



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 09-Dec-2020 | Report No:



BASIC INFORMATION

A. Basic Program Data

Country Brazil	Project ID P168634	Parent Project ID (if any)	Program Name Parana Public Sector Modernization and Innovation for Service Delivery
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 05-Apr-2021	Estimated Board Date 27-May-2021	Does this operation have an IPF component? Yes
Financing Instrument Program-for-Results Financing	Borrower(s) State of Parana	Implementing Agency Secretariat of Planning	Practice Area (Lead) Governance

Proposed Program Development Objective(s)

To mitigate the health impacts of COVID-19 and improve the efficiency and effectiveness of health service delivery, environmental management and public administration.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	130.00
Total Operation Cost	130.00
Total Program Cost	116.60
IPF Component	13.40
Total Financing	130.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	130.00
World Bank Lending	130.00



Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **The proposed Parana Public Sector Modernization and Innovation for Service Delivery Project seeks to improve the efficiency and effectiveness of health service delivery, environmental management and public administration through management reforms and the use of information technology.** Parana is one of the highest income and highest capacity of Brazil's states: Parana's human development index is comparable to that of Albania. There are significant pockets of poverty, particularly in rural areas. The Project will address poverty through its support to improvements in public health services and indirectly through improvements in the quality of public investment and access to digital services. In line with World Bank policy for higher-income countries, the Project focuses on institutional development. The rationale for Bank engagement in Parana lies in the opportunities for innovation and the development of new management approaches and information technology tools that can be used by other Brazilian States and elsewhere in Latin America and the Caribbean (LAC).

Brazilian Context

2. **Brazil has been severely impacted by the COVID-19 pandemic.** As of early December 2020, Brazil had the third largest number of confirmed COVID-19 cases in the world (over 6.4 million cases), and the second highest number of COVID-19 related deaths (over 170,000 deaths). The country ranks 9th in the number of deaths per 100,000 people worldwide (83.43), with a case fatality rate (CFR) of 2.7 percent.¹ Although most of the states and larger municipalities implemented social distancing measures to contain the spread of the virus by the end of March 2020, they were unevenly enforced and adhered to nationwide, the highest social distancing level achieved was 62.2 percent in late March.²

3. **The pandemic is expected to lead to an economic recession with growth plunging by 5.4 percent in 2020, followed by a gross domestic product (GDP) growth rebound of 3 percent in 2021.** In the second quarter of 2020 GDP fell by 9.7 percent on a quarter over quarter (QoQ) basis. In response, the Federal Government of Brazil (GoB) implemented a large, targeted and time-bound fiscal package focused on social assistance to protect the most vulnerable. The cost of this package in 2020 is estimated at BRL 789.5 billion (US\$ 145.9 billion), 11.2 percent of GDP, of which BRL 569.5 billion (US\$ 105.3 billion) is new spending.³ Growth momentum is expected to carry into 2021 and Brazil is expected to recover to pre-crisis GDP levels in 2022 as economic activity normalizes and GDP growth reaches 2.5 percent. I

4. **Poverty rates could rise in Brazil from 20 percent in 2019 to about 21.5 percent in 2021 after the temporary income support measures expire against the backdrop of a weak labor market recovery.** The crisis is expected to lead to a steep drop in labor income and employment, increasing the likelihood of low-salary workers and informal workers falling into poverty. The unemployment rate reached 14.4 percent in August 2020, the highest rate in the past three years. In the first half of 2020, job losses amounted to 11.2 million, of which 7.9 million were informal workers. Since the beginning of the pandemic 10 million people have left the labor force. The workforce participation rate is expected to increase in the second half of 2020 and growth to accelerate in 2021. Nonetheless, job creation will likely not compensate the job losses during the crisis and the unemployment rate is likely to remain high. Temporary emergency transfers will

¹ Source: <https://coronavirus.jhu.edu/data/mortality>

² <https://public.tableau.com/profile/inloco.tableau#!/vizhome/SocialisolationIndexInLoco/Overview>.

³ BRL 37 billion (US\$6.8 billion) in transfers to partially compensate states for tax revenue losses due to the recession.



mitigate COVID-19 impacts on poverty in 2020. The temporary income-support emergency program, *Auxílio Emergencial*, has benefited 66 million Brazilians, most of them in the informal sector. However, poverty could rise by 1.5 percent in 2021 (compared to 20 percent in 2019, using the US\$ 5.50 line, 2011 PPP), when the income-support expires, assuming that the labor market is not able to fully absorb the unemployed in 2021.

5. **The pandemic has aggravated concerns regarding Brazil's fiscal sustainability.** The primary deficit reached a record-high 11.6 percent of GDP in 2020. It is expected to fall to 2.5 percent in 2021, as the COVID-19 fiscal package ends in 2020 and fiscal consolidation resumes in line with the current fiscal rule. Public debt is expected to rise to 93.2 percent of GDP in 2020 and stabilize at around 101 percent of GDP by 2027. To address debt dynamics GoB has adopted a constitutional amendment to limit federal primary expenditure growth to inflation until 2026 and approved a constitutional reform of the pension. A constitutional reform to control the wage bill of the civil service was proposed in September of 2020. Further fiscal adjustment will require reforms that tackle the rigidities affecting public spending and revenue earmarking mechanisms.

