Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 10-Apr-2017 | Report No: PIDISDSC20730

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Brazil	P162033		Brazil-Salvador Social Multi-Sector Service Delivery Project (P162033)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	Aug 14, 2017	Oct 26, 2017	Social Protection & Labor
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Prefeitura Municipal de Salvador	Casa Civil	

Proposed Development Objective(s)

The Project's objective is to improve access to quality social services while ensuring fiscal sustainability in the Municipality of Salvador

Financing (in USD Million)

Financing Source	Amount
Borrower	125.00
International Bank for Reconstruction and Development	125.00
Total Project Cost	**250.00**

Environmental Assessment Category	Concept Review Decision
B-Partial Assessment	

Other Decision (as needed)

B. Introduction and Context

Country Context

After growing at an annual average of 3.6 percent (2006-2013), Brazil's economy suddenly fell into a deep recession in 2014. GDP contracted by 4.6 percent in 2015 and is projected to contract by another 4.1 percent in 2016.[1] An estimated 2.7 million formal jobs have been lost since the onset of the recession with particularly strong impact on youth employment.

The crisis has hit subnational government finances hard. In the aggregate, federal transfers to states and municipalities dropped by 8.9 percent in real terms between 2014 and 2016. Combined with the decline in their own revenue collection due to the economic contraction and the expenditure rigidity due to the relatively high levels of mandatory expenditures (e.g., salaries and retirement benefits), some subnational governments have been forced into defaulting on their financial obligations. Strong fiscal consolidation and aggressive structural reforms are deemed necessary for Brazil to regain a sustainable growth trajectory. However, this fiscal scenario threatens Brazil's gains in poverty and inequality reduction since the early 2000s unless complementary measures are taken to protect those expenditure programs that are known to be effective in protecting the poor and the vulnerable and to enhance efficiency of public spending.[2]

The Municipality of Salvador, capital of the State of Bahia, is the third largest city in the country (2.9 million people in 2014, IBGE) and the twelfth largest municipal economy in the country (R$38.8 billion in 2011, IBGE).[3] The service sector is the most important driver of the municipal economy, generating 70 percent of the city's annual GDP (IBGE, 2011). Besides the state and municipal public administrations that operate in the city, the largest sectors within the service economy in Salvador are tourism, transport, and construction.

Salvador saw a faster pace of decline in poverty between 2001 and 2013 (73 percent) than the national average (52 percent). Nevertheless poverty remains high (7.2 percent) compared to more affluent cities like Belo Horizonte (2.8 percent), although it fares better in comparison to two large cities in the Northeast (Figure 1). Moreover, Salvador is the second most unequal city in the country in terms of income distribution, just behind Brasilia, with a Gini of 0.57 in 2012.

The current mayor of Salvador was reelected for his second and final term in October 2016 with more than 74 percent of the popular votes cast in the municipal election. During the first term (2013-2016), the mayor's administration has implemented an ambitious plan to accelerate the pace of poverty and inequality reduction in the city. The municipality's strategic plan "Salvador-Building a new future 2013-2016" prioritized investments to expand supply of basic social services (Education, Health and Social Assistance) as well as improvements in urban mobility, urban infrastructure, tourism and public management. While Salvador requires additional investments in selected areas to ensure adequate service coverage in specific sub-sectors (e.g., pre-primary education, basic social assistance), the administration is now shifting its primary focus toward efforts to improve quality and ensure sustainability of these social services.

[1] IMF Country Report No. 16/348, November 2016.
[2] Income inequality, measured as the Gini index, dropped from 57.7 in 2004 to 52.7 in 2012, and extreme poverty fell from 9.9 percent in 2001 to 3.6 percent in 2012. These gains are attributed to both the growth in employment and the effective social safety nets.
[3] It has the second largest municipal GDP of the Northeast region after the Municipality of Fortaleza.

