.
- 1.25 **Component III. Support for administration, audit, and evaluation and monitoring (US\$2.85 million from the IDB; US\$492,905 from counterpart resources).** This financing will cover costs related to specialized support services for program management, monitoring, and evaluation and external audits.

### **C. Key results indicators**

- 1.26 The Results Matrix includes program outputs, outcomes, and impacts. Table I-1 shows the main outcome indicators.

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<sup>30</sup> The operation will finance approximately 5,026 m of macro drainage canals, 145 m of tunnels, 26,056 m of micro drainage lines, the recovery of approximately 447,348 m<sup>2</sup> of degraded areas, 75,400 m<sup>2</sup> of green infrastructure, the construction of 648 housing units, 12 km of rehabilitated roads and 8 km of new roads, 8,200 m of drinking water lines, 1,368 household connections, the installation of 648 hydrometers, and 23 in-home connections. This is in addition to approximately 69,859 m of sanitary sewerage lines, 6 pump stations, 6,895 household connections, and 2,978 in-home connections.

<sup>31</sup> The basic engineering designs have already been developed and analyzed (paragraph 1.28).

**Table I-1 – Key indicators**

Outcome indicator	Unit of measure	Baseline (2021)	Target (2026)
Effective drinking water coverage by the network in the program's direct area of intervention	%	90	97
Effective sanitary sewerage coverage by the network in the program's direct area of intervention	%	0	90
Households at risk of flooding (25-year period) in the program's direct area of intervention	# households	4,213	0
Women's rate of participation in job skills training focused on the program's direct area of intervention	%	30	50
Women served at mobile points of service in metropolitan Manaus	# women	0 (2020)	2,650
Index of capacity to offer digital services (ABEP-TIC)	Points	9	36

- 1.27 **Benefits and beneficiaries.** Approximately 34,806 inhabitants (51% of them women) will benefit directly. This is equivalent to about 7,735 households whose sanitary, environmental, and urban development conditions will be improved. Of these inhabitants, 6,156 (1,368 households) and 28,085 (6,241 households) will benefit from new drinking water and sanitary sewerage services, respectively, and about 4,213 families (18,985 inhabitants, 58% of families with female heads of household) will see their vulnerability reduced due to the installation of drainage works or because they will be removed from risk areas. The program will also benefit 2,650 women (of whom 175 are indigenous and 100 are quilombola) by providing them with access to mobile points of service for the prevention of gender-based violence as well as 2.3 million inhabitants over the age of 16 in the State of Amazonas (51.21% of them women) who have Internet through time and cost savings for public services, available in 100% digital format.
- 1.28 **Technical viability.** The proposals are technically viable, are appropriate to the identified needs and the capacity and quality objectives defined, and are the lowest-cost solution. The projects under Component I will be developed to the final design stage by a consulting firm, in accordance with applicable state, national, and international regulations. To guarantee their quality, final documents and designs will be approved by the relevant bodies and by those responsible for infrastructure O&M and will be submitted to the Bank for its no objection prior to being tendered ([optional link 1](#)).
- 1.29 **Economic analysis.** A cost-benefit analysis with and without the intervention was performed. The benefits were quantified through a property appraisal for drainage and urban planning, calculated for areas similar to those in PROSAMIM III and updated to 2021 values; a reduction in costs for O&M and vehicle road travel time; and disability-adjusted life years for sanitary sewerage, housing, and resettlement as well as consumer surplus for drinking water. The costs considered were the incremental costs of investment and O&M valued at social prices. The findings show that the operation is viable with internal rates of return higher than 12% for the projects individually and as a whole. The analysis was supplemented with a sensitivity analysis ([optional link 2](#)). The beneficiary population's capacity to pay was verified, considering the concession holder's rates and the social rate for vulnerable groups ([optional link 2](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Modality and financial structure.** The program will be financed through a loan for specific projects, as all the projects have been identified and evaluated, the project cost and preliminary design have been defined, and the technical, financial, and economic feasibility has been estimated.
- 2.2 **Cost and financing.** The total estimated program amount is US\$114.28 million, with US\$80 million to be financed from the Bank's Ordinary Capital and US\$34.28 million from the local contribution. The consolidated budget is shown in Table II-1.

Table II-1. Estimated program costs (in US\$)<sup>32</sup>

Component	IDB	Local	Total	%
<b>Component I. Infrastructure works, urban sanitation, resettlement, and rehabilitation of critical infrastructure</b>	<b>70,308,235</b>	<b>33,581,580</b>	<b>103,889,815</b>	<b>90.9</b>
Infrastructure works	32,057,802	33,112,146	65,169,948	57.0
Rehabilitation of critical infrastructure	4,000,000	-	4,000,000	3.5
Resettlement	34,250,433	469,434	34,719,867	30.4
<b>Component II. Gender inclusion and diversity, socioenvironmental management, and digital transformation</b>	<b>6,844,980</b>	<b>211,245</b>	<b>7,056,225</b>	<b>6.2</b>
Gender actions	450,000	0	450,000	0.4
Socioenvironmental management	1,394,980	211,245	1,606,225	1.5
Acceleration of innovation and digitalization	5,000,000	0	5,000,000	4.3
<b>Component III. Support for administration, audit, and evaluation and monitoring</b>	<b>2,846,785</b>	<b>492,905</b>	<b>3,339,690</b>	<b>2.9</b>
<b>Total</b>	<b>80,000,000</b>	<b>34,285,730</b>	<b>114,285,730</b>	<b>100</b>

- 2.3 The disbursement period will be five years. The program will respond to the demands prioritized by the State of Amazonas (paragraphs 1.9 and 3.11) and will include a program Operations Manual ([optional link 4](#)) (paragraph 3.9). This period was established considering the intervention's multisector nature, the complexity of implementation due to the resettlement, and the experience of the State of Amazonas in executing the various PROSAMIM projects (paragraphs 2.9 and 3.4). The disbursement schedule is shown in Table II-2, in keeping with the multiyear execution plan ([required link 1](#)).

<sup>32</sup> The itemized amounts in each component are indicative.