6. **This fiscal disequilibrium also affects sub-national governments.** Brazilian states started 2020 in a fragile fiscal situation, with revenues slowly recovering from the low levels reached during the 2015–16 economic crisis. In real terms, 2019 primary revenues (BRL 880 billion) had just reached 2014 levels (BRL 879 billion). Investment declined between 2014 and 2017, and started to recover in 2018, but ended 2019 (BRL 28 billion, in real terms) at the lowest level over the period 2010–2019. At the same time, recurrent expenditures increased as a result of pressing wage bills and public pensions. As a result, only 10 of 27 states are currently eligible for federal guarantees for external borrowing.

7. **Brazil needs to accelerate its productivity growth and infrastructure development to boost long-term growth.** Low total factor productivity (TFP) growth between 1996 and 2015 has led per capita income of Brazilians to rise by just 0.7 percent per year since the mid-1990s. This corresponds to one tenth of the rate in China and only one half of the average in the Organization for Economic Co-operation and Development (OECD) countries. With limited fiscal space and a dwindling demographic bonus, productivity growth is the key to sustained long-term growth. Reforms should focus on boosting market competition, opening the economy to external trade that could reduce input and technology prices, simplification of the tax system, and improvements in the quantity and quality of infrastructure to remove bottlenecks for production, increase resilience to climate change and expand access to social services. Public investment averaged around 2 percent of GDP during the period 1995 to 2015, compared with 6.4 percent for Emerging Market Economies (EME) and 5.5 percent LAC. This has translated public capital stock of 35 percent of GDP in 2015 compared with an average of 92 for EME and 87 for LAC. GoB recognizes that improvements in public investment management are needed essential to enhance Brazil's infrastructure. There is significant room for improvement: the efficiency gap between Brazil and the most efficient countries with comparable levels of public capital stock per capita is 39 percent, wider than the average for the EME (27 percent) and LAC (29 percent).⁴

The State of Parana

8. **Parana is one of ten Brazilian States considered creditworthy (CAPAG B) by the GoB to access federal guarantees, but the COVID-19 crisis has created fiscal challenges which were temporarily offset by the federal government's emergency fiscal support in 2020.** Parana is the 8th Brazilian State in terms of the number of COVID-19 cases (293,969) and the 10th in the number of COVID-19 related deaths (6,314), but ranks third lowest in terms of number of deaths per 100,000 people (55.24).⁵ State tax revenues are expected to decline by 2.4 percent in 2020 due to lower consumption during the recession. The State is expected to increase health spending by about BRL 750 million in 2020 to cope with the COVID-19 outbreak, around 20 percent of the original health budget for 2020. As part of the federal COVID-19 response, GoB transferred around BRL 2.5 billion in emergency financing to the state in 2020 while a federal debt

⁴ IMF (2017).

⁵ Recent reports point to potential underreporting: <https://ciis.fmrp.usp.br/covid19/analise-subnotificacao/>.



moratorium will save Parana about BRL 560 million in debt repayments in 2020. Federal support will help Parana meet its financing needs and safeguard investments in 2020. Temporary federal assistance ends in 2021 and debt repayments will be reinstated. Nevertheless, the State is expected to keep its CAPAG B rating in 2021 if tax revenues resume to pre-crisis levels and the state government continues to control personnel expenditures. A pension reform was approved in 2019 and the state has approved limited wage adjustments for both 2021 and 2022 (1.5 percent per year).

9. **Parana has significant pockets of poverty and inequality in access to essential public services.** Over 1.6 million people, 14.6 percent of the population, live under the US\$5.5 poverty line, and 380,000 people, or 3.3 percent of the population, living under the US\$1.9 poverty line. Poverty is higher in rural (24.4 percent at US\$5.5 and 6.2 percent at US\$1.9 poverty lines) than urban areas (13.3 percent at US\$5.5). Poverty is also higher among households where the head is a non-white person (19.9 percent) than a white person (11.2 percent). The COVID-19 pandemic aggravated these racial inequalities, unemployment among the afro-Brazilian population reached almost 15 percent by the second quarter of 2020 while among white workers was 8.5 percent. Likewise, women have been more affected by the pandemic crisis than men: unemployment among women increased by 3.3 percentage points between the last quarter of 2019 and the second of 2020, among men the increase was 1.4 percentage points. Access to basic services is unequal across different population groups. Over 1.1 million, or 10 percent of the population, do not have access to sanitation and 1.5 million do not have internet connection at home. The rural populations are particularly disadvantaged: 71 percent of rural households do not have access to sanitation. Even though public health services are provided free of charge, a significant share of the State population (31 percent) spends more than 10 percent of the household budget on health, resulting in loss of consumption power and often impoverishment.