Sectoral and Institutional Context

Service Delivery Performance

In Brazil's federal arrangement, municipalities shoulder basic social service delivery such as pre-primary and fundamental education (grades 1-8), primary as well as some higher-complexity health care, and face-to-face social assistance services. In delivering these services, municipalities often follow federal (and sometimes state) policies and guidelines and receive fiscal transfers, both tied and untied to specific service responsibilities and performance. Many of the social services are guaranteed as citizen rights in the 1988 Constitution. Municipalities therefore form the institutional frontline of Brazil's rights-based social policy systems, and capable municipal administrations are fundamental for effective delivery of these social services and hence for poverty reduction. In addition to managing networks of health and education facilities both under their direct administration and through service contracts, municipalities are also called upon to play specific roles in implementing programs and mandates that are constitutionally or legally assigned to the federal government. These include the conditional cash transfers program, *Bolsa Família*, and the social pension program, *Beneficios Prestação Continuada de Assistência* Social (BPC) for which municipalities are responsible for maintaining an up-to-date social registry (*Cadastro Unico*) and for identifying and enrolling new beneficiaries.

In 2012, the year before the current mayor started his first term, Salvador's social service delivery was characterized with low coverage and relatively poor quality due to years of under-investments. Not only did Salvador lack sufficient numbers of basic service facilities, but many of its existing facilities, such as early childhood education (ECE) facilities, schools, health facilities, or social assistance centers, were in suboptimal physical conditions. For example, the *Centros de Referência de Assistêncial Social* (CRAS) generally failed to meet the federal government standards, and as a result the Municipal Secretariat of Social Promotion and Fight against Hunger (SEMPS) was at the risk of losing some of the fiscal transfers associated with sustaining a minimum standard in social assistance service provision. Salvador ranked at the bottom of ranking among the state capitals in Basic Education Development Index (IDEB) in both 2011 and 2013 and its infant mortality rate (16.7 percent) lagged behind comparator cities like Fortaleza (11.2 percent) and Recife (12.2 percent).

Starting in 2013, the administration resolved to arrest this trend and considerably increased investments in the social sectors as central elements of the city's strategic plan. The investments included construction of 26 new schools, eight new emergency care units (*Unidade de Pronto Atendimento, UPA*), four new Health Multi-centers (*Multicentros*) for specialist medical consultations and medium-complexity tests, and seven new CRAS, as well as reforms and refurbishment of numerous existing facilities. These investments not only expanded Salvador's physical capacity to offer these basic social services but also contributed to their improved quality. As a result, the basic coverage indicators improved in every sector. In education, the proportion of children attending daycare centers increased from 12.4 percent of children aged 0-3 in 2012 to 16.7 percent in 2016. In health, Salvador's primary care coverage, through a combination of the Family Health Units/Teams and the traditional primary care units, was only 18.6 percent in 2012, but this improved to 44.2 percent in 2015. In social assistance, the coverage of *Bolsa Família* in 2012 was only 62.2 percent (compared to the national average of 100 percent), only 45 percent of the data on *Cadastro Único* had been updated (compared to the national average of 70 percent). By 2015, these figures reached 98.9 percent in *Bolsa Família* coverage, close to the parameter set by the Federal Ministry of Social Development, and the updating rate of the *Cadastro Unico* data was close to 90 percent thanks to the city's aggressive effort to increase the number of *Cadastro Unico* service points from 12 in 2013 to 35 by late 2016.

Despite these improvements, Salvador still lags behind not only not only the front-runners in social development among Brazil's state capitals such as Curitiba and Belo Horizonte, but also its regional peers like Fortaleza and Recife. The gaps appear larger on the quality front. For example, even though Salvador's IDEB performance improved somewhat between 2013 and 2015 (at least for early grades), its score (47) still compares poorly against Fortaleza (54), let alone the better performers that scored above 60. In primary health, Belo Horizonte, a "front-runner" among the state capitals, had already achieved the coverage rate above 93.7 percent. While Belo Horizonte may not be a "fair" comparison for Salvador given the differences in socioeconomic and fiscal/institutional conditions, even other large state capitals in the Northeast Region that are more appropriate comparators such as Fortaleza and Recife had far out-performed Salvador with 49.4 and 56.5 percent of primary care coverage, respectively, in 2012. The picture was similar in social assistance. Clearly, more needs to be done to continue improving the quality of social services and their effects on poverty reduction and human development.