**Table II-2 – Disbursement schedule (in US\$ millions)**

Source/year	1	2	3	4	5	Total
IDB	6.52	33.99	24.57	11.42	3.50	80.00
Local contribution	2.32	11.14	10.33	8.82	1.67	34.28
<b>Total</b>	<b>8.84</b>	<b>45.13</b>	<b>34.90</b>	<b>20.24</b>	<b>5.17</b>	<b>114.28</b>
<b>%</b>	<b>7.7</b>	<b>39.5</b>	<b>30.5</b>	<b>17.7</b>	<b>4.5</b>	<b>100</b>

**B. Environmental and social safeguard risks**

- 2.4 In accordance with the Environment and Safeguards Compliance Policy (operational policy OP-703), this has been classified as a Category “A” operation due mainly to the physical and/or economic displacement of 2,580 families occupying areas exposed to the risk of recurrent flooding and serious health and precariousness problems. The program will also have temporary environmental impacts associated with the demolition of current structures and the construction of new infrastructure. The program’s direct area of intervention includes part of the Floresta Manaós environmental protection area, which protects remaining natural forests and endangered species of fauna. However, potential adverse impacts are minimal. The program includes the reforestation of areas currently occupied by informal settlements. Opportunities for improving ecological connectivity will also be sought. The program has a moderate disaster and climate change risk level due to its risk from localized flooding and landslides.
- 2.5 As this is a specific works operation, an environmental and social impact assessment ([ESIA](#)), an [environmental and social management plan](#), and a [resettlement plan](#) were developed and published on the Bank’s website in the time frames specified in the policy. The resettlement plan outlines the compensation options for the 2,580 families affected, including monetary indemnification for affected housing or business activity, resettlement in one of the 648 housing units built by the program, a voucher for the assisted purchase of a home on the real estate market, a concession to use one of the commercial spaces built by the program, and payment of temporary rent. The ESIA includes a qualitative disaster and climate change risk assessment (DCCRA) that identifies these risks and makes recommendations for mitigating them. Before the works are tendered, a quantitative DCCRA will be carried out and a disaster and climate change risk management plan will be developed to inform the engineering designs and propose additional resilience measures.
- 2.6 Between July and August 2021, significant consultations were held, including six consultation events over two rounds and intensive engagement with all the families to be resettled and with the community leaders elected by those families to represent them at the consultation events and later returns. The events were held using hybrid, in-person, and virtual consultations with the participation of 719 people, 106 of whom attended in person and 613 virtually. The State of Amazonas’ government-run Facebook page and YouTube channel also had 13,872 views. As documented by the [consultation report](#), participant support for the program was unanimous. The main concerns were the method of appraising property and determining indemnification values, documentation proving titling and ownership, the boundaries of the areas of intervention, and consultations on specific impact and compensation cases.

- 2.7 This program is a continuation of PROSAMIM III and will be managed by the same executing agency (paragraph 3.1). PROSAMIM III is ending in December 2021. It has shown satisfactory socioenvironmental performance thus far, although some families have yet to be resettled. If environmental and/or social liabilities remain after it ends, the Special Project Management Unit (SPMU) will need to agree on an action plan with the Bank to correct the liabilities identified.

### **C. Fiduciary risks**

- 2.8 A medium-high risk was identified in connection with the need for additional resources and adjustments between program components if the local currency appreciates significantly. To mitigate this risk, the State of Amazonas will have to guarantee sufficient budget resources to cover additional financing needs in local currency that any work or activity in the multiyear execution plan might require should the loan proceeds be insufficient due to a potential significant devaluation of the dollar.
- 2.9 **Institutional viability.** An institutional capacity assessment of the SPMU was carried out using the Institutional Capacity Assessment Platform. The findings allow for a satisfactory verification of execution conditions in the SPMU, which has extensive experience managing PROSAMIM projects. However, the equipment used for medium and high complexity activities will have to be upgraded and the SPMU structure strengthened through financial support to improve the working conditions of the equipment (software and hardware, such as GPS, GIS equipment, drones, and audio and video equipment). Other entities will also be involved in program execution (paragraph 3.4). Their duties and responsibilities are outlined in the program Operations Manual.

### **D. Other key issues and risks**

- 2.10 A medium-high health risk was identified that, in the event of a new wave of COVID-19, could result in the suspension of transportation, restrictions on travel and economic activities, and other measures that could lengthen the program execution period. This risk will be mitigated through the crisis management model and control actions used during PROSAMIM III execution.
- 2.11 **Authorization bill.** The Legislative Assembly of the State of Amazonas passed a bill on 29 September 2021 authorizing the State of Amazonas to contract the loan.
- 2.12 **Financial viability.** Financial capacity analyses were carried out for the State of Amazonas and the concession holder, Manaus Ambiental S.A. The results show that the State of Amazonas has resources to service the debt, provide the local contribution, and maintain the works. The State received a repayment capacity rating of “B” in 2018, 2019, and 2020, enabling it to borrow and obtain guarantees from the Union. The projections show that the State of Amazonas will maintain a “B” rating ([optional link 3](#)).<sup>33</sup> The concession holder has demonstrated consistent, robust growth in its financial statements since 2018. Growing cash generation demonstrates management’s commitment to improving operational efficiency,

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<sup>33</sup> The National Treasury Secretariat (STN) is reviewing the states’ repayment capacity rating based on a new methodology, but there is no indication that the projected “B” rating will change.

which is indicative of its capacity to administer new assets arising from the program ([optional link 3](#)).

- 2.13 **Sewage treatment plant.** The sewage treatment plant where the wastewater collected through program interventions will be treated will be financed, built, and operated by the concession holder in keeping with the commitments set out in its concession contract. Construction is slated to begin in 2022. To guarantee the coordinated implementation of both interventions, a special condition for execution has been included (paragraph 3.7).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower, executing agency, and guarantor.** The borrower will be the State of Amazonas, and the Federative Republic of Brazil will be the guarantor of the borrower's financial obligations. The program will be executed and the loan proceeds used by the borrower through the Special Project Management Unit (SPMU).
- 3.2 **Execution plan.** The SPMU will be responsible for the general coordination and management of the program and will have the following tasks, inter alia, to be outlined in the program Operations Manual: maintain formal communication with the Bank; prepare operational planning documents (multiyear execution plan, financial plan, procurement plan, etc.); submit to the Bank progress reports and audited financial statements; hold planned bidding and procurement processes through the Special Bidding Subcommittee; submit to the Bank disbursement requests; and coordinate the management and oversight of works.
- 3.3 The SPMU will maintain a structure for the program's administrative, financial, engineering, planning, and environmental and social project, legal, and institutional relations management. Details of the execution structure within the SPMU, including the profiles of the professionals, internal coordination mechanisms, and responsibilities will be included in the program Operations Manual ([optional link 4](#)).
- 3.4 The SPMU will receive assistance from state government bodies and entities involved in program execution, such as the Office of the State Attorney General, the State Secretariat of Justice, Human Rights, and Citizenship (SEJUSC), and the Integrated Management Unit of the Office of the Chief of Staff or others that replace them and have similar legal competencies and powers. The responsibilities of said bodies and entities will be detailed in the program Operations Manual.
- 3.5 **Sustainability.** To ensure the sustainability of drainage, housing, road, and urban development works, the borrower will sign an agreement with the Município of Manaus, which will include the following obligations for the Município, at a minimum: (i) approval of the projects; (ii) execution support; (iii) acceptance; and (iv) O&M of works, including resources secured in the municipal budget. To guarantee the sustainability of the water and sanitary sewerage works, the borrower will sign an agreement with the Município and with Manaus Ambiental S.A., which will include the following obligations for the concession holder, at a minimum: (i) approval of the projects; (ii) execution support;