10. **Environmental degradation coupled with climate change present significant challenges for the State.** Paraná is home to the araucaria forest, one of the world's most valuable subtropical forests. Accelerated conversion in the second half of the twentieth century led to significant habitat loss, leaving the State with a myriad of small forest fragments and just 8 percent forest cover. Agriculture is largely dependent on annual crops, summer soya and corn with winter wheat. Forest fragmentation, fertilizer and pesticide leakage and urbanization are the main regional drivers of environmental change. Groundwater and surface water extraction for agriculture pose a significant threat to riverine habitats. Parana lies close to the South Atlantic Convergence Zone (SACZ) which determines rainfall patterns, particularly in the summer. The future positioning of the SACZ further to the north or to the south may result in positive or negative rainfall anomalies, adding considerable uncertainty to climate change simulations for the region. There is already evidence of increased frequency of intense rainfall events with impacts on flooding and periodic droughts, as seen in 2020, with significant drops in river levels and outbreaks of wildfires. Climate change is expected to increase the incidence of tropical diseases. Parana has been severely affected by a dengue outbreak.

11. **Parana scores well on policy and institutional indicators relative to other Brazilian States.** Parana's Human Development Index of 0.792 in 2017 is comparable to Albania's score and ranks fifth among Brazilian states. Parana ranks fourth on the State Competitiveness Index prepared by the non-governmental organization *CLP - Liderança Pública*. The main challenge facing Parana today is to elevate the performance of public institutions without costly public sector initiatives. Recognized as one of the most progressive and innovative States, Parana's innovations in public services and management practices can be replicated and thereby have a broader impact across Brazil.

Sectoral (or multi-sectoral) and Institutional Context of the Program

12. **The COVID-19 crisis has increased the urgency of reforms already underway in Parana to make the State apparatus more efficient and effective.** The State's development strategy is laid out in its medium-term plan (*Plano Plurianual - PPA*) approved on December 9, 2019 for the period 2020-2023 and in the recently approved COVID-19 recovery plan (*Plano Retomada 2020-21*). As part of its COVID-19 response, the State has implemented support measures for households and businesses, including deferment of payment of the major state tax (ICMS), deferment or flexible



payment for water, electricity and mortgages for low income households, and the establishment of low-interest credit lines for individuals and small and medium enterprises (SMEs). In addition to immediate response measures, the COVID-19 recovery plan serves as a filter to prioritize programs in the PPA, focusing on targeted recovery measures aimed at relaunching the economy, protecting jobs and strengthening public services. The recovery plan prioritizes high impact public investments in urban, water and sanitation, and education infrastructure; expansion of digital services; job creation through local agricultural production and business start-up acceleration support entrepreneurs access professional advice and credit; export promotion through focusing on higher value added goods; promotion of science and innovation using local capacities to build back better. The authorities have started the development of regional productive development plans as a critical instrument to identify strategic and impactful investments for post COVID-19 recovery through a consultative process involving all relevant stakeholders.

13. **The State Government has requested World Bank assistance in the implementation of its COVID-19 recovery plan and PPA focusing on the health service delivery, environmental management and public sector modernization.** Given public sector spending constraints, the State Government seeks to deliver improvements in efficiency and effectiveness in these areas through management reforms and the use of information technology. This builds on the successful Parana Multi-sector Development Project (SWAp) (P126343), closed in 2019, albeit with a narrower sector focus⁶.

Health Service Delivery

14. **The COVID-19 pandemic poses an unprecedented challenge to the State's health system.** In absolute numbers the State of Parana has the 8th highest number of COVID-19 cases and the 10th highest number of COVID-19 deaths among the Brazilian States. After a decline in the number of cases by mid-October 2020 the State now faces an increase of 49 percent in the average number of cases in the 14 days to November 26, while the number of deaths decreased by 15 percent. The latest State Health Secretariat (*Secretaria de Estado de Saúde – SESA*) COVID-19 bulletin points to a hospital bed occupancy rate of 67 percent across public hospitals designated to treat COVID-19 patients.⁷

15. **The State health authorities moved quickly to respond the COVID-19 crisis.** In early 2020, the SESA prepared a Public Health Emergency Response Plan and standardized protocols and procedures for responding to COVID-19. The State expanded its public hospital capacity to treat COVID-19 cases, adding 889 adult intensive care unit (ICU) beds and 47 pediatrics ICU beds (in addition to 1,635 outpatient beds for suspected and mild cases of COVID-19). Parana surpassed the mark of one million transcription polymerase chain reaction (RT-PCR) tests to diagnose COVID-19 and testing capacity has been expanded to almost nine thousand diagnostics per day.⁸

16. **Despite the rapid response, the pandemic has put additional pressure on the State's public health system, which is the primary source of health care for 73 percent of the population.**⁹ Restrictions on receiving patients in hospitals, the transfer of beds for COVID-19 treatment, and patients' fear of seeking medical help have decreased the number of consultations, exams, and surgeries to an alarming level (particularly those for chronic conditions, such as diabetes, hypertension and cancer). As in other parts of Brazil, the pandemic exacerbated structural weaknesses of the Unified Health System (*Sistema Unico de Saude - SUS*) service delivery and organization. Addressing these weaknesses is essential to strengthen the COVID-19 response in the short run and to prepare the system for future challenges.