Fiscal Outlook

Salvador has achieved the above-mentioned turnaround in social service delivery while jealously maintaining sound fiscal policy over the past several years. In each of the last four years, the municipal administration achieved both positive nominal and primary balances, despite doubling public investments in 2014-15 compared to the previous two years. The low level of debt service obligations – 3.9 percent of net current revenue compared to the legal limit of 11.5 percent established in the Law of Fiscal Responsibility (LFR) – reflect the fact that Salvador has relied almost exclusively on own resources to finance its investment projects, many of which were for revamping service delivery in education, health and social assistance. For the period between 2012 and 2015, Salvador derived approximately 92 percent of resources directed to investments from the municipality's current revenues (taxes and current transfers) and limited its reliance on capital transfers (7 percent) and borrowing (1 percent). Thanks to its prudent borrowing policy, Salvador managed to reduce the ratio of consolidated debt to net current revenues from 52.1 percent to 26.5 percent between 2012 and 2015, well below the LFR limit of 120 percent. Maintaining fiscal discipline and ensuring sustainability of its investments and services is a key priority of the municipal administration.[4]

Strong revenue efforts have also contributed to the positive fiscal performance. Salvador increased its own revenue collection effort, and managed to increase the share of own revenues to 54 percent of its total revenues, above the national average for state capitals (44 percent) and the largest ratio among capitals in the Northeast, North and Center-West regions. A notable measure that has contributed to this buoyant performance included the update of the property registration cadaster, which resulted in the expansion of the property tax (IPTU) collection by 42.5 percent between 2012 and 2015 (12.5 percent real average annual growth).

The economic crisis resulted in contraction of tax revenues in 2015 in real terms (-11.6 percent), especially due to a significant drop in ISS (tax over services) and sizable losses in fees and in another tax over donations and transfers. Overall, revenues contracted 4.1 percent in real terms in 2015. Still, Salvador managed to keep the personnel expenditure virtually stable in real terms in 2015 and reduce other current expenditures by 0.6 percent. As a result, current expenditures dropped 0.3 percent after a 14-percent expansion in the previous year.

Continued Service Delivery Improvements with Results Focus and Fiscal Sustainability

The municipal administration is determined to continue its efforts to improve social service delivery. The new policy priorities are expected to be articulated in the next strategic plan that the municipality is currently developing. While continuing to address gaps in service coverage that remain in specific areas or sub-sectors (e.g., early childhood education and basic social assistance which still needs further development, high-complexity health care given the shifting epidemiological profile of the city's population and the inability of the existing facilities to fully respond to the needs), the

[4] Relatório de Atividades, 2015, Secretaria da Fazenda.

new strategy is expected to place comparatively greater emphasis on measures to improve service quality and ensure long-term fiscal sustainability of these services.

Key thrusts of the strategy to improve education service delivery are the establishment of effective monitoring and evaluation (M&E) systems and specific policy actions to ensure fiscal sustainability of the sector wage bill. Robust M&E systems are a necessary, though insufficient, basis to oversee performance of the service deliverers (e.g., through a formal accreditation program) and devise appropriate remedial interventions, if necessary, to address observed weaknesses. Concerns about fiscal sustainability of its expenditures is paramount and some of the actions taken in the last several years have necessitated a more measured approach to managing the fiscal dimensions of service delivery expansion. On the one hand the aggressive investments in the last several years have increased the total recurrent spending in the education sector considerably, with non-salary recurrent cost requirements increasing by 9 percent in real terms in both 2015 and 2016.[5] Meanwhile, the sector's payroll increased by 38.5 percent between 2012 and 2015. The wage bill pressure has been exacerbated by the need to hire about 1,700 temporary teachers to comply with the new national legislation, which required reserving 30 percent of teachers' time for teacher professional development and lesson planning. Additionally, the Municipal Assembly approved a new teachers' career plan in 2014, which increased teacher salaries and created a bonus for all teachers regardless of performance. This increase will have impact on the long-term pension liability for the city. Finally, SMED significantly increased the number of outsourced employees who support schools and administrative regions of the school system, such as drivers and administrative assistants.

