



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
GOVERNANCE RISK ASSESSMENT SYSTEM BRAZIL SCALE-UP
APPROVED ON MARCH 21, 2022
TO
NATIONAL COUNCIL FOR INTERNAL CONTROL - CONACI

GOVERNANCE

LATIN AMERICA AND CARIBBEAN

| | |
|---------------------------|-------------------------|
| Regional Vice President: | Carlos Felipe Jaramillo |
| Country Director: | Paloma Anos Casero |
| Global Director: | Edward Olowo-Okere |
| Practice Manager/Manager: | Adrian Fozzard |
| Task Team Leader(s): | Daniel Ortega Nieto |



ABBREVIATIONS AND ACRONYMS

CGU – Office of Comptroller General
CGE – Office of State Comptroller
CONACI - National Council for Internal Control
GRAS – Governance Risk Assessment System
TF – Trust Fund

BASIC DATA

Product Information

| | |
|--|--|
| Project ID P176877 | Financing Instrument Investment Project Financing |
| Environmental and Social Risk Classification (ESRC) Low | |
| Approval Date 21-Mar-2022 | Current Closing Date 30-Jun-2022 |

Organizations

| | |
|--|------------------------------|
| Borrower National Council for Internal Control - CONACI | Responsible Agency CONACI |
|--|------------------------------|

Financing (in USD Million)

SUMMARY

| | |
|--------------------|---|
| Total Project Cost | 0 |
| Total Financing | 0 |
| Financing Gap | 0 |

DETAILS

| | |
|--|--|
| | |
|--|--|



Project Development Objective (PDO)

Original PDO

Improve the process of detecting fraud in public expenditure, identify savings and increase the effectiveness of audits using data science.

Summary Status of Financing (US\$, Millions)

| TF | Approval | Signing | Effectiveness | Closing | Net | | |
|----------|-------------|-------------|---------------|-------------|------------|-----------|-------------|
| | | | | | Commitment | Disbursed | Undisbursed |
| TF-B8273 | 21-Mar-2022 | 29-Mar-2022 | 04-Apr-2022 | 30-Jun-2022 | .13 | 0 | .13 |

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

1. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The World Bank and the National Council for Internal Control (CONACI), the project’s implementing agency, have signed a Memorandum of Understanding and signed the Declaration of Project Effectiveness. The implementing agency has developed the Terms of Reference for a firm to develop and apply the Governance Risk Assessment System (GRAS). The TOR have been reviewed by the Bank’s team.

2. Implementation has been delayed by additional Bank requirements and a change in beneficiary. The Bank’s Legal Department requested that a Transfer Agreement be signed with the firm that developed the GRAS to avoid any potential liabilities. The Brazil Country Director and *AETOS Auditoria de Eficiencia e Desperdicios Ltda* signed the Transfer Agreement on April 28th, 2022. On May 5th 2022, the Office of Comptroller General (CGU) informed the Bank that they did not want to proceed with the project because they would not receive the source code, which would remain property of the selected firm. CGU’s decision released funds that could be used by another beneficiary.

2. DESCRIPTION OF PROPOSED CHANGES

3. Extension of closing date by six months from June 30, 2022 to December 31, 2022. The extension of the closing date of the parent Trust Fund - Spanish Fund for Latin America and the Caribbean (Trustee Number TF073229 – Parallel Trust Fund to TF071296) to December 31, 2025, allows the extension of this child Trust Fund. The extension of the closing date will allow the project to successfully complete programmed activities and achieve the project development objective.

4. Selection of Office of the Municipal Comptroller (CGM) of the Municipality of Porto Alegre as a beneficiary. CONACI agreed that a new subnational government could be incorporated into the project, replacing CGU, if the State or



Municipality: a) has over one million inhabitants, considered the minimum threshold for the volume of expenditures; b) has a dedicated information technology team that can manage the GRAS; c) has readily available expenditure data to be processed and; d) shows an institutional commitment to sustainability of the GRAS. CONACI received fourteen applications that met the selection criteria. CONACI selected Office of the Municipal Comptroller (CGM) of the Municipality of Porto Alegre as the new beneficiary. CGM Porto Alegre has demonstrated strong commitment to the project objectives and has the means to successfully use the GRAS tool.

Describe any E&S issues and impacts associated with the change in project design. Identify and describe any potential large scale, significant and/or irreversible impacts.

None. There are no project design changes associated to ESF issues and impacts.

Describe any potential indirect and/or long-term impacts due to anticipated future activities in the project areas.

Not applicable

Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Not applicable. The proposed activities do not present environmental and social complexity, project activities will be implemented in an office environment and are not expected to endanger living natural resources.

Describe measures taken by the borrower to address E&S policy issues. Provide an assessment of borrower capacity to plan and implement the measure described.

The project potential adverse risks to and impacts on human populations and/or the environment are likely to be negligible, and does not require further environmental and social assessment and instruments during the implementation.

Identify key stakeholders and describe the mechanism for consultation and disclosure on E&S policies, with an emphasis of potentially affected people.

The Project direct beneficiaries and key stakeholders are the Government of the State of Mato Grosso (Office of Comptroller General - CGE), the Government of the State of Rio de Janeiro (Office of Comptroller General - CGE), the Government of the Municipality of Sao Paulo (Office of Comptroller General - CGM), the Government of the Municipality of Rio de Janeiro (Office of Comptroller General - CGM), and the Government of the Municipality of Porto Alegre (Office of Comptroller General - CGM). Other parties directly interested on the roll-out and scaling up of the Governance Risk Assessment System are all CONACI's members, the state and municipal Finance Secretariats, the providers of goods and services to state and municipal governments that will benefit from the improved control of frauds, and the society in general that may benefit of improved efficiency and transparency on public expenditures.



3. SUMMARY OF CHANGES

| | Changed | Not Changed |
|--|---------|-------------|
| Loan Closing Date(s) | ✓ | |
| Disbursement Estimates | ✓ | |
| Implementation Schedule | ✓ | |
| Other Change(s) | ✓ | |
| Implementing Agency | | ✓ |
| Project's Development Objectives | | ✓ |
| Results Framework | | ✓ |
| Components and Cost | | ✓ |
| Cancellations Proposed | | ✓ |
| Additional Financing Proposed | | ✓ |
| Reallocation between Disbursement Categories | | ✓ |
| Disbursements Arrangements | | ✓ |
| Change in Overall Risk Rating | | ✓ |
| Legal Covenants | | ✓ |
| Institutional Arrangements | | ✓ |
| Financial Management | | ✓ |
| Procurement | | ✓ |
| Economic and Financial Analysis | | ✓ |
| Technical Analysis | | ✓ |
| Social Analysis | | ✓ |
| Environmental Analysis | | ✓ |

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

| TF | Status | Original Closing | Revised Closing(s) | Proposed Closing | Proposed Deadline for Withdrawal Applications |
|-----------|---------------|-------------------------|---------------------------|-------------------------|--|
| TF-B8273 | Effective | 30-Jun-2022 | | 31-Dec-2022 | 30-Apr-2023 |

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Expected Disbursements (In US\$)

| Fiscal Year | Annual | Cumulative |
|--------------------|---------------|-------------------|
| 2022 | 20,165.60 | 20,165.60 |
| 2023 | 109,834.40 | 130,000.00 |