



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 01/04/2022 | Report No: ESRSC02463



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Brazil	LATIN AMERICA AND CARIBBEAN	P176877	
Project Name	Governance Risk Assessment System Brazil Scale-Up		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing		12/22/2021
Borrower(s)	Implementing Agency(ies)		
National Council for Internal Control - CONACI	Controladoria Geral da Uniao, Controladoria Geral do Estado de Mato Grosso, Controladoria Geral do Municipio do Rio de Janeiro, Controladoria Geral do Municipio de Sao Paulo, Controladoria Geral do Estado do Rio de Janeiro		

Proposed Development Objective

Financing (in USD Million)	Amount
Total Project Cost	0.13

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]



D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Nowadays, national and subnational governments in Brazil (and across the world) lack tools and the capacity to conduct systematic fraud risk assessments, which affect decision-making processes. Their approach is inefficient since it relies on manual analysis that generally uses anecdotal evidence; it also requires too many resources to identify potential risks and does not necessarily build strong cases. Even though auditing public expenditure requires the intensive use of data analysis, the General Comptrollers at the subnational level in Brazil have a low level of data analytics usage. Their approach for auditing public expenditure and detecting fraud is affected by: (i) the lack of a system for automatically extracting the most relevant corruption red flags; (ii) the reliance on common spreadsheet-based analysis; and (iii) the existence of internal and external data silos.

In a context of weak economic position, rapidly rising fiscal disequilibria, domestic political uncertainty, and loss of confidence on governmental institutions, the fiscal position of Brazil’s subnational governments is expected to deteriorate rapidly and still further if state governments do not implement reforms to reduce expenditures and to address corruption challenges that limit the effectiveness of public policies and undermine trust in public institutions is essential in the country.

The Project aims to address these challenges supporting the Governance Risk Assessment System (GRAS) – an IT solution that uses data analytics to extract approximately 200 firm-level and agency-level corruption risk red-flags and allows the identification of a broad range of risk patterns, such as collusion, conflicts of interest, and companies owned by straw men. This system integrates large databases, uses algorithms for extracting red flags, and has an intuitive user interface. Thus, the proposed activities will directly support the Federal and State-level Governments’ agendas and provide new analytical tools to fight corruption and improve government expenditure.

The following institutions will be involved during project implementation: the Office of Comptroller General of Federal Government (Brasilia) - State of Mato Gross (Office of Comptroller General - Cuiaba) - State of Rio de Janeiro (Office of Comptroller General - Rio de Janeiro) - Municipality of Rio de Janeiro (Office of Comptroller General - Rio de Janeiro) - Municipality of Sao Paulo (Office of Comptroller General - Sao Paulo). They have an adequate environmental legal framework, institutional capacity, expertise required and commitment to manage the project-related risks.

D. 2. Borrower’s Institutional Capacity

The Recipient Executed Component of this Technical Assistance project will be executed by National Council for Internal Control (Conaci). Conaci was created in 2007 with the aim of Strengthening of Internal Control in Brazil through representation, integration and institutional advice, with the higher objective of fighting corruption, expanding transparency, strengthening social control and generating effective public service, respecting the principles of Public Administration.

CONACI is a private, non-profit entity that plays a mobilizing role by creating and promoting control systems for the construction of more efficient and assertive public administrations in a society that demands increasingly active attitudes in defense of transparency in public spending. Its purpose is to strengthen internal control in Brazil through representation, integration, and institutional advice, with the aim of fighting corruption, increasing transparency, strengthening social control, and generating effective public service, respecting the principles of Public

Public Disclosure



Administration. Conaci and the World Bank started a consolidated partnership in 2014, which has a strategic focus in strengthening the control system in Brazil, in particular the government's internal audit function and in the implementation of the Internal Audit Capability Model (IA-CM) in the member bodies of Conaci. Conaci keeps channels of contact with stakeholders through its website <http://www.conaci.org.br/contato>, electronic address (conaci@conaci.org.br) and dedicated phone line.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