17. **A key challenge faced by the State health system, as in other parts of Brazil, is to improve hospital network organization.** A recent World Bank study points to inefficiencies in the SUS hospital network, that operates with high idle

⁶ The Parana Multi-sector Development Project (SWAp) (P126343) supported state programs in health, education, rural development, disaster risk management and water management, and included technical assistance for asset management, tax administration, regional planning and IT systems.

⁷ Secretaria de Saude Parana (SESA). Available at: <https://www.saude.pr.gov.br/Pagina/Coronavirus-COVID-19>

⁸ SESA (2020), available at: <https://www.saude.pr.gov.br/Noticia/Parana-chega-1-milhao-de-testes-realizados-e-amplia-ainda-mais-capacidade>

⁹ Source: ANS, Sept/2020.



capacity (such as low hospital bed occupancy rates), diseconomies of scale due to small volume of services and limited coordination across providers and primary and hospital care. The excessive number of small hospitals - 150 in Parana - is of particular concern. In Parana 62 percent of the SUS hospitals have less than 50 beds (55 percent nationally) and 82 percent have less than 100 beds (77 percent nationally). Small hospitals provide low complexity services at higher costs and operate at low occupancy rates. They often compete with primary health care (PHC) facilities in providing health services to the population, but at a higher cost and often lower quality. More than 60 percent of those at the bottom of the income distribution rely on PHC services to access health services.¹⁰ More efficient PHC services will help to control health care costs by rationalizing access to services (by avoiding the provision of unnecessary specialized care) and reducing the duplication of procedures (in 2018, SUS spent more than BRL 2 billion on hospital admission for PHC-sensitive conditions).

Environmental Management

18. **In 2019, the Government of Parana consolidated its three environmental management agencies under a new State Institute of Water and Land (*Instituto de Águas e Terra - IAT*).** The IAT has a broad environmental management mandate encompassing: environmental licensing of all activities that use environmental resources, are potentially polluting or may cause environmental degradation; licensing the use of water resources, monitoring and compliance; preparation, execution and monitoring of plans, programs and policies for biodiversity, water resources and solid waste management; and cartography and territorial zoning for land use, mining and environmental protection. Consolidation of these functions under a single agency is intended to reduce costs, improve operational efficiency by facilitating information exchange and ensure coherence across environmental management functions. IAT plays a leading role in the design and implementation of Parana's response to climate change.

19. **Parana faces growing pressure from the productive sector to improve efficiency and transparency in its environmental management systems.** Currently, about 30,000 requests for environmental licenses and 10,000 requests for water rights are registered per year in the Environmental Management System (SGA). Processing times for licenses are up to 900 days for high-impact projects and 100 days for medium and low impact projects. IAT has about 3,800 licensing application processes and 8,000 water grant applications pending. Small enterprises represent 50 percent of environmental licensing requests and the small and medium-sized together about to 67 percent. Environmental and water use rights licenses facilitated investments of approximately BRL 28 billion in the State of Parana during 2019. Environmental licensing is time-consuming and follows anachronistic processes, lacking standardization and transparency. Audits and controls are mainly carried out in response to complaints rather than through proactive, risk-based monitoring. 58,317 infraction notices were drawn up in the last fifteen years. Fines resulting from environmental infractions amounted to BRL 43 million but BRL 12.6 million remains uncollected. Enforcement is hampered by limited physical monitoring networks, the incipient use of prediction and decision support tools, the lack of integrated electronic systems with clear procedures and protocols that reduce the margin of error and increase the legal security of the infraction notices. Geospatial data is inadequate – poor coverage on a detailed scale, absence of key thematic mappings, inconsistent scales and technologies, inadequate systematization and difficulty of access – for environmental risk and land use management and territorial planning. The State seeks to strengthen environmental management by restructuring business processes and procedures and updating information systems. Improvements in the quality, timeliness, impartiality and transparency of environmental management functions will help ensure sustainable use of natural resources and address climate change risks.

Public Sector Modernization

20. **The state government's public sector modernization strategy seeks to strengthen efficiency and effectiveness in the use of limited resources through improvements in public investment and asset management, human resource**

¹⁰ World Bank (2017). A Fair Adjustment: Efficiency and Equity of Public Spending in Brazil. Brasilia, DF.



management and the digitalization of services. The State will draw on international experience to modernize management practices and develop information technology solutions that strengthen the results and client orientation of public services, improve the use data in decision-making and improve transparency, accountability and citizen engagement in decision-making.