- (iii) acceptance, (iv) O&M; (v) financing, construction, and O&M of the sewage treatment plant (paragraph 2.13), including its connection to the system built by the program; and (vi) implementation of the Environmental and Health Education Program for the use of drinking water and sanitary sewerage services. The Município will be responsible for enabling and encouraging<sup>34</sup> users to connect to the networks developed.
- 3.6 **Maintenance.** The borrower pledges to: adequately maintain the program-financed works and equipment in accordance with generally accepted technical standards, through mechanisms and instruments agreed with the Bank, and to present to the Bank starting the year after the first program works are completed and for two years after completion of the final works, in the first quarter of the calendar year, an annual maintenance plan and a report on the O&M status of the program works and equipment.
- 3.7 **Special contractual conditions precedent to the first disbursement of the loan: The first disbursement of the loan will be contingent on the borrower providing, to the Bank's satisfaction, evidence of: (i) the approval of the [program Operations Manual](#), under the terms previously agreed with the Bank and its entry into force through a "portaria" [order] published in the Official Gazette of the State, necessary given that the program Operations Manual will define the operational considerations of execution and will harmonize the procedures to be followed by the executing agency; (ii) the publication, in the Official Gazette of the State of Amazonas, of legal instruments (a) assigning program execution to the SPMU; and (b) expanding the powers of SUHAB and the State Housing Fund (FEH) to address the program's resettlement actions, necessary to ensure that the SPMU, SUHAB, and the FEH have formal powers to execute the program; (iii) the signature and entry into force of an agreement between the executing agency and SUHAB establishing the terms and conditions of the transfer and partial use of the loan proceeds and the parties' responsibilities in connection with the program's resettlement actions, necessary to formalize the responsibilities and the proper management and execution of resources in accordance with applicable Bank policies and procedures; and (iv) declarations of public use of the land, whose expropriation will be necessary for the program works to avoid delays in the commencement of works.**
- 3.8 **Special contractual conditions for execution:** The borrower has presented evidence, to the Bank's satisfaction: (i) prior to the issuance of the first service order for specific water and sanitary sewerage works under the program, of the signature and entry into force of (a) a cooperation agreement between the borrower, the Município of Manaus, and the competent concession holder for water and sanitation services; and (b) a contract for the execution of the works on the sewage treatment plant (ETE Raíz) to be built by the aforementioned concession holder to treat wastewater under the program; and (ii) prior to the issuance of the first service order for specific drainage and urban development works, of the signature and entry into force of a cooperation agreement between the borrower and the Município of Manaus. The first and second conditions are required to ensure maintenance of the drainage, sewerage, and water works and execution of

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<sup>34</sup> Pursuant to Federal Law 11,445/2007 (Art. 45) and the Manaus Health Code (Art. 14).

the wastewater treatment plant in question so as to meet the program targets and objectives, whereas the third condition is required to ensure that execution conforms to the expected works schedule and quality.

- 3.9 **Program Operations Manual.** The program will be governed by the [program Operations Manual](#), containing, inter alia, the following: (i) a detailed execution plan; (ii) the SPMU structure and organization; (iii) the roles and responsibilities of the entities involved; (iv) the rules and procedures for the selection and contracting of works, goods, and services and for administrative and financial management; (v) the environmental and social management plan; and (vi) technical criteria for preparing final project designs.
- 3.10 **Procurement.** Procurement will comply with the IDB Policies for the Procurement of Goods and Works (document GN-2349-15) and Policies for the Selection and Contracting of Consultants (document GN-2350-15), effective as of 1 January 2020. All procurement must be included in and undertaken in accordance with the procurement plan. The executing agency prepared a procurement plan with procurements for the first 18 months of execution ([required link 4](#)).
- 3.11 **Direct contracting.** Based on policy documents GN-2349-15 and GN-2350-15, Processamento de Dados Amazonas S.A. will be contracted directly to provide technical and strategic assistance in IT development. Direct contracting is justified because of its unique and exceptional nature as an IT development company for the government (see Section III of Annex III and the [technical note on direct contracting](#)).
- 3.12 **Disbursements.** Loan proceeds may be disbursed as advances, as reimbursement of expenditures, and as direct payments to suppliers. Advance payments will be made based on expenditure projections for up to 180 days. They will be governed by the Financial Management Guidelines for IDB-financed Projects (operational policy OP-273-12), or the guide in effect during execution. Any advances after the first one will be made when 80% of the cumulative balances pending justification has been accounted for.
- 3.13 **Advance procurement, retroactive financing, and recognition of expenditures.** The SPMU plans to procure works and consulting services prior to program approval to move forward on execution. These will comply with the procurement policies of the Bank, which may retroactively finance from the loan proceeds eligible expenditures for works, consulting services, indemnifications for resettlement, social rent, and equipment for up to US\$5 million (6% of the proposed loan amount) and recognize against the local contribution eligible expenditures for works and consulting services for up to US\$2 million (6% of the estimated amount of the local contribution), provided that they were incurred under terms substantially similar to those established in the loan contract and that the procurement procedures comply with the core procurement principles. Such expenditures will have been incurred on or after 12 July 2021 (the project profile approval date), but under no circumstances include expenditures made more than 18 months prior to the loan approval date.
- 3.14 **Audits.** During the loan disbursement period, the borrower, through the SPMU, will submit to the Bank within 120 days after the end of the financial year the annual audited financial statements for the program. The audit will be conducted by the

Office of the Auditor General of the State of Amazonas or by Bank-eligible external auditors. The determination of the audit scope and other related aspects will be governed by operational policy OP-273-12, or the operational policy in effect during execution, and the Guide to Financial Statements and External Auditing. The final audited financial statements for the program will be submitted not later than 120 days after the expiration of the original disbursement period or any extensions thereto.

