



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 08-Jul-2021 | Report No: PIDC239082



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P175988		Low	Scaling up the Digital Procurement Application for CDD: SOL Project
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Brazil	08-Jul-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	State of Rio Grande do Norte	Secretariat of Planning and Finance	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	0.10
Total Financing	0.10
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.10
Trust Funds	0.10

B. Introduction and Context

Country Context

CDD Programs in Brazil

Community-driven development (CDD) is an approach to development that emphasizes community control over planning decisions and investment resources. In Brazil, current World Bank financing includes five "Full CDD Project" tagged operations and two "CDD or sub-component" tagged ones for a total of US\$838.8 million. Under CDD programs, target communities identify community investment needs and prepare



funding requests with technical assistance financed by the programs and contracted by the communities themselves. Then, funds are transferred directly to the communities, which also take charge of project and procurement implementation.

CDD projects follow simplified procurement procedures set out in the project's operating manual, but performance in terms of the executing each step in the procurement cycle, i.e. on market search for bidders, tendering, tender opening and evaluation is usually considered poor. It is widely recognized that one of the major challenges for the successful implementation of CDD projects is the communities' capacity to carry out procurement. The most common procurement risks include the failure to follow the procurement standards and rules and manipulation by contractors, which is often an indication of fraud, corruption, or conflicts of interest on the part of community representatives.

Financial Management

The Brazilian legal framework for public financial management is well-developed at all levels of government, which is underpinned at the Federal Constitution, and two main legal frameworks: The Public Finance Law no. 4.320/64 that regulates financial controls, budgeting and reporting and the Fiscal Responsibility Law of 2000, Supplementary Law No. 101 that dictates macroeconomic and fiscal discipline. Other reforms are being introduced (including a proposed revision to the Public Finance Law) to help strengthen accountability and transparency in the management of public finances in Brazil, including: the establishment of standards for the selection and evaluation of investment projects; the introduction of a medium-term fiscal framework; measures to minimize the impact of expenditure commitments (*Restos a Pagar*); the adoption of the International Public Sector Accounting Standards, IPSAS; and strengthening rules and regulations of internal and external oversight control institutions.

Procurement

The federal framework of procurement laws and regulations is solid and transparent and is known to both public officials and to the private sector. These laws and regulations take precedence over those for the sub-national levels. States and municipalities may complement federal legislation but not contradict it, nor may they create new procurement methods. Open competitive bidding is the default procurement method, as defined by Article 37 of the Constitution, and provides fair opportunities for bidders to contest decisions including through appeal to an independent entity. All procurement opportunities, regardless of estimated cost, are published via the internet and official gazettes. A new more modern and comprehensive procurement law has been approved, but the necessary regulations are still being drafted, so its enforcement is deferred for approximately 2 years.



Community-driven development (CDD) is an approach to development that emphasizes community control over planning decisions and investment resources. Over the past decades, it has become a key operational strategy for many national governments, as well as for international aid agencies, leading to the efficient delivery of basic services, and, when sustained over time, measurable reductions in poverty, particularly among the poorest populations and communities. It is not uncommon for beneficiaries to have low levels of education, and graphical tools and hand-held applications play an important role in filling the gap for more effective due diligence rather than relying on complex written instructions or laptop software.

According to the World Bank, experience has shown that when given clear and transparent rules, access to information, and appropriate technical and financial support, poor communities can effectively organize to identify community priorities and address local problems by working in partnership with local governments and other institutions to build small-scale infrastructure and deliver basic services.

Across the globe, CDD programs respond to a variety of urgent needs including access to clean water, rural roads, school and health clinic construction, nutrition programs for mothers and infants, and support for micro-enterprises. In Brazil, current World Bank financing includes five "Full CDD Project" tagged operations and two "CDD or sub-component" tagged ones for a total of US\$838.8 million.

To support the success of the risk mitigation measures and the achievement of positive results, the Brazilian states of Rio Grande do Norte and of Bahia, under the Rio Grande do Norte: Regional Development and Governance (P126452) and the Bahia Sustainable Rural Development (147157) Projects, respectively, developed and piloted the deployment of a minimum-viable product (MVP) open-source procurement mobile application which caters to the needs of communities under CDD projects to carry out their own procurement: the Online Bidding Solution ("Solução Online de Licitações – SOL", in Portuguese).

For the government, the SOL provides real-time CDD-project monitoring, supervision, and auditing capabilities, reducing the intense allocation of resources to these functions as compared to the conventional paper-based process.

The SOL is a system that covers all procurement steps from advertising to signing contracts in only a few clicks. The app can be used to prepare, create, and launch tenders to procure goods, works, and services. Before using SOL, communities had to do their procurement on paper. They also had to travel long distances to find and invite suppliers to bid, especially when there were not enough suppliers in the smaller towns near them. Even when they started using emails, they still had to prepare request for quotation (RfQ) documents, identify suppliers, and submit the invitation. In turn, suppliers would have to prepare their quotes and submit them back. Now, the app creates the bidding notices, prepares RfQs, and notifies all registered suppliers automatically that a new tender is open to receive quotes.