21. **Robust public investment management practices are critical to effective use of public resources, particularly so in the context of the recovery from COVID-19.** Public investment (capital expenditures) budgets in Parana have stayed stable at around BRL 5 billion per year between 2017-19. However, capital expenditure execution is just over 50 percent on average, indicating significant weaknesses in all stages of the public investment management cycle. Projects are often prepared and approved without adequate economic, environmental and social viability studies or verification of alignment with strategic priorities and budget constraints. Weak project management, monitoring arrangements and lack of ex-post evaluation contribute to implementation inefficiencies, time and cost overruns. This is partly due to the lack of formal project cycle management procedures and the lack of a clear institutional framework to coordinate the process. In May 2020 the State established an inter-sectoral investment committee chaired by the governor's office comprising of the Secretariat of Planning (*Secretaria de Estado de Planejamento e Projetos Estruturantes – SEPL*), the Secretariat of Finance (*Secretaria de Estado da Fazenda – SEFA*) and the internal controller (*Controladoria Geral do Estado – CGE*). The committee's mandate is to review and evaluate the readiness of the state public investment proposals before they are considered for financing, regardless of financing source (external and internal). The State intends to bring its PIM system in line with good international practice, drawing on global experience in the design of green COVID-19 recovery and regional productive development plans that take account of financial, economic and environmental and climate considerations and mobilize private sector investment for COVID-19 recovery.

22. **Unused or underutilized real estate assets in various states of disrepair represent a drag on state finances through maintenance and other operational costs.** The State of Parana has a vast stock of public land, buildings and equipment. Over 300 state properties are currently vacant, poorly maintained and at risk of vandalism and theft – while the State continues to spend over BRL 37 million annually for the rental of office space from the private sector. Over 5,500 buildings and properties were identified and mapped in 2018 with financing from the SWAp. A number of properties were identified for sale. Through its Public Management, Transparency and Compliance program the SEPL's Department of State Assets (DPE) intends to further strengthen management of physical assets and identify opportunities for private sector investment in and management of assets. DPE will develop a comprehensive property registry with updated valuations and formal property documents where these are missing. A strategic asset assessment will look critically at current and future real estate needs for the public sector, alternative asset options such as sub-contracting of transport or maintenance services, and consolidation of real estate use including rental options and continued sale of unused properties through public auctions.

23. **Control of salary and pension expenditures will be critical to maintain the needed fiscal space for COVID-19 recovery expenditures.** In 2019, Parana spent 59.9 percent of its Net Current Revenue (NCR) on personnel expenditure, slightly below the spending cap set by the Fiscal Responsibility Law (60 percent). Personnel expenditures will increase if the State fails to implement reforms. Between 2015 and 2018, the government attempted to control payroll growth by reducing the number of public servants and lowering wage increases. During this period, non-progression wage increases fell by 0.8 percent per annum (compared with an 8.2 percent increase between 2011 and 2014); and increases in progression years fell from 21.3 percent to 9.6 percent. Since 2015, the number of employed public servants has fallen 1.8 percent per year. World Bank estimates show that around 16.6 percent of public employees – around 21,000 – are expected to retire in Parana by 2022, and another 33.2 percent by 2030. This opens a window of opportunity for reforms and realignment of personnel spending in line with priorities. The Secretariat of Public Administration (*Secretaria de Estado de Administração e Previdência – SEAP*), responsible for HRM policy in the State, intends to rationalize public employment and modernize human resource management practices. Currently SEAP does not conduct strategic workforce planning and public officials' replacement rates are not determined through an analysis of the required skills.



The intervention will help SEAP adopt strategic management tools and conduct competency-based long-term human resource planning with the aim of hiring people with the skills needed in the future, particularly in critical areas such as digital skills and data analytics.

24. **Digital services are critical in the context of COVID-19 to ensure business continuity, enable social systems and facilitate distancing and remote access.** Parana ranks first among Brazilian States in its fiber optic cable coverage and sixth in access to telecommunications. Parana has moved to digitize its public services and have developed an integrated platform (PIA) in 2019, led by the Secretariat of Social Communication and Culture (*Secretaria da Comunicação Social e da Cultura – SECC*) and the state technological and communication agency (*Companhia de Tecnologia da Informação e Comunicação do Paraná – Celepar*). Government reports that over 200 services have been fully digitized (out of 400 services listed on the platform). The most frequently used services are requests for medical appointments and school report cards. However, despite an expanding catalog of digital services, the actual use and uptake has been lower than expected. Only 20 percent of internet users accessed public services through digital channels in both 2018 and 2020. The reasons for the low uptake include a lack of knowledge about services and how to use them, and continued complexity of accessing and completing some services, privacy concerns and connectivity challenges. The PIA platform aggregates information about services, making it easier for citizens to search for and find services, but the actual services are managed by each responsible institution. There is significant variation in the quality of services including the platforms and channels for accessing these services (Smartphones, Computers). Limited integration between different systems increases costs and causes inefficiencies and delays. To strengthen the provision, quality and use of both internal and external digital services, the state government has agreed to join the federal digital government network (gov.br) initiative which involves a structured process and common standards for digital transformation in the public sector. Parana has created an inter-agency task force¹¹ to map available services, their current use and weaknesses, and on this basis prepare operational plans for improving the quality of digital services.