**B. Summary of arrangements for monitoring results**

- 3.15 **Monitoring.** The monitoring structure will include the procurement plan, the multiyear execution plan, the annual work plan, the results matrix, the progress monitoring report, and risk management report. The executing agency will send semiannual reports specifying the progress made and the results obtained and an action plan for the next six months ([required link 2](#)).
- 3.16 **Evaluation.** The borrower will submit to the Bank a midterm evaluation and a final evaluation, as outlined in the agreed monitoring and evaluation plan ([required link 2](#)). The before-and-after evaluation methodology will be used. In addition, the executing agency will conduct an ex post economic assessment and a longitudinal study including an impact assessment that will be financed with the operation's resources in accordance with the monitoring and evaluation plan, to be delivered with the final evaluation.

Development Effectiveness Matrix		
Summary		BR-L1553
<i>I. Corporate and Country Priorities</i>		
<b>Section 1. IDB Group Strategic Priorities and CRF Indicators</b>		
Development Challenges & Cross-cutting Issues	<ul style="list-style-type: none"> <li>-Social Inclusion and Equality</li> <li>-Productivity and Innovation</li> <li>-Gender Equality and Diversity</li> <li>-Climate Change</li> <li>-Institutional Capacity and the Rule of Law</li> </ul>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<ul style="list-style-type: none"> <li>-Households with improved access to water and sanitation (#)</li> <li>-Beneficiaries of enhanced disaster and climate change resilience (#)</li> <li>-Agencies with strengthened digital technology and managerial capacity (#)</li> </ul>	
<b>2. Country Development Objectives</b>		
Country Strategy Results Matrix	GN-2973	1.3 Narrow infrastructure gaps 3.3 Promote e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises
Country Program Results Matrix	GN-3034-2	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<i>II. Development Outcomes - Evaluability</i>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
<b>4. Ex ante Economic Analysis</b>		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
<b>5. Monitoring and Evaluation</b>		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
<i>III. Risks &amp; Mitigation Monitoring Matrix</i>		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		A
<i>IV. IDB's Role - Additionality</i>		
<b>The project relies on the use of country systems</b>		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BR-T1449. The TC aims to support the preparation of studies, operational documents, projects and other activities required for the definition, planning and adequate preparation of the Social and Environmental Program of the Manaus and Interior Igarapés - PROSAMIN, and at the same time generate conditions for an efficient execution of this.

**Evaluability Assessment Note:** The general objective of the Program is to contribute to improving the health and socioeconomic conditions of the resident population in the Igarapé do Quarenta sub-basin, in Manaus. The specific objectives are: (i) increase access to Potable Water (PW) and sanitary sewer (SS) services; (ii) reduce the risk of flooding and improve the quality of critical storm drainage infrastructure services considering climate resilience criteria; (iii) expand the provision of digital services provided by the State of Amazonas (EAM); and (iv) support actions of the gender equity policy in the EAM, with a focus on the Program's area of intervention.

The operation presents a solid diagnosis. The main challenges are identified and quantified. Specifically: coverage gaps for drinking water (17.7%) and sanitary sewerage (almost 100%) are identified; deficiencies in the low coverage of storm drainage and low maintenance of the infrastructure, which impacts its service capacity and contributes to flooding in the area; challenges on the part of the EAM in the provision of digital services to citizens; and challenges faced by the population in the city of Manaus with a focus on the factors that affect the well-being of women.

To mitigate these challenges, the program will implement two components: I) urban infrastructure works, sanitation, resettlement and rehabilitation of critical infrastructure, which will contribute to improving the well-being of the population and reducing their vulnerability; II) Inclusion of gender and diversity, socio-environmental management and digital transformation, which complements the infrastructure works, and which contributes to starting a process of digital transformation for the EAM. The results matrix (RM) reflects the General and Specific Objectives of the program and shows a solid vertical logic. The RM includes output, outcome, and impact indicators with their respective baseline values, targets, and means to collect the information. The RM indicators are SMART.

An ex-ante economic analysis was carried out, which analyzes all the works in the program by project type and globally; the analysis considers 90.9% of the value of the operation. The main benefits and costs are identified and quantified. The assumptions made are reasonable. The results show that the operation is viable with Internal Rates of Return (IRR) higher than 12% for all projects individually and globally. Sensitivity analyzes are performed for individual projects and globally under alternative scenarios that modify variables that can affect costs and benefits. These modifications do not present significant alterations in the IRR.

The monitoring and evaluation plan proposes a reflexive evaluation, which is complemented by an ex-post cost-benefit analysis.

The risks identified in the risk matrix seem reasonable and are classified as Low (5), Medium-Low (12), and Medium-High (2) risks. All risks classified as Medium-High include a risk management strategy, activity, responsible party and date or trigger.

## RESULTS MATRIX

<b>Project objectives:</b>	The specific objectives will be to: (i) increase access to drinking water and sanitary sewerage services; (ii) reduce the risk of flooding and improve the quality of critical stormwater drainage infrastructure services, considering climate resilience criteria; (iii) expand the digital service offering from the State of Amazonas; and (iv) support actions under the gender equity policy in the State of Amazonas, with a focus on in the program's area of intervention. The achievement of these objectives will support the general objective of helping to improve the health and socioeconomic conditions of the population in the Igarapé do Quarenta subbasin in Manaus.
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### GENERAL DEVELOPMENT OBJECTIVE (GDO)

Indicators	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments <sup>1</sup>
<b>GDO: To help improve the health and socioeconomic conditions of the population in the Igarapé do Quarenta subbasin in Manaus.</b>							
<b>Expected impact 1: reduced incidence of waterborne diseases</b>							
I.1 Prevalence of diarrheal diseases (annual average) in the program's direct area of intervention	Hospitalization rate per 100,000 inhabitants	1,636	2021	2026	1,145	Longitudinal study / DATASUS	Based on data from the longitudinal study and DATASUS for already cleaned up urban areas of Manaus. The GDO will be observed during the life of the project.