In health, Salvador needs to continue expanding its primary care coverage. More importantly, poor coordination across the three healthcare levels (primary, secondary and tertiary) is a main obstacle to attaining effective and sustainable healthcare in the local system, leading to difficulties in access to care, poor technical quality, discontinuity of care and inefficiencies in the use of resources. These weaknesses are particularly relevant in the care of patients with chronic conditions that require coordination across different settings and providers. Healthcare for these conditions is becoming an increasingly significant challenge to health services, especially with the worsening of fiscal and economic crisis. While completing the ongoing projects for facility improvement/expansion, the Municipal Secretariat of Health (SMS) has developed an information management system (*Sistema de Regulação Vida, or Sistema VIDA*) to regulate and manage patient flows between the different levels of care (i.e., between different types of facilities), including with facilities outside the municipal network (e.g., state-run facilities) and modernize some of its management processes and systems. SMS plans to upgrade and expand the use of *Sistema VIDA* over the next few years.

In social assistance, the priority measures for strengthening SEMPS' organizational capacities is somewhat more basic. SEMPS needs to revisit and adjust its organizational structure in line with the enhanced responsibilities and increased workload, recruit qualified professionals for both policy management and service delivery functions, institute an effective program of ongoing staff training, and modernize its management systems and practices.

While encouraging each sectoral secretariat to pursue its own set of measures to increase access, improve quality and ensure sustainability, the Municipality has also developed, and is intent on further refining, a set of cross-cutting management initiatives. Some of these measures are intended to sharpen the municipal administration's capacity to prioritize its actions and monitor their implementation. Others are explicitly intended to improve the efficiency of municipal expenditures and/or control future growth of expenditures, especially personnel expenditures.

[5] Since 2012, the municipality invested R$158 million for the construction of new schools and daycare centers, and another R$250 million for the expansion and refurbishing of existing units. Salvador also signed 62 new agreements with covenant schools. These actions to expand supply have implications for future recurrent cost requirements. The estimate of the recurrent expenditures considers fixed expenditures for 2016 and uses the official CPI index to transform values to 2016 average prices.

The primary tool that the Municipality adopted to sharpen its institutional capacity for policy prioritization is the strategic plan, implemented since 2014. A unit within the Mayor's office (*Casa Civil*) led the preparation of the strategic plan and monitors its execution. The Mayor regularly reviews the implementation status of each of the priority actions to ensure their timely completion.

In pursuit of greater efficiency through economies of scale, the Municipality has centralized procurement. It also established a single mechanism for contract and supply management, which have already generated significant savings. Informed by the results of a public servant census, new career plans were approved and wage scales revised to improve the conditions of civil servants in key service delivery sectors, including in education. In addition, the municipality is currently recruiting a new cadre of public management specialists through a competitive process. Once recruited, they are expected to be deployed in selected line secretariats. Similarly, merit-based recruitment processes are underway to professionalize and replace contract personnel in key sectors, such as social assistance. New information systems are being implemented to improve human resource administration, procurement, and financial management.

The proposed operation will support relevant aspects of the municipal strategic plan for the period 2017-20. It will prioritize support for the municipality's continued efforts to close the remaining service coverage gaps and improve service quality. An explicit objective will include ensuring that additional investments and expenditures will not compromise the city's long-term fiscal outlook. This will be pursued with measures to control long-term growth of expenditures, including aggressive pursuit of service contracting, where appropriate, and introduction of systematic approaches to managing major cost items including personnel. At the same time, the city does need to continue to invest in solidifying its institutional foundations for service delivery in selected areas, most notably social assistance, including by recruiting a necessary number of statutory civil servants to manage the sector's critical functions that, legally as well as managerially, cannot be outsourced to contractual staff.