Relationship to CAS/CPF

25. **The proposed operation is consistent with the priorities of World Bank Group’s Country Partnership Framework (CPF) for the Federative Republic of Brazil, for the period FY18-FY23 (Report #113259-BR), discussed by the Executive Directors on May 16, 2017.** The Project will directly support Focus Area 1: *Fiscal consolidation and government effectiveness* and is aligned with objectives 1.1 “Strengthen fiscal management at all levels of the government” and 1.4 “Increase effectiveness of service delivery in health”. Objective 1.1 supports Government efforts to adopt key policy reforms necessary to reestablish fiscal stability, improve fiscal management and expand access to quality public services. Objective 1.4 seeks to improve the efficiency of health spending, strengthen government capacity and promote improved service delivery through improving the targeting of policies, increasing accountability for results, and thereby supporting the shift from expanding access to increasing quality. This Project contributes to these objectives by supporting health service delivery, environmental management and public administration through management reforms and the use of information technology. The operation is aligned with the new Programmatic Learning Review (PLR) which promotes institution-building through, among others, strengthening data systems, monitoring and promoting a wide review of key institutional functions such as procurement and HRM and the adjusted World Bank program in response to COVID-19 aimed at protecting the poor from income and human capital losses. This is in alignment with the World Bank Group COVID-19 Crisis Response Board paper, Pillar 2: “Protecting the Poor and the Vulnerable”.

Rationale for Bank Engagement and Choice of Financing Instrument

¹¹ The inter-agency task force is led by the Governor’s office superintendence of innovation (*Casa Civil*) and includes the planning department (SEPL), the public sector management school (SEAP), secretariat of finance (SEFA), the superintendence of science, technology and higher education, the Parana development agency (Invest Parana), the institute of economic and social development (IPARDES), the institute of technology (Tecpar).



26. **The World Bank’s technical expertise in institutional strengthening and solid track record working with the State of Parana are the foundation for engagement through this operation.** The Project is aligned with the State’s medium-term plan and the COVID-19 recovery plan. It builds on the achievements of the World Bank-financed Multi-sector Development Project in health, environmental management and public sector management, while introducing new activities on COVID-19 response, public investment and asset management and HRM reforms. While Parana is a relatively high-income state, there are significant pockets of poverty and relatively high inequality. The Project will address directly poverty through its support to improvements in public health services and indirectly through improvements in the quality of public investment and access to digital services. Support to a relatively high capacity State allows the Project to innovate in areas that will generate public goods for Brazil and elsewhere in LAC, notably: in the development of practices and digital tools for public investment and asset management; in the development of tools to support environmental management; and in restructuring health service delivery network and improving management of SESA’s information systems to tackle both the immediate challenge of COVID-19 response and the longer-term challenge of demographic change. In line with World Bank policy for higher-income countries, the operation focuses on institutional development, addressing institutional capacity in the health and environmental management sectors and through the development of whole-of-government planning, digital services and public investment, physical asset and human resource management functions.

27. **The Program-for-Results (PforR) instrument supports institutional strengthening and results orientation.** The State has a strong medium-term plan with a focus on results and innovation, robust systems and high capacity to deliver. It has recent experience with the multi-sector SWAp which supported targeted government programs through Disbursement-Linked Indicators. Nevertheless, gaps in institutional capacity remain which can be addressed in a more sustainable manner through a PforR operation. A Technical Assistance (TA) component will finance consultancies, studies and assessments in areas that are of strategic technical importance to the implementation of the reforms. The TA component will use World Bank procurement rules which allow for access to the best quality national and international expertise.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

28. The development objective is to mitigate the health impacts of COVID-19 and improve the efficiency and effectiveness of health service delivery, environmental management and public administration.

PDO Level Results Indicators

- Number of available hospital beds to treat COVID-19 patients in designated treatment centers
- Number of small hospitals converted into intermediate care units
- Improved efficiency (timeliness) of in processing of environmental and water licenses
- Percentage of public investment projects that have been prepared using the new PIM methodology
- Number of digital public service requests completed

D. Program Description

PforR Program Boundary

29. **The Project will have two complementary components: a result-based financing component and a technical assistance component.** The PforR component will support specific programs and budget lines in the medium-term plan (PPA 2020 – 2023) and in the Annual Budget Law (Lei Orçamentária Anual – LOA) in key areas to improve public administration and delivery of public services with a focus on pandemic mitigation and economic recovery. The TA



component will strengthen the institutional capacity of selected departments of the State government. This component is estimated at 10 percent of the total loan amount and will finance studies, impact evaluations, training and other expenses to support implementation of the programs.