<sup>1</sup> See monitoring and evaluation plan for additional comments by indicator.

**SPECIFIC DEVELOPMENT OBJECTIVES (SDOs)**

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>SDO #1: To increase access to drinking water and sanitary sewerage services</b>											
<b>Expected outcome #1: Access to drinking water services increased</b>											
O.1.1 Effective drinking water coverage by network in the program's direct area of intervention	%	90	2021					97	97	Manaus environmental report	Coverage above 97% implies universal access. 1,368 actual new connections. Disaggregation by gender.
<b>Expected outcome #2: Access to sanitary sewerage increased</b>											
O.2.1 Effective sanitary sewerage coverage by network in the program's direct area of intervention	%	0	2021					90	90	Manaus environmental report	Coverage above 97% implies universal access. 6,985 potential connections. 6,241 actual new connections. Disaggregation by gender.
<b>SDO #2: To reduce the risk of flooding and improve the quality of critical stormwater drainage infrastructure services, considering climate resilience criteria</b>											
<b>Expected outcome #3: Risk of flooding reduced</b>											
O.3.1 Households at risk of flooding (25-year return period) in the program's direct area of intervention	# households	4,213	2021					0	0	Resettlement plan monitoring report	648 families with a new home in the <u>same zone</u> , 1,833 remaining and 1,732 removed. Disaggregation by gender.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
O.3.2 Commercial buildings at risk of flooding (25-year return period) in the program's direct area of intervention	# buildings	179	2021					0	0	Resettlement plan monitoring report	179 properties that will be protected or moved to areas with a low risk of flooding
O.3.3 Average rainwater infiltration capacity improved in the program's direct area of intervention	thousands of m <sup>3</sup> /hr	24.8						43.6	43.6	The final project designs document total areas of green infrastructure to be implemented	Infiltration rate is improved through green infrastructure: permeable grassy area (46,216 m <sup>2</sup> ), afforestation area (110,315 m <sup>2</sup> ), interlocking paving (20,186 m <sup>2</sup> ), and interlocking flooring (8,997 m <sup>2</sup> ).
<b>Expected outcome #4:</b> Rainwater drainage infrastructure service capacity in the program's direct area of intervention recovered											
O.4.1 Effective service capacity (flow) of macro drainage infrastructure for the 25-year resettlement plan	m <sup>3</sup> /s	79.46	2021			141.6	141.6	141.6	141.6	Reports on the in situ measurement of flow in targeted canals	
O.4.2 Actual service capacity (flow rate) of micro drainage infrastructure	m <sup>3</sup> /s	0.53	2021			0.66	0.66	0.66	0.66	Reports on the in situ measurement of the flow rate in targeted canals	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>SDO #3: To expand the digital service offering from the State of Amazonas</b>											
<b>Expected outcome #5: Digital service offering for citizens increased</b>											
O.5.1 Index of the capacity to provide digital services of the Brazilian Association of State Information Technology and Communication Entities (ABEP-TIC)	points	9	2021				36	36	36	Results report on the ranking of state and district governments regarding the provision of digital services prepared by ABEP-TIC	Reaching the target (36/45) would mean answering YES to 6 of the 8 questions which had been answered as NO. <a href="#">ABEP-TIC</a> lists the 10 questions.
<b>SDO #4: To support actions under the gender equity policy in the State of Amazonas, with a focus on the program's area of intervention</b>											
<b>Expected outcome #6: Employment opportunities, with gender inclusion, in the Município of Manaus improved</b>											
O.6.1 Rate of participation by women in targeted job skills training programs in the program's direct area of intervention	%	30	2020					50	50	Record of SEPM/SEJUSC training	50% of participants will be women  Pro-Gender Flag

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
O.6.2 Women in the program's direct area of intervention who receive job skills certification	%	50	2020					75	75	Report on SEPM/SEJUSC training	Pro-Gender Flag
O.6.3 Women in the program's direct area of intervention who receive job skills certification and obtain formal employment or work as self-employed workers in program works	%	0	2021					80	80	Resettlement plan monitoring report	
O.6.4 Rate of occupancy of new business units	%	0						100	100		
<i>Breakdown: Rate of occupancy of new business units by women resettled in the program's direct area of intervention.</i>	%	0						50	50		96 of 192 of units will be for women Pro-Gender Flag

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Expected outcome #7:</b> Gender representation and support services for women to prevent gender-based violence as well as health and hygiene increased											
O.7.1 Semiannual reports on gender gaps and diversity available on the website of the gender observatory of the State of Amazonas	# reports	0	2021			2	2	2	2	Semiannual reports generated by the gender observatory	Breakdown by ethnicity: mestizo, black, quilombola, and indigenous  Pro-Gender Flag
O.7.2 Semiannual reports on gender-based violence available from the gender observatory		0				2	2	2	2		
O.7.3 Members of the Committee of Community Representatives of the program's direct area of intervention who are women	%	20						50	50	Committee articles of association	Pro-Gender Flag
O.7.4 Members of the Committee of Local Support Group Representatives of the program's direct area of intervention who are women	%	0						50	50	Group articles of association	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
O.7.5 Women assisted at mobile points of service in the Manaus Metropolitan Area	# women	0	2021					2,650	2,650	Report on SEPM/SEJUSC mobile services	Assisted means welcomed, guided, and referred to the State Center for the Referral and Support of Women  Pro-Gender Flag
<i>Breakdown: assisted women who self-identify as Indigenous</i>	# women	0						175	175		
<i>Breakdown: assisted women who self-identify as quilombola</i>	# women	0						100	100		