Relationship to CPF

The proposed Salvador Social Project is aligned with the Country Partnership Strategy (CPS) 2012-2015 (Report No. 63731-BR) discussed by the Executive Directors on November 1, 2011. This proposed operation is one of a number of sub-national projects designed to strengthen public sector management and service delivery, as an integral part of the Bank's Country Partnership Strategy in Brazil. The CPS states that its goal is for the Bank to contribute to Brazil's aim of faster, more inclusive and more environmentally sustainable growth, with macroeconomic stability. In this context, the proposed Project will contribute to the CPS strategic objective of improving quality and expanding provision of public services for low income households. Results areas of education, health, and social assistance will improve the living conditions of low income populations living in the city. The Government's strategy to modernize public sector management and introduce greater results orientation would further contribute to improvements in the provision of public services.

The Project's proposed design is fully aligned with the World Bank Group twin goals of poverty reduction and increasing shared prosperity. Investments in education, health, and social assistance, in parallel with the modernization of public management including strengthening of tax administration, will be designed to improve the human capital and welfare of families living in Salvador.

C. Proposed Development Objective(s)

To improve the poor's access to quality social services while ensuring fiscal sustainability in the Municipality of Salvador

Key Results (From PCN)

The following indicators are proposed to track progress toward the PDO.

- Proportion of pupils at adequate level of literacy and numeracy at the end of the second grade
- Proportion of patients accessing health multi-centers referred by primary care units through the municipal regulation system
- Number of families supported or monitored by the Integrated Family Support Program at CRAS
- Compliance rate for residential property tax (IPTU) payments

D. Concept Description

Component 1 – Support for strategic actions to improve service delivery ($120 million). This component with a preliminary total of US$120 million will provide support for the implementation of Eligible Expenditures Programs (EEPs) and key reform actions to ensure, access, quality and sustainability of services in education, health and social assistance following a results-based disbursement approach. The EEPs will consist of priority public expenditure programs in education, health and social assistance. The key performance targets and reform actions will be captured as disbursement-linked indicators (DLIs) and, possibly, as secondary indicators (not linked to disbursement of the Bank financing). Four secretariats, Education, Health, Social Promotion, and Finance will be responsible for delivering the agreed performance targets to be captured as DLIs.

Sub-component 1.1: Education. This Sub-component would provide support for efforts by the Municipal Secretariat of Education (SMED) in: (i) ensuring access to quality early childhood education; (ii) improving data quality of fundamental education; and (iii) implementing fiscally sustainable human resources policy.

Sub-component 1.2: Health. This sub-component would support the following health service delivery improvements: (i) expanding access to primary, secondary and tertiary care; (ii) reorganizing work practices and processes to enhance health care quality; and (iii) developing management technologies and mechanisms for making the municipal health system sustainable.

Sub-component 1.3. Social Assistance. This Sub-component would provide support for efforts by the Municipal Secretariat of Social Promotion (SEMPS) in: (i) strengthening the basic social assistance network to further expand effective coverage and improve the services; (ii) improving data quality of *Cadastro Unico*; and (iii) enhancing SEMPS' organizational capacity.

Sub-component 1.4: Tax Administration. Salvador has managed to grow its own tax revenues strongly in recent years. However, a comparison with other major Brazilian cities shows that there is further scope for increasing revenue collection through more efficient tax administration, without raising rates. This applies in particular to the city's two largest sources of tax revenue, the services tax (*Imposto sobre Serviços de Qualquer Natureza* - ISS) and the property tax (*Imposto sobre a Propriedade Predial e Territorial Urbana* - IPTU). Increasing tax revenue is important as the city needs to invest heavily in improved public services and transfers from other levels of government cannot be expected to grow sufficiently to pay for it. The sub-component will support efforts to (i) improve compliance with ISS payments and (ii) increase IPTU collection.

Component 2 – Technical Assistance ($5 million). This Component will provide technical assistance to the four Municipal Secretariats that are responsible for delivering the agreed targets under the Component 1 (i.e., Education, Health, Social Promotion, and Finance) as well as to Casa Civil and the Municipal Secretariat of Management (SEMGE) both of which play critical roles in coordinating and leading the municipal administration's cross-cutting policy and management agenda. Specific activities to be financed will be selected by the municipal administration following pre-agreed criteria that are expected to include the following

- Consistency with the PDO;
- Immediate need for the secretariat to meet the agreed DLI targets;
- Evidence base and technical advice to develop a policy, management approach/model, etc., implementation of which could potentially be supported under the possible follow-on operation; and
- Other cross-cutting priorities of the municipal administration (e.g., preparation of the next strategic plan, design specification of a management information system).