The SOL was developed as open source to allow for the facilitated sharing and maintenance, including deployment of enhancements. The means used for such collaboration was hosting the code on GitHub, which can support bringing together and building a community of developers to discover, share, and build better



software. The idea is that, as new governments adopt the SOL, they become part of its community and contribute to the maintenance and enhancement of the App, thus providing sustainability to the App.

State's Financial Management

The Rio Grande do Norte State has satisfactory accounting arrangements and an adequate financial management system ("SIGEF"). The budgetary process follows Law n. 4.320/1964. The budget process is clearly defined, done through the SIGEF, following the State's Fiscal and Budgetary Law (*LOA – Lei Orçamentária Annual*). The Subnational Supreme Audit Institution (*Tribunal de Contas do Estado do Rio Grande do Norte - State Court of Accounts*) reports to the legislative branch and are responsible to perform the financial, compliance and operational audits and special reviews of the state and all municipalities budget executions and the quality of government expenditures. The State Controller Secretariat (CGE-RN) is not responsible for monitoring the internal controls of the project, but a specific internal control unit (UCI) has been created to perform *ex-ante* compliance reviews of documentation. The internal control environment is also established via segregation of functions/duties and access controls.

State's Procurement Arrangements

The current arrangements for procurement are based on bidding committees nominated inside each government agency. Operational control is made by the institutions indicated above. Electronic reverse auctions (for common goods and services) are processed through Banco do Brasil's licitacoes-e system, which provides also the required level of advertising for procurements following a national approach. All procurements are advertised on the state's webpage as well.

Relationship to CPF

The Country Partnership Framework (CPF) for Brazil covers the six-year period from FY18 to FY23. The proposed project supports Objective 1.1 (Strengthen fiscal management at all levels of government) of Focus Area 1 (Fiscal consolidation and government effectiveness) of the CPF, according to which the World Bank will support the implementation of new strategies for procurement both at the federal and subnational levels. The project also supports improvements to procurement arrangements maintained by project implementing agencies for IBRD-financed projects.

C. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to improve communities' capacity to carry out procurement in accordance with standards and rules by making available to them a Procurement Application that digitizes and automates the procurement process.



Key Results

The short-term impact is two-fold: (i) for communities, more efficient procurement; and (ii) for the WB and for governments, increased capacity to monitor and audit community-level procurement in real-time.

The project supports the GovTech GP Development Objective of promoting the adoption of a GovTech solution for simple, accessible and efficient government (through CDD procurement), with a focus on government core operations through the following outcomes:

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Long-term Outcomes	Outcomes	Indicator	Means of verification	Outputs	Activities/Inputs
Improved knowledge, and capacity among beneficiary countries to design, implement and adopt GovTech solutions	Increased access to GovTech solutions including open source solutions and other resources	No. of developed open source solutions: 1 solution	PMT to verify completion: upgraded SOL hosted in GitHub	CDD procurement solution: upgraded and available on GitHub	Technical assistance to upgrade and internationalize the software
Increased adoption, use and application of GovTech solutions including good practices as well as pilots in beneficiary countries	Improved Government core operations	No. of interventions: 4 projects using SOL	Project Progress review (TTL/PMT) through reports and supporting documents (eg. App available on Play Store)	CDD procurement solution: upgraded and available on GitHub	Technical assistance to upgrade and internationalize the software

The medium to long-term sustainability considerations of the project will depend on its uptake: (i) under WB-funded operations, by project implementation units (PIUs) and (ii) under government-funded programs, by governments more broadly considered.

The main challenge for an open source project is to make it self-sustaining past grant funding. Many successful open source projects tackle this risk by relying on a collaborative volunteer community of users and developers.

Under WB-funded, the SOL has already become known to several Task Team Leaders (TTLs), who have made demonstrations of the App to their respective counterparts in the PIUs, who, in turn, have already showed



interest in using the App, so there is a prospective good number of projects that will adopt it. In Brazil alone, in addition to the 2 project currently using it, there are 2 projects that can start using it immediately and another 2 that will probably start using it in a year's time. PIUs and from different countries (e.g. Haiti, Paraguay, Dominica, Angola, and Nepal) have also already expressed their interest in using SOL in their projects as soon as it is feasible. Since each project lasts for around 4-5 years and, considering that during this time more PIUs and TTLs will show interest, the sustainability prospects are positive, including for the functioning of the GitHub community. An informal outreach program has started inside the WB, through blogs, BBLs, and on-demand presentations, and the App has received support from important stakeholders, like the Regional Procurement Manager for Latin America and the Caribbean and the Procurement Global Director.