OUTPUTS BY COMPONENT

Indicators	Related outcomes	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>Component I. Infrastructure works, urban sanitation, resettlement, and rehabilitation of critical infrastructure</b>												
<b>I.1 Works</b>												
<b>I.1.1 Stormwater management</b>												
I.1.1.1. Open macro drainage canals built	O.3.1, O.3.2	# m	0	2021		1,005	2,262	1,759		5,026	Supervision report	
I.1.1.2 Tunnels built		# m					145		145			
I.1.1.3 Micro drainage networks built		# m				5,211	11,725	9,120		26,056		
I.1.1.4 Av. Autaz Mirim bridge erected		bridge						1		1		
<b>I.1.2 Urban planning / park and squares</b>												
I.1.2.1 Degraded areas in six urban planning plateaus rehabilitated	O.3.1, O.3.2	# m <sup>2</sup>	0	2021		89,470	201,306	156,572		447,348	Supervision report	
I.1.2.2 Trees to increase rainwater infiltration planted	O.3.3	# trees				2,500	3,000	3,500	277	9,277		Includes reforestation protocol development and implementation
I.1.2.3 New green infrastructure to retain and infiltrate excess rain installed	O.3.3	# m <sup>2</sup>				10,000	15,000	20,000	30,400	75,400		
<b>I.1.3 Housing units</b>												
I.1.3.1 Units built	O.3.1, O.3.2	# units	0	2021		129	292	227		648	Supervision report	
I.1.3.2 Residential park infrastructure (public services) in seven plateaus built	O.3.1, O.3.2	# m <sup>2</sup>				63,062	141,890	110,358		315,310		
<b>I.1.4 Roads</b>												
I.1.4.1 Existing roads rehabilitated	O.3.1, O.3.2	# m	0	2021		2,400	5,400	4,200		12,000	Supervision report	
I.1.4.2 New roads built	O.3.1, O.3.2	# m					1,600	3,600	2,800			8,000

Indicators	Related outcomes	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments	
<b>I.1.5 Water supply</b>													
I.1.5.1 Water distribution network expanded (8,200 m)	O.1.1	# m	0	2021	3,280	4,920				8,200	Supervision report		
<i>I.1.5.1.1 Reserve and Distribution Center established</i>	O.1.1	# units				1				1			
<i>I.1.5.1.2 Drinking water connections in households made</i>		# connections				849	292	227	-	1,368			
<i>I.1.5.1.3 In-home connections made</i>		# connections				23				23			
<i>I.1.5.1.4 Hydrometers installed</i>		# hydrometers				129	292	227		648			
<b>I.1.6 Sanitary sewerage</b>													
I.1.6.1 Sanitary sewerage network expanded	O.2.1	# m	0	2021	3,493	27,944	23,053	15,369		69,859	Supervision report		
<i>I.1.6.1.1 Wastewater lift stations set up</i>	O.2.1	unit				2	2	2		6			
<i>I.1.6.1.2 Standpipe installed</i>		unit				1	1	0		2			
<i>I.1.6.1.3 Household connections made</i>		# connections				313	2,628	2,353	1,601			6,895	
<i>I.1.6.1.4 In-home connections made</i>		# connections				149	1,191	983	655			2,978	
I.1.7 Engineering studies and final designs of works produced	O.2.1	# studies	0	2021	3	2				5	Reports approved by the SPMU		
<b>I.2 Resettlement</b>													
I.1.2.1 Homes provided to beneficiary families in the program's direct area of intervention	O.3.1, O.3.2	# solutions	0	2021	56	611	451	-	-	1,118	Registration of the home in the beneficiary's name		
I.1.2.2 Properties indemnified in the program's direct area of intervention	O.3.1, O.3.2	# indemnifications			73	798	581	-	-	1,452			

Indicators	Related outcomes	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
I.1.2.3 Monetary compensation for temporary rentals and loss of economic activity paid to resettlement beneficiaries	O.3.1, O.3.2	# payments			689	7,581	5,513	-	-	13,783	Resettlement plan progress report	
I.1.2.4 Processes to expropriate and register property by SUHAB and the Office of the State Attorney General completed	O.3.1, O.3.2	# processes	0	2021	-	-	129	1,419	1,032	2,580		
I.1.2.5 Office of Social Technical Support created	O.3.1, O.3.2	# office			1					1		
<b>I.3 Critical infrastructure maintenance</b>												
I.1.3.1 Stormwater drainage canals rehabilitated	O.4.1	# m	0	2021	223	7,222		-	-	7,445	Supervision report	
I.1.3.2 Neighborhood blocks with micro drainage network rehabilitated	O.4.2	# neighborhood blocks				8				8		
<b>Component II. Gender inclusion and diversity, socioenvironmental management, and digital transformation</b>												
<b>II.1. Actions to strengthen the Women's Secretariat (SEMAP)</b>												
II.1.1 Vocational training courses intended for women as part of the resettlement delivered	O.6.1, O.6.2, O.6.3	# courses	0	2021	8	9	7	5	5	34	Course completion report	
II.1.2 State gender observatory created and operating	O.7.1, O.7.2	Observatory				1				1		
II.1.3 Computer equipment, furniture, graphic services, and communication equipment and materials installed in mobile points of service for women in the Manaus Metropolitan Area	O.7.5	# pieces of equipment	0	2021	5	5	5	5	6	26	SEMAP/ SEJUSC reports	Equipment per point of service

Indicators	Related outcomes	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments	
II.1.4 Actions to promote women's economic autonomy taken	O.6.4	# actions			2	4	6	7	8	27	SEMAP/ SEJUSC reports		
<i>II.1.4.1 Productive associations legalized</i>	O.6.4	# legalizations	0	2021	1	2	3	4	4	14	Act of legalization	13 municípios in the Manaus Metropolitan Area and in the program's direct area of intervention	
<i>II.1.4.2 Marketing fairs for women established</i>		# fairs			1	2	3	3	4	13	Report on fair registrations by women entrepreneurs	13 municípios in the Manaus Metropolitan Area	
II.1.5 Support for participatory management by women in the Manaus Metropolitan Area implemented	O.7.3, O.7.4	# actions	0	2021		1	1	1		3	SEMAP/ SEJUSC reports		
<i>II.1.5.1 Regional forum organized</i>	O.7.3, O.7.4	# forum					1			1	1	Forum report	
<i>II.1.5.2 Regional meetings held</i>		# meetings				1	1				2	Report on meetings held	
II.1.6 Vocational training courses intended for women in the Manaus Metropolitan Area delivered	O.6.4	# courses	0	2021		26	26			52	Training report	13(x2) educational courses for women 13(x2) technological training courses for women	