30. **Responsibility for coordinating, monitoring and reporting on project activities and results will rest with the Secretariat of Planning (SEPL).** The Project will rely on the State's systems for monitoring and evaluation while contributing to their strengthening through technical assistance. While this will place a large burden of coordination on SEPL, experience with the previous operation demonstrates that the State's capacity is strong. The State Secretariat of Health (SESA) will be responsible for implementing the Health Sector Management and COVID-19 Response results area. The State Secretariat of Sustainable Development and Tourism (SEDEST) will be responsible for implementing the Environmental Management results area. The State Secretariat of Administration and Social Security (SEAP), the Casa Civil, and SEPL will be responsible for implementing the Public Sector Management results area. Implementation of the TA component will be centralized in SEPL.

Program-for-Results Component (US\$116.6 million)

31. **The Program-for-Results component will finance activities with select government programs across eight results areas in three pillars.** The activities supported by the Project and the disbursement linked indicators (DLIs) associated with each result areas are identified below.

Pillar 1: Health Service Delivery

32. **Results Areas 1: Support COVID-19 response.** The results area will support the expansion of SESA's hospital and laboratory capacities and prepare the State's public health system to respond to the expected increase in demand for health services (particularly elective surgeries) that had been postponed during the pandemic. The COVID-19 response will take into consideration targeted measures to ensure access for women, the poor and vulnerable populations. The proposed DLI is: number of available hospital beds to treat COVID-19 patients in designated treatment centers.

33. **Results Area 2: Reorganization of health service delivery.** The results area will support the reorganization of the State's health system through investments that improve coordination of care across primary and secondary care through the creation of intermediary care units and multi-professional care units (Unidades de Cuidados Multiprofesional - UCM). UCMs will focus on the needs of the State's growing elderly population and would entail the conversion of small hospitals. The reorganization of the health service delivery will take into consideration the needs of women, the poor and vulnerable. The proposed DLI is: number of small hospitals converted into intermediary care units (UCMs).

34. **Results Area 3: Digital transformation of health service management.** The results area will support the integration of SESA's information systems for financial, administrative and service delivery data to improve health service delivery and management. The integration of SESA's information systems will be a critical tool in the roll-out of the next stage of the COVID-19 response, notably in supporting large scale vaccination programs. Health information systems will take into consideration the particular needs and facilitate access for women, the poor and vulnerable groups. Health information systems will integrate information on climate-related health vulnerabilities. The proposed DLI is: functional integration health service management information systems.

Pillar 2: Environmental Management

35. **Results Area 4: Innovation in Environmental Management.** This results area will support: the strengthening of geospatial information for decision-making; systems for monitoring of environmental impacts including GHG emissions; assessment of climate change vulnerabilities and measures to strengthen resilience; business process reengineering and technological innovations to strengthen licensing processes; and digital solutions for enforcement of environmental regulations. The proposed DLIs indicators are: (i) Percentage of reduction of the average number of days to issue low



impact project environmental licenses; and (ii) Percentage of compliance alerts issued in relation to natural disasters recorded in the system.

Pillar 3: Public Administration

36. **Results Area 5: Modernization of public investment management.** This results area will support the design and implementation of: procedures for public investment project preparation in line with international practice; arrangements for independent and systematic review of project proposals; identification of opportunities for private sector participation; and systems for tracking of investment projects through the preparation and implementation. Modernization of public investment management will integrate climate change, poverty and gender considerations in procedures for the selection, appraisal and evaluation of investment projects and will identify opportunities for private sector participation in the provision of infrastructure services. The proposed DLIs are: (i) PIM system and methodology prepared and functional (manuals, database, institutions); (ii) proportion of approved projects prepared, appraised and approved using the new methods and procedures.

37. **Results Area 6: Modernization of public asset management.** This results area will support: an update of the state property cadaster, including updated property valuations; analysis of building use and occupancy in buildings used by the state, municipalities and foundations; a strategy building management; establishment of an asset management fund to ensure transparency and predictability around asset sales and the use of proceeds; the development of a transparent asset auction system to be use for the sale of state properties. The asset management system will explore opportunities for the participation of the private sector in the management of public sector assets. The proposed DLI is: operations and maintenance costs of public real estate assets.

38. **Results Area 7: Strategic human resources management.** This results area will support: development of a strategic workforce plan; establishment of a talent-pool and talent management database which will enable horizontal mobility to solve specific agency demands; modernization of human resource recruitment and assessment practices; alignment of HRM practices with the new HRM law being discussed in the National Congress; updating and roll-out of the public sector school distance learning platform and selected training and capacity building activities; and a leadership skills development program which focuses on practical skills, results and change management. The human resource management strategy and practices will seek to strengthen opportunities for the women and disadvantaged groups in public services. The proposed DLI is: number of agencies that have implemented strategic workforce planning and skills assessments.

39. **Results Area 8: Expansion of digital services.** This results area will support the government's program for the expansion of digital services including: a comprehensive analysis of available digital services and an action plan for strengthening their availability and citizen's access; preparation, roll-out or expansion of selected digital services. The design and implementation of digital services will give particular consideration to the needs of women, the poor and vulnerable groups to facilitate their access. The proposed DLIs are: (i) number of digital public service requests completed; and (ii) user satisfaction with services.