The proposed activities directly support the Federal and State-level Governments' agendas and provide analytical tools to fight corruption and improve government expenditure. Nowadays, governments in Brazil and across the world lack tools and the capacity to conduct systematic fraud risk assessments, which affect decision-making processes. Project investments are not aimed at financing infrastructure works or other on-the-ground activities with potential environmental impacts and risks that need to be managed. No future construction of physical infrastructure investments, spatial plans and natural resources management regulations are expected as results of technical assistance activities supported by the project. There are four key activities: (a) develop a functional digital governance risk assessment system (GRAS) and new features for the following institutions; (i) Office of Comptroller General of Federal Government; (ii) Office of Comptroller General – Cuiaba; (iii) Office of Comptroller General - Rio de Janeiro; (iv) Municipality of Rio de Janeiro; (v) Office of Comptroller General - Sao Paulo; (b) direct support to implement and use all features of the GRAS; (c) digital system customization for each of the participating state and municipal level institutions, and data updates; and, (d) capacity building for technical staff. Therefore, the proposed activities do not present environmental complexity, project activities will be implemented in an office environment and are not expected to endanger living natural resources. The activities are not expected to pose a risk of environmental pollution and degradation of natural resources (air, soil, water). They are not expected to affect biodiversity or habitats, either positively or negatively, directly, or indirectly, or depend upon biodiversity for its success. The overall potential adverse risks to and impacts on the environment is likely to be minimal or negligible.

Social Risk Rating

Low

There are no significant social risks associated with the Project. There is no risks related with the privacy of data, because the system only uses data that are public or public in nature. Privacy issues will also be addressed by a specific protocol that will involve: (i) execution of Non-Disclosure Agreements with all consultants and researchers that will work in the project; (ii) use of publicly available data; (iii) confidential treatment of all data managed by the Bank following the Bank's disclosure policies; and (iv) not disclosing results without written consent from CMUs. Social benefits are expected from the project as its activities will help tackle corruption and improve the process of detecting fraud in public expenditure, contributing to improve efficiency and transparency in public expenditures. This system only crosses data that are public or public in nature (public purchases). Contributing to strengthen the control system in Brazil, the public administration will benefit from services quality products that generate trust and credibility for society. Transparency and risk assessment systems can support the effective use of public resources and prevent corruption. They also help promote citizens' trust in institutions as citizens will benefit from transparency and social accountability.

Public Disclosure



B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This proposed recipient executed small trust fund will support only technical assistance (TA) activities to Improve the process of detecting fraud in public expenditure, identify savings and increase the effectiveness of audits using data science. There are four key activities to be supported: develop a digital governance risk assessment system (GRAS) and features for clients; digital system customization for each of the participating Governments, and data updates; direct support to implement and use all features of the GRAS; and capacity building for technical staff.

The proposed activities are likely to have no adverse direct impacts and/or downstream implications on society and the environment. There is no indication that quantities of electronic waste (or e-waste) will experience an increase as a result of project activities. Due to the nature of the activities to be associated with this TA and expected outputs no reputational risk is envisaged either.

The Office of Comptroller General of Federal Government (Brasilia) - State of Mato Gross (Office of Comptroller General - Cuiaba) - State of Rio de Janeiro (Office of Comptroller General - Rio de Janeiro) - Municipality of Rio de Janeiro (Office of Comptroller General - Rio de Janeiro) - Municipality of Sao Paulo (Office of Comptroller General - Sao Paulo) have an adequate environmental legal framework, institutional capacity, expertise required and commitment to manage the negligible project-related risks.

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 preparation.

Given that no further Environmental and Social instruments are proposed for this project, the ESCP will simply outline activities for communicating on the lack of Environmental and Social impacts with the contact of the project PIU as a GRM.