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The Project will be located in Salvador, capital of the state of Bahia, which is the third largest city (2.9 million people in 2014, IBGE) and the twelfth largest municipal economy in the country (R$38.8 billion in 2011, IBGE). Its population is mostly comprised by Afro-descendants. "Pardos" and "blacks" count for 28 and 52 percent of the city's population, respectively.

From 2001 to 2013, Salvador saw a faster pace of decline in poverty (73 percent) than the national average (52 percent), but the city continues to present high levels of poverty and inequality. It is the second most unequal city in the country with a Gini of 0.57. Race and gender have a strong correlation with poverty and determine individuals' abilities to climb the social ladder. Poverty among Afro-descendants is 35 percent higher than among whites. The average monthly income of 61 percent of the population equals one minimum wage or less; this rate rises to 63 and 71 percent among "pardos" and "blacks", respectively. A share of 37 percent of the total population has not completed the fundamental school; this rate rises to 39 and 43 percent among "pardos" and "blacks", respectively and drops to 25 percent among the "white" people. The incidence of moderate and extreme poverty in households led by women is 10 percent higher than those led by men.

Salvador faces a number of environmental challenges related to low capacity for urban planning and natural resources management at the administrative level as well as weak capacity for environmental enforcement. Fast and unplanned urban development led to the occupation of areas at risk of landslides and flooding by the low income families and a large share of the population lives in slums (32 percent), are underprovided by public services and where poverty rates are high (72 percent have an average monthly per capita income up to one minimum wage). The environmental quality of Salvador is gradually depreciating as the urban rivers are degraded and polluted by sewage, the dunes and mangroves are impacted by the expansion of urban dwellings, the loss of vegetation cover interferes with the temperature and air humidity and there is no systematic monitoring of air quality. Protected areas in the city are not well managed and no ecological corridors exist between them. Only recently has been established a municipal environmental policy and a register of potentially degrading or resource-depleting activities been considered.

B. Borrower's Institutional Capacity for Safeguard Policies

The Municipality of Salvador (MOS) has no previous experience with the World Bank's Operational Policies. The Client's institutional capacity for safeguard policies will be further assessed by the World Bank Team during preparation and the need for capacity enhancement will be determined.

C. Environmental and Social Safeguards Specialists on the Team

Alberto Coelho Gomes Costa, Marcio Cerqueira Batitucci

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The proposed Project foresees the construction, rehabilitation, expansion or repair of small buildings (Early Childhood Education Centers – CMEIs, health units – including the Salvador Municipal Hospital – and Social Assistance Centers – CRAS, etc.), which may cause negative environmental impact. Although these impacts are expected to be minor, and mostly related to civil works' execution, the Environmental Assessment Safeguard Policy (OP/BP 4.01) is triggered and the Client will conduct an environmental assessment process. Therefore, a Category B is proposed for this Project. As the exact circumstances related to the proposed works are not yet detailed, the Client would prepare an Environmental and Social Management Framework (ESMF), which would identify the main environmental and social impacts and risks of the proposed Project and suggest mitigating measures, including references to the World Bank Group Environmental Health and Safety (EHS) Guidelines, and those for Healthcare Facilities. The ESMF would include screening criteria to assess the social and environmental risks related to any technical assistance activities supported under the project. It would also assess the institutional capacity to manage and mitigate social and environmental risks and define a capacity building strategy – as needed. A draft Terms of Reference (ToR) of this study was shared and discussed with the Client and the final

version will be submitted to the Bank for approval before the hiring process begins. The ESMF will be reviewed by the Bank and publicly disseminated in the Bank's external website prior to Appraisal and in the external website of the MOS.