Beyond WB's operations, the Brazilian states of Bahia and of Ceara have already publicly informed about their interest to adopt the SOL for under government-funded CDD programs, which in Brazil are regulated by the Civil Society Organizations' Regulatory Framework ("Marco Regulatório das Organizações da Sociedade Civil – MROSC"). The uptake by a single government would guarantee the project sustainability on its own; however, the uptake by a single government could potentially generate a demonstration effect that will act as a catalyst for other governments. This would generate a full-blown community of SOL users, collaborating to the maintenance and constant improvement of the software through GitHub.

Therefore, as PIUs and governments adopt this technology, it will naturally gain market share and naturally develop a collaborative user and development community, to be supported by the proposed project activities.

D. Preliminary Description

Activities/Components

The project will have two components.

Component 1: SOL upgrades (US\$95,000). This component would support further customizations, upgrading, and internationalizing of SOL. Translation would also be needed to allow SOL adoption other CDD projects that rely on community-led procurement in more countries. The following activities would be financed through the procurement of consulting and non-consulting services:

- To support making required technological modifications, updates, and upgrades to implement the internationalization and facilitate the adoption of the application;
- To support implementing enhancements to the MVP version for better user experience (UX) and easier customization and installation by other users;
- To translate the application into French and other languages, as needed;



- To support and foster the growth of the sharing community in GitHub, by setting out an outreach campaign and professionally managing the GitHub community, including the preparation of a comprehensive governance framework for the open-source software.

Component 2: Project management (US\$5,000). This component would support the PIU in overall project management through the financing of relevant operational expenditures needed for adequate implementation and supervision of the Project.

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Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The environmental and social risk of the Project is Low. The Grant will finance technological enhancements so that SOL can become a more universal software to be used by other governments under other CDD-type projects, financed by the Bank or not. The primary beneficiary of the Project is the State of Rio Grande do



Norte along with any other government that uses or will use the SOL App. SOL already exists and it is already being used under the Rio Grande do Norte Regional Development and Governance (P126452) and the Bahia Sustainable Rural Development (147157) projects. The PIUs have collected feedback from end-users (e.g. communities) on what could be made easier for use. This activity will be carried out remotely by a technology team. The activities are restricted to desk work such as computer programming and translation and they can be carried out remotely from the firm's office. The risks and environmental and social impacts are considered to be minimal or negligible. The project will not finance any civil works, and its activities will not aim to advise on any issues pertaining to environmental does not advise any environmental measures that contradict NAS, on the contrary, positive results are expected in adopting the SOL System, either in the reduction of time and resources such as paper or in the prior identification of environmentally sustainable products that can be primarily acquired in the processes of bidding (sustainable procurement). The project is expected to have positive social impacts, as it will increase governments' capacity to monitor and audit community-level procurement in real-time and consequently the capacity of organizations to carry out acquisitions, improving the technical capacity of family farmers and the achievement of the Project's final objective achieved through acquisitions - improving economic and social inclusion. Any social risks will be easily managed through the appropriate implementation support, as well as the operationalization of the actions provided for in the project's ESCP. In order to ensure that the social inclusion benefits resulting from the Project are expanded, it is expected that the Secretaria de Planejamento e Finan?as-SEPLAN - continues and increases support to beneficiaries for internet access, as well as keeps sound worker-management relationships with its direct and contracted workers and adopts measures to prevent the spread of COVID-19 among workers and direct project beneficiaries; ensuring that SEPLAN keeps proportionate channels of communication (information, feedback, and grievance redressing) about the SOL upgrades with communities and also internal grievances in SEPLAN. SEPLAN has considerable experience working with the World Bank and complying with its environmental and social standards and policies. The overall environmental and social safeguard policies were addressed adequately during the implementation of the Rio Grande do Norte: Regional Development and Governance (P126452). Overall compliance with Environmental Safeguards (EA) is considered satisfactory. EA procedures, including prevention and mitigation measures, are being properly implemented across all project components, despite the team's inability to conduct field work due to Covid 19 pandemic. The PMU prepares semiannual reports on environmental and social compliance, which includes information related to compliance with established measures, progress of training actions, communication and registration of complaints and other demands. The social and environmental risks of this operation are considered to be Moderate. The PMU has an executive management structure, legal advisory services, information and communication, internal control, financial management (procurement and bidding, financial instrument unit, development and administration), monitoring and evaluation, coordination and planning, capacity building and events, and socio-environmental management. The Sectoral Executing Units are located in the executing agencies with a technical manager in charge and a planning, control and technical support structure. These teams are further divided into contract follow-up, monitoring and control, dissemination and training, social and environmental management, supervision and engineering, and project management. They already have the infrastructure needed because they use other systems, like the Project Management Information System (PMIS), and the SEPLAN has a dedicated IT team and staff who provide support to this and other systems. The PMU has an environmental and social risk management team, communication and registration, and forwarding interactions with beneficiaries, including complaints (GRM).



The social and environmental management team is composed of 8 professionals (between the social, environmental and communication areas).

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