During project implementation, any activity that would include training in person may look at health safety of participants and inclusion of this issue in curricula if pertinent. To promote the sustainable use of resources, including electronic material, and paper, TA activities would set out requirements to address resources efficiency and e-waste management throughout the project life cycle.

Areas where “Use of Borrower Framework” is being considered:

The use of borrower framework is not being considered.

ESS10 Stakeholder Engagement and Information Disclosure

The Project direct beneficiaries and key stakeholders are the Federal Government (Office of Comptroller General - CGU), 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) and the Government of the Municipality of Rio de Janeiro (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.

To engage with the main stakeholders, the overarching initiative within which the Project is part includes a Bank-Executed Component aimed at promoting the use of the Governance Risk Assessment System and tool-kit across the Region, which will organize online workshops and knowledge exchanges sessions with key stakeholders across the region. Considering the World Bank's Technical Note on how to carry out stakeholder engagement in the context of Covid-19, the Project will rely on virtual channels and meetings.

To address the requirements of disclosure of Project's relevant information, Conaci will mostly rely on: its institutional website (more than 5,000 monthly accesses); its Communication and Institutional Divulcation Plan that includes the electronic bulletin CONACI INFORMA, social media contents (Instagram, Facebook, LinkedIn, Flickr, Twitter - <http://www.conaci.org.br/conaci-na-midia>), CONACI TV on You Tube that has more than 2,800 followers) and its Annual Management Reports (where the previous engagement with the World Bank has been highlighted since its commencement in 2014).

To address requests of information, concerns and grievances that may be raised by Project's interested parties, Conaci – the implementing agency – will rely on its channels of contact with citizens and institutions representing the public agencies, the private sector and the civil society through its website <http://www.conaci.org.br/contato>, electronic mail address (conaci@conaci.org.br) and its dedicated phone line (where it is also possible to register complaints anonymously and sigilously). These channels do not prevent access to judicial or administrative remedies. The aspects of ESS10 will be incorporated and set out in the Project's ESCP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

Project workers will include direct project workers hired by Conaci and contracted workers engaged through third parties to perform work related to core functions of the Project as it is expected Conaci will hire one consultancy firm to carry out the works supported by the Project.

Under Conaci's statute (<http://www.conaci.org.br/estatuto>) and the national labor legislation, the terms and conditions of work of Conaci's employees and hired fixed-term consultants include requirements of fair treatment, non-discrimination and equal opportunity; non-harassment and freedom of association; minimum age for employment and avoidance of both child labor and forced labor; fixed labor hours and overtime, wages, compensation and benefits, occupational health and safety standards.

For the management of all project workers (direct and contracted), Conaci will abide to the following procedures:



- At the beginning of the working relationship, project workers will be provided with information and documentation that is clear and understandable regarding their terms and conditions of employment, setting out their rights under national labor and employment law as well as those arising from the requirements of this ESS (which include regular payment, adequate periods of rest per week and other provisions);
- Decisions relating to employment or treatment of project workers, recruitment, hiring, compensation and access to training will be based on the principles of equal opportunity, fair treatment, no discrimination, rights to join workers' organizations and no tolerance with regards to harassment, intimidation and/or exploitation.
- The minimum age of employment set by the national legislation (over 16 years old) and the employment of youth under 18 years old only in activities that (a) are not hazardous, do not interfere with education and is not harmful to their health and physical, mental, spiritual, moral or social development, (b) have their risk assessed prior to the work commencing and (c) possible to have the health, working conditions and hours of work regularly monitored by the executing agency.
- No acceptance of or reliance on forced labor.
- Access of the project workers to mechanisms through which they can raise concerns about working places and conditions without fear of reprisal.
- Application of international standards of occupational health and safety.

Considering the low risk of the Project and the fact all works will be carried out within office environments, the Project's Environmental and Social Commitment Plan will include the provision that all these requirements of ESS 2 Labor and Working Conditions will be included in the Terms of Reference for hiring the consultants engaged to perform work related to core functions of the Project and in the contracts they sign. It will also be stated that the World Bank's E&S specialists assigned to the Project will carry out prior review of these Terms of References and contracts.