As an integral part of the ESMF, the Client will carry out a social assessment. The social assessment would be gender and ethnic sensitive and would consider the distributional impact of the interventions. The social assessment will incorporate broader issues related to non-discrimination, particularly as it relates to the LGBTI and Afro-descendant communities as well as issues related to persons with disabilities. The ESMF will also consider issues related to potential (and at times hidden) barriers to access to education, health and social protection services for these most vulnerable people (afro-descendant, indigenous population, LGBTI, disable people, women, the elderly people, and children). Finally, the social assessment would evaluate the Client's systems for citizen participation in the Municipality of Salvador (users' feedback, grievance redress, ombudsmen, etc.), and would propose measures to be adopted as the Project's Grievance Redress Mechanism (GRM).

Technical Assistance activities that have being discussed until now with the Client for receiving financial support of the Project under Component 2 focus on straight forward capacity building activities and are not expected to have potential adverse downstream implications or risks. According to the World Bank's "Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank," These proposed activities may be classified as Type 1, would have an indicative EA category C, and would trigger none safeguard policies. Throughout preparation, the Team would continue to screen the proposed list of Technical Assistance activities, to assess their content and socioenvironmental implications and risk and to identify their typology, EA category, safeguard policies that may be triggered and the instruments to be prepared prior to appraisal or during implementation.

As part of the social assessment, the Client will carry out consultations with potential project beneficiaries, organizations and leaderships representatives of the

		most vulnerable groups of the population as well as civil society organizations and experts working on issues related with public health, early childhood education and social protection in Salvador. The consultations will rely on four local meetings in representative neighborhoods and a web-based platform to collect feedback on the project design and, specifically, the assessment of its potential risks and impacts.
Natural Habitats OP/BP 4.04	Yes	Locations and field conditions of new buildings for Education, Health, and Social Assistance are not yet completely clear and the new constructions may occur in areas with presence of Natural Habitats. Furthermore, the new Salvador Municipal Hospital, in construction, is located inside an Environmental Protection Area (called APA Joanes Ipitanga). Although its works are occurring strictly under appropriate environmental requirements and restrictions (Environmental License nº 2016-SUCOM/CLA/LU-130, which also determines that the Hospital building may only occupy the Zona de Ocupação Controlada – ZOC, respecting the APA's ecological zoning), the policy would be triggered. The ESMF would include appropriate screening criteria to identify the presence of natural habitats and sensitive ecosystems, assess potential impacts, and determine appropriate measures to avoid, mitigate, or compensate for any possible direct or indirect impacts. The screening criteria will also ensure that sub-projects will not involve significant conversion or degradation of natural habitats.
Forests OP/BP 4.36	No	The Project will be executed in the urban area of Salvador. Therefore, no impacts on forests are expected.
Pest Management OP 4.09	TBD	Although the Project will not finance the use or disposal of pest control products, the appearance of urban pests during rehabilitation, repairs, maintenance and expansion works is usual and always requires the use of such chemicals. Therefore, the OP 4.09 may be triggered if the magnitude and type of risks associated with the Project context so justify it. The ESMF would evaluate the Project interventions in the context of this policy and propose: (i) simple measures for pest management, or (ii) the need for future adoption of an economically and environmentally sustainable Integrated Pest

		Management Plan (IPMP), which scope would be defined. The Project Operational Manual and Catalogue for contractors would explicitly prohibit the use of pesticides/herbicides for works and services financed by the Project.
Physical Cultural Resources OP/BP 4.11	TBD	Negative impacts on physical cultural resources are not expected during project implementation. But, considering the richness of historical sites in Salvador, the construction, rehabilitation, repairs, maintenance and expansion works planned for Component 1 may affect physical cultural resources – PCR (historical and archeological), which implies triggering OP/BP 4.11. Different methods for dealing with this issue can be considered: (i) the Project would not support works that may affect PCR, which excludes triggering the Policy; (ii) the Project would support all activities and, then, specific procedures would be required to ensure compliance with the policy. These impacts must be assessed as an integral part of the ESMF and a Physical Cultural Resources Framework should be proposed. "Chance findings" during works are possible, and to handle such findings, Brazil has a well-developed legislative and normative framework, which is under the oversight of the National Institute for Protection of Historical and Archeological Sites (IPHAN). These procedures would be described in the ESMF, and provisions for proper handling of the issue by contractors would be part of bidding documents and works contracts.
Indigenous Peoples OP/BP 4.10	No	The Project would be executed in the urban area of Salvador. No indigenous lands are located within the project's geographic area of intervention. According to the last 2010 Demographic Census conducted by IBGE, 7,563 people have identified themselves as an indigenous population. They count for 0.28% of the city's population and are evenly spread in 161 out of the 163 neighborhoods found in the city. This population does not fulfill the criteria of identification of indigenous groups set by the Indigenous Peoples Policy OP/BP 4.10 (paragraph 4). Essentially, due to the circumstances of their lives in the city, they do not hold any collective attachment to geographically distinct habitats or ancestral territories in the project area or to the natural resources in these habitats and territories. The social assessment carried out as part of