Indicators	Related outcomes	Unit of measure	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<b>II.2 Socioenvironmental management</b>												
II.2.1 Socioenvironmental sustainability plan finalized and implemented	O.3.1, O.3.2	Plan	0	2021		1				1	Reports approved by the SPMU	
II.2.2 Quarenta Igarapé Basin Committee created and implemented		Committee			1					1	Legal instrument for the formation of the Basin Committee	
II.2.3 Quarenta Igarapé basin plan created and implemented	O.3.1, O.3.2	Plan	0	2021		1				1	Reports approved by the SPMU	Includes the Educandos Igarapé
II.2.4 Proposal for the planning of the State Information System on Water Resources and Basic Sanitation prepared		Report			1				1			
II.2.5 Program communication plan developed and implemented		Plan			1				1			
<b>II.3 Acceleration of innovation and digitalization</b>												
II.3.1 Digital transformation strategy prepared and published	O.5.1	Strategy	0	2021	1					1	Strategy published in the Official Gazette	
II.3.2 Training strategy for public servants implemented					1	1	1	1	1	5	Training reports	
II.3.3 Digital systems for the modernization of citizen services management installed and operating		# systems			2	2	3	3	10	Status report approved by the Casa Civil of the State of Amazonas		
II.3.4 Database servers and other equipment to support the digital transformation process installed and operating	O.5.1	# servers	0	2021		1	1	1		3		

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Country:** Brazil    **Division:** WSA    **Operation number:** BR-L1553    **Year:** 2021

**Executing agency:** State of Amazonas, through the Special Project Management Unit

**Operation name:** Social and Environmental Program in Manaus and the Interior – PROSAMIM

### **I. The executing agency's fiduciary context**

1. Use of country system in the operation (any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank).

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

### **2. Fiduciary execution mechanism**

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The State of Amazonas will have a Special Project Management Unit (SPMU), which will be responsible for project management and whose duties and responsibilities will be outlined in the program Operations Manual. The SPMU will receive support from the relevant state government bodies and entities. Some of the loan proceeds will be used for expenditures incurred in connection with resettlements managed by the State Superintendency of Housing (SUHAB), the entity responsible for these functions according to the State's legal order through the State Housing Fund. An agreement will be signed with SUHAB for the fulfillment of this function. The program procurement activities will be carried out by the Special Bidding Subcommittee, designated for this program.
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### 3. Fiduciary capacity

<p>Executing agency's fiduciary capacity</p>	<p>The institutional evaluation for the program's fiduciary management was developed based on: (i) the country's current fiduciary context; (ii) the findings of the assessment of principal fiduciary risks; (iii) the institutional analysis; (iv) prior experience in executing similar programs (1692/OC-BR – PROSAMIM I, 2165/OC-BR – PROSAMIM I SUPPLEMENTARY FINANCING, 2006/OC-BR – PROSAMIM II, and 2676/OC-BR – PROSAMIM III); and (v) working meetings with the Bank's project team, the executing agency, and other state authorities. The executing agency's fiduciary capacity is assessed as high as a result.</p>
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### 4. Fiduciary risks and response to risk

Risk taxonomy	Risk	Level of risk	Risk response
<p>Execution</p>	<p>Additional resources and adjustments between program components may be required if the local currency appreciates significantly.</p>	<p>Medium-high</p>	<p>To mitigate this risk, the State of Amazonas will have to guarantee sufficient budget resources to cover additional financing needs in local currency that any work or activity included in the multiyear execution plan might require should financing resources be insufficient due to a possible significant devaluation of the dollar.</p>

5. Policies and guidelines applicable to the operation: Documents GN-2349-15 and GN-2350-15.

6. Exceptions to policies and guidelines: None.

## **II. Considerations for the special provisions of the loan contract**

<b>Special conditions precedent to the first disbursement: N/A</b>	
<p>The exchange rate agreed with the executing agency to account for advances of loan proceeds will be the first-in first-out exchange rate. To determine the equivalence of the reimbursement of expenditures charged to the loan and the equivalence of expenditures incurred in local currency out of the local contribution, the agreed exchange rate will be the buying rate established by the Central Bank of Brazil on the day before the effective date the eligible expenses to the Bank are presented to the Bank.</p>	
<p>During program execution, audited financial statements will be submitted annually not later than 120 days after the close of each fiscal year. The external audit of the program will be conducted by the Office of the Auditor General of the State of Amazonas or by an external firm acceptable to the Bank. The final audited financial statements for the program will be submitted not later than 120 days after the expiration of the original disbursement period or any extensions thereto.</p>	
<b>Special conditions for execution:</b>	
<p>Prior to the issuance of the first service order for the works, the borrower will present evidence that specialized consulting services have been procured to support program management and to supervise the works, in accordance with the terms of reference previously agreed with the Bank.</p>	

## **III. Agreements and requirements for procurement execution**

<input checked="" type="checkbox"/>	Bidding documents	<p>For the procurement of works, goods, and nonconsulting services carried out in accordance with the procurement policies (document GN-2349-15), subject to international competitive bidding (ICB), the Bank's standard bidding documents (SBDs) or agreements between the executing agency and the Bank for individual procurement will be used. Consultants will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15), and the standard request for proposals issued by the Bank or agreed between the executing agency and the Bank will be used for the selection in question. The project sector specialist is responsible for reviewing the technical specifications and terms of reference of procurements during preparation of the selection processes. This technical review can be ex ante and is independent of the procurement review method.</p>
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<input checked="" type="checkbox"/>	<p>Use of country systems</p>	<p>The <i>Pregão Eletrônico</i> [Brazil's online procurement system] will be used to procure goods and nonconsulting services, as approved by the Bank's Board of Executive Directors. The use of E-Compras AM of the State of Amazonas was validated in 2016. The procurement plan for the operation will specify the procurement to be carried out through the country system within the approved scope. In the event that the scope of Board approval for the use of the country system is expanded, it will be applicable to the operation.</p>
<input checked="" type="checkbox"/>	<p>Procurement and direct contracting</p>	<p>The following direct contracting has been identified: Processamento de Dados Amazonas S.A. (PRODAM) will be hired in its capacity as the State-owned company responsible for IT development within the state. This contract complies with paragraphs 1.13(b) and 3.11(d) of document GN-2350-15, as in addition to the integrated development of State systems, it is in charge of the scalability and sustainability of the products financed and of verifying their functional and strategic consistency with the rest of the technology developed by the State of Amazonas. It therefore has experience of exceptional value. The projected amount of this procurement is US\$3 million.</p>
<input checked="" type="checkbox"/>	<p>Advance procurement and retroactive financing</p>	<p>The Bank may retroactively finance from the proceeds of the loan, up to US\$5 million (6% of the proposed loan amount), and recognize from the local contribution, up to US\$2 million (6% of the estimated amount of the local contribution), eligible expenditures incurred by the borrower prior to the loan approval date for works, consulting services, indemnifications for resettlement, social rent, and equipment, provided that requirements substantially similar to those established in the loan contract have been met. These expenditures must have been made on or after 12 July 2021 (the project profile approval date), but in no event will expenditures be included if made more than 18 months prior to the date on which the loan is approved (see documents GN-2349-15 and GN-2350-15 and the policy on the recognition of expenditures, retroactive financing, and advance procurement (document GN-2259-1)). The executing agency will initiate five procurement processes for the execution of environmental, urban planning, housing, and sanitation improvements as well as for technical and social support, the supervision of works, and management prior to the approval of the loan contract, for approximately US\$65 million. These processes will comply with Bank policies and the respective no objections and will include clauses on prohibited practices.</p>