ESS3 Resource Efficiency and Pollution Prevention and Management

Based on the environmental and social assessment, it is not expected that the activities supported by the proposed TA operation will pose a risk of environmental pollution and/or degradation of natural resources (air, soil, water) or electronic waste. The activities will not involve construction works/service operations that may lead to adverse impacts related to pollution and resource efficiency.

There will be some activities related to digital services - software and hardware, but it is not expected to generate significantly more e-waste than would be the case in absence of the project.

The National Policy on Solid Waste established by Federal Law No. 12,305/2010 establishes that the management of solid waste (including electronic waste) must be carried out in a sustainable manner that considers environmental and social dimensions involved in the solid waste management at the national level. The designations under Federal



Law No. 12,305/2010 are expanded within the scope of the federal decree no. 9,373 of May 11, 2018, which provides further instructions for the appropriate collection, transportation, recycling, and treatment of solid waste in the context of national and sub-national public administration. Further provisions on the handling of e-waste are made through federal decree no. 10.240 of Feb 12, 2020, which requires sub-national governments to apply the principle of “reverse logistics” to promote the management of e-waste by putting in place processes that enable planning, implementation and controlling of the backward flow of electronic waste and raw materials to manufacturing and distributing companies. At the national level, the Brazilian Ministry of Environment (MMA) is responsible for monitoring the implementation of the National Policy on Solid Waste, and information on progress and compliance on implementation is available publicly through the National Information System on Solid Waste Management (SINIR).

The project environmental and social commitment plan will include principles of recycle and recovery of electronic waste, and transparency that is compliant with this ESS.

ESS4 Community Health and Safety

This standard is not currently relevant. Technical assistance activities will not involve activities that may lead to adverse impacts on community health and safety. The training in person activities may consider health and safety of students if required due COVID-19 pandemic.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is not currently relevant. No land acquisition, no restrictions on land use and no involuntary resettlement are envisaged.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not currently relevant. Based on the environmental and social assessment, the project activities will not potentially affect biodiversity or habitats, either positively or negatively, directly or indirectly, or depend upon biodiversity for their success.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not currently relevant.

ESS8 Cultural Heritage

This standard is currently not relevant. The project activities are not likely to have risks or impacts on cultural heritage. Activities to be supported will not include, directly or indirectly, excavations, demolition, movement of earth, flooding or other changes in the physical.

Public Disclosure



ESS9 Financial Intermediaries

This standard is not currently relevant.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

no

OP 7.60 Projects in Disputed Areas

No

no

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

No financing partners.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

- Environmental and Social Commitment Plan.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Conaci will be required to keep a register and report on grievances associated to the use of the Governance Risk Assessment System that are received and responded through its channels of contact with key stakeholders and citizens in general.

- Conaci will be required to include terms and conditions of work in line with the requirements of ESS 2 - Labor and Working Conditions in the contracts of its consultants directly hired or engaged through third parts to perform works related to core functions of the project.

IV. CONTACT POINTS

World Bank

Contact: Daniel Ortega Nieto Title: Senior Governance Specialist

Telephone No: 5761+1054 / 55-61-3329-1054 Email: dorteganieto@worldbank.org

Borrower/Client/Recipient

Borrower: National Council for Internal Control - CONACI

Implementing Agency(ies)

Public Disclosure



Implementing Agency: Controladoria Geral da Uniao

Implementing Agency: Controladoria Geral do Estado de Mato Grosso

Implementing Agency: Controladoria Geral do Municipio do Rio de Janeiro

Implementing Agency: Controladoria Geral do Municipio de Sao Paulo

Implementing Agency: Controladoria Geral do Estado do Rio de Janeiro

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s): Daniel Ortega Nieto

Practice Manager (ENR/Social) Maria Gonzalez de Asis Recommended on 08-Dec-2021 at 15:37:42 GMT-05:00