		the ESMF will address potential barriers to access to education, health services and social protection that may be particularly faced by these indigenous population due to (i) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture that they may hold or to (ii) their use of an indigenous language different from the official language of the country or region. The preparation of the ESMF will include consultations with organizations and leaderships of these groups who can be identified and, as needed, propose measures to overcome these barriers.
Involuntary Resettlement OP/BP 4.12	Yes	This policy would be triggered because of two situations. First, some construction works are being considered to be supported by the Project under Component 1. These construction works may require land acquisition, they tend to be site-specific, and their impacts tend to be limited in scope and magnitude. The specific locations of these construction works have not been chosen yet and will not be defined before Project's appraisal. Consequently, the Client would prepare and submit to the Bank a Resettlement Policy Framework (RPF), describing the principles, guidelines and procedures, which would be followed when activities supported by the project need land acquisition and may have adverse impacts related to involuntary resettlement. This RPF will be submitted to the Bank, publically consulted and disclosed before Appraisal. Secondly, the Project may also provide retroactive financing for facilities already under construction, which have required previous land acquisition. In situations such as this, the substantive aspects of OP 4.12 apply retroactively. Consequently, the RPF will include guidance on conducting the inventory and assessment of prior resettlement and the Client will carry out an audit of the procedures followed for (i) acquiring the land plots needed for these infrastructures and (ii) addressing adverse impacts related with involuntary resettlement as well as their implementation. In addition, the RPF will provide guidance for the preparation of site specific Resettlement Action Plans (RAP) once construction works and their locations are identified. If these procedures and its implementation fall short

		of the Bank policy standards, the Bank will discuss and agree with the Client on measures to mitigate the impacts of these shortcomings in accordance with the guidance provided in the RPF. This approach would not apply to infrastructures that may be used to carry out Project supported activities and that have been constructed many years before the Bank's investment because, in such cases, it would make no practical sense to attempt to review investments undertaken in the distant past. Overall these infrastructures – early childhood education community centers, small units of primary health care, and social services local offices – are small and site-specific and their potential adverse impacts related with land acquisition and involuntary resettlement tend to be small in magnitude. Nevertheless, the RPF will include provisions to identify potential legacy issues and outstanding disputes, which, if significant, will make such investments ineligible for Bank-financing or subject to remedial measures. The proper documents related to involuntary resettlement – the RPF and the audit report related with investments eligible for retroactive financing – would be disclosed prior to appraisal at the World Bank's external website and at the Client's website.
Safety of Dams OP/BP 4.37	No	Not applicable. The Project would not finance the construction or any other intervention related to a dam nor will rely on the operations of existing dams.
Projects on International Waterways OP/BP 7.50	No	Not applicable. None of the Project activities are expected to have any impacts on international waterways.
Projects in Disputed Areas OP/BP 7.60	No	Not applicable, because the activities financed by the Project are not located in disputed areas.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 06, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The draft safeguard instruments are expected to be prepared and submitted to the Bank by April 2017. These documents would then be revised and discussed with the client by May 2017. Public disclosure of draft safeguard documents and public consultations with key stakeholders would be carried out by June 2017. Final versions would be disclosed to the public by July 2017

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