Technical Assistance Component (US\$13.4 million)

40. **The Technical Assistance component will finance activities in strategic areas in support of the above Program where government has identified a need for access to World Bank support, knowledge and expertise, these areas are:**

41. **Environmental Management.** Technical assistance will support the assessment of natural disaster and climate risks and vulnerabilities, including identification, modeling and monitoring rainfall spatial distribution, runoff formation and flood routing; and design of an information system and specifications for the acquisition of monitoring equipment.

42. **Public Investment Management.** Technical assistance will support: an assessment of the PIM system, the investment portfolio and constraints in project preparation and implementation; development of a methodology and



technical manuals for public investment management, including guidelines on project preparation, cost benefit analysis, environmental and social safeguards and management of climate change impacts; design of an electronic public investment management system to allow for a structured way of following investment project proposals through preparation and implementation. It will also support the preparation of a monitoring and management platform of the regional development plans.

43. **Human Resources Management.** Technical assistance will support the development of a strategic workforce plan, development of training and capacity building programs including coaching and mentoring, and a strategic review of the civil servant health insurance program (SAS) with the objective of ensuring continued coverage while identifying opportunities for cost reductions and savings.

44. **Digital Services.** Technical assistance will support the implementation of a comprehensive mapping and in-depth analysis of digital services availability and use, including engagement with service users; and prepare an action plan for strengthening digital service availability and citizen's access and uptake.

E. Initial Environmental and Social Screening

45. **An initial screening of environmental and social risks of the Programs inserted in the PforR component of this hybrid operation (PforR with an IPF technical assistance component) was carried out** to identify whether any proposed Programs and activities fall under the exclusions set out in the PforR Policy and, hence, should be excluded from the operation because of their inherently high environmental and social risks or potential significant adverse impacts. Two activities under the selected PPA 2020-2023 Programs should be excluded (Program 02's support to the construction and operation of high complexity health facilities and undefined construction works of drainage, erosion control and landfills) because of their potentially high risks related with (i) air, water, or soil contamination leading to significant adverse impacts on the health or safety of individuals, communities or ecosystems and (ii) land acquisition and/or resettlement of a scale or nature that will have significant adverse impacts on affected people, or the use of forced evictions.

46. **The preliminary assessment concludes that the risks associated with the proposed PforR is Moderate.** Considering the risk criteria, the identification screening concluded that the potential environmental and social impacts tend to be mostly positive and have only moderate adverse impacts for which mitigation measures are standard and well-known; and the Borrower has strong institutional capacity and track-record on the management of environmental and social risks (including under previous operations supported by the World Bank) and has in place robust mechanisms to ensure transparency, citizen participation and accountability, social inclusion as well as grievance management. During preparation and based on the further assessment of environmental and social risks of both the PforR Component, the team will: (i) further assess the Borrower's environmental and social systems in light of the six core principles set by the PforR Guidance; (ii) carry out consultations with key stakeholders for the preparation of the ESSA report and on the report itself; (iii) further assess the effectiveness of Program-level grievance redress mechanisms (GRMs) that are in place; and (iv) agree with the Borrower on the composition and profile of the Project's team of environmental and social specialists.

47. **The proposed IPF component only supports technical assistance (TA) activities.** Downstream activities, flowing from the TA, will not be supported by the Bank-supported TA. The proposed IPF component will not support civil works either preparation of feasibility studies, technical, engineering design studies, and bid documents that may result in the construction of physical infrastructure.

48. **The potential environmental impacts are expected to be preventable through the incorporation of relevant requirements of the ESSs within the TA.** Considering the type of TA activities to be supported and expected outputs no environmental risk is envisaged either. Therefore, this Project is not complex and does not involve activities that have a high potential for harming the environment, and the GoP has a good regulatory framework and institutional capacity.

49. **The Social risk rating for this Project is Moderate.** The key potential social risks associated to the above described activities and outputs that need to be factored in the TA supported under the proposed IPF are the potential exclusion



of most disadvantaged and vulnerable peoples from the planning processes and, therefore, the need to ensure inclusive and comprehensive stakeholder engagement throughout the TA development. The TA outputs to be developed will incorporate requirements for due diligence, assessment, and mitigation of environmental and social risks, in line with the ESSs, so that they are embedded, particularly in the electronic public investment management system being supported and the monitoring and management platform of the regional development plans and the regional technological plans.

50. **To avoid, minimize or mitigate potentially adverse environmental and social risks and impacts of the proposed TA activities being supported by the IPF component, the Borrower, with the support of the Bank shall:** (i) ensure that the terms of reference for the preparation of the studies and activities being supported by the IPF component incorporate the principles and requirements set out in the World Bank’s Environmental and Social Standards ESSs 1-10; (ii) strengthen stakeholder engagement, through public disclosure and consultations, around the proposed activities supported; and (iii) strengthen environmental and social capacity through training to improve planning, monitoring and reporting on the proposed TA activities.

Legal Operational Policies	Triggered?
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 of the IPF Component

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