<input checked="" type="checkbox"/>	Procurement supervision	<p>Procurement will be subject to ex post supervision, except where ex ante supervision is justified. For procurement via the country system, supervision will be carried out by way of the country's national supervision system. The (i) ex ante, (ii) ex post, or (iii) country supervision system method must be determined for each selection process. Ex post reviews will be conducted every 12 months, in accordance with the project supervision plan, subject to changes during execution. Ex post review reports will include at least one physical inspection visit, selected from among the procurement processes subject to ex post review [percentage of physically reviewed contracts – not less than 10%]. The inspection verifies the existence of the procured items, leaving quality and compliance with specifications to be verified by the sector specialist. The threshold amounts for the ex post review are as follows:</p> <table border="1" data-bbox="539 801 1342 943"> <tr> <td data-bbox="539 801 807 875">Works</td> <td data-bbox="807 801 1050 875">Goods/Services</td> <td data-bbox="1050 801 1342 875">Consulting services</td> </tr> <tr> <td data-bbox="539 875 807 943">US\$25 million</td> <td data-bbox="807 875 1050 943">US\$5 million</td> <td data-bbox="1050 875 1342 943">US\$1 million (firms)</td> </tr> </table>	Works	Goods/Services	Consulting services	US\$25 million	US\$5 million	US\$1 million (firms)
Works	Goods/Services	Consulting services						
US\$25 million	US\$5 million	US\$1 million (firms)						
<input checked="" type="checkbox"/>	Records and files	The SPMU will be responsible for the documentation process and file storage for supervision and audit purposes.						

Main procurement processes

Procurement description	Selection method	New procedures/tools	Estimated date	Threshold amount (US\$)
Works				
Execution of environmental, urban planning, housing, and sanitation improvements	ICB	None	Aug-2021	62.679
Nonconsulting services				
Firms				
Technical and social support	QCBS	None	Jul-2021	2.281
Supervision of works				2.000
Management support				2.637

Access the [18-month procurement plan here](#).

**IV. Financial management agreements and requirements**

<input checked="" type="checkbox"/>	<p>Programming and budget</p>	<p>The annual programming and budget for the program will be prepared by the SPMU. The proposed annual budget allocated to the program will be incorporated into the State's annual budget law. The annual budget law will include the necessary funds for timely execution of both the loan proceeds and the local counterpart resources.</p>
<input checked="" type="checkbox"/>	<p>Treasury and disbursement management</p>	<p>Disbursements will be made in U.S. dollars as advances of funds. The value of the advances will be based on a financial execution projection up to 180 days. For advances subsequent to the first, accounts will be rendered for at least 80% of the total funds previously advanced and not yet justified. The amounts advanced by the IDB will be administered by the SPMU through an exclusive bank account for the receipt and management of program resources.</p> <p>The resources administered by SUHAB, under the agreement signed with the State of Amazonas for the execution of the resettlement activities outlined in the program, will be managed through a bank account dedicated exclusively to that end. SUHAB will be required to promptly report to the SPMU expenditures covered with loan proceeds. For the purpose of program accounting, these expenditures will be considered an "Investment" once (1) SUHAB has accounted for their execution to the SPMU and (2) the SPMU has included them in the supporting expenditure documents for the Bank. The SPMU will be required to regularly monitor and reconcile the bank account used to administer the loan proceeds under this agreement.</p>
<input checked="" type="checkbox"/>	<p>Accounting, information systems, and reporting</p>	<p>The SPMU uses the Integrated Financial Administration System (AFI) of the State of Amazonas for financial execution of program works and activities. Each operation (budget commitment, income, settlement, and payment) requires specific procedures and workflows with segregated functions within the SPMU. The SPMU also uses the SIGPRO management system to systematize program accounting in U.S. dollars and generate the financial reports required by the IDB. The three SIGPRO modules (Planning, Physical Management, and Financial and Accounting Management) are fully integrated with the Integrated Financial Administration System. Both systems are managed by PRODAM.</p>

<input checked="" type="checkbox"/>	<p>Internal control and internal audit</p>	<p>In 2005, the State of Amazonas created the Office of the State Comptroller General (CGE), vesting it with powers to coordinate and monitor the internal control system of government departments and decentralized agencies.</p> <p>The CGE could include the SPMU and SUHAB in its annual internal control plans. If it does, internal program execution processes could be reviewed through management audits in order to evaluate the internal controls established, the accuracy of financial information, and the conformity of the expenditures incurred, in terms of the legality of the administrative acts in accordance with the technical and legal criteria applicable to the program. The CGE could also conduct special audits for an operational assessment of the program in terms of its efficacy, efficiency, and effectiveness.</p>
<input checked="" type="checkbox"/>	<p>External control and financial reporting</p>	<p>The external audit of the program will be conducted by the Office of the Auditor General of the State of Amazonas or by an external audit firm acceptable to the Bank. During the program's execution, audited financial statements will be submitted annually not later than 120 days after the close of each fiscal year. The final audited financial statements for the program will be submitted not later than 120 days after the date of the last disbursement.</p>
<input checked="" type="checkbox"/>	<p>Financial supervision of the project</p>	<p>The operation requires ex post financial supervision of the disbursements, whose inputs will be derived mainly from the audited financial reports. Desk reviews will also be conducted on an ongoing basis through an analysis of the executing agency's disbursement requests. In addition, virtual and/or in-person fiduciary supervision meetings will be held annually.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Brazil. Loan \_\_\_/OC-BR to the State of Amazonas. Social and Environmental Program in Manaus and the Interior – PROSAMIN

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 State of Amazonas, as borrower, and with the Federal Republic of Brazil, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Social and Environmental Program in Manaus and the Interior – PROSAMIN. Such financing will be in the amount of up to US\$80,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_ \_\_\_\_\_ 2021)