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BRAZIL

HEALTH CARE AND SOCIAL INCLUSION NETWORK STRENGTHENING PROGRAM – PROREDES SERGIPE (BR-L1583)

THIRD INDIVIDUAL LOAN OPERATION UNDER CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) SOCIAL SPENDING MODERNIZATION PROGRAM IN BRAZIL (BR-O0009)

LOAN PROPOSAL

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ABBREVIATIONS	
CADI	Centro Avançado de Diagnóstico por Imagem [Advanced Diagnostic Imaging Center]
CCLIP	Conditional Credit Line for Investment Projects
COVISA	Coordenadoria de Vigilância em Saúde [Sanitary Surveillance Coordination Office]
DATASUS	Departamento de Informática do Sistema Único de Saúde [Information Technology Department of the Unified Health System]
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESPF	Environmental and Social Policy Framework
ESPS	Environmental and Social Performance Standards
ESRS	Environmental and Social Review Summary
HCNs	Health Care Networks
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Geography and Statistics Institute]
ICAP	Institutional Capacity Assessment Platform
LACEN	Laboratório Central de Saúde Pública [Central Public Health Laboratory]
NCDs	Noncommunicable diseases
PMU	Program Management Unit
SDGs	Sustainable Development Goals
SEDURBS	Secretário de Estado do Desenvolvimento Urbano e Sustentabilidade [State Department of Urban Development and Sustainability]
SES/SE	Secretaria de Estado da Saúde [State Department of Health]
SUS	Sistema Único de Saúde [Unified Health System]
TCE-SE	Tribunal de Contas do Estado de Sergipe [Audit Office of the State of Sergipe]

PROJECT SUMMARY

BRAZIL
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(BR-O0009)

Financial Terms and Conditions				
Borrower: State of Sergipe			**Flexible Financing Facility** [a]	
Guarantor: Federative Republic of Brazil			**Amortization period:**	24.5 years
Executing agency: State of Sergipe, acting through its Department of Health (SES/SE)			**Disbursement period:**	5 years
			Grace period:	6 years [b]
Loan modality: Specific investment under the CCLIP – Social Spending Modernization Program in Brazil (BR-O0009)			**Interest rate:**	SOFR-based
			Credit fee:	[c]
Source	**Amount (US$)**	**%**	**Inspection and supervision fee:**	[c]
IDB (Ordinary Capital):	36,000,000	79.82	**Weighted average life:**	15.25 years
Local	9,100,000	20.18	**Approval currency:**	United States dollars
Total:	45,100,000	100.00		

Project at a Glance

Project objective/description: The specific objectives of this operation are: (i) to expand access and improve the quality of health services in the state of Sergipe; and (ii) to modernize management and care processes through digital transformation. The achievement of these objectives will contribute to the general objective of improving the health of the population of the state of Sergipe. This is the third individual operation under the CCLIP Social Spending Modernization Program in Brazil (BR-O0009).

Special contractual conditions precedent to the first disbursement of the loan: (i) creation of the program management unit (PMU) and designation of its general coordinator, under the terms agreed upon with the Bank; (ii) approval and entry into force of the program Operating Regulations, under the terms agreed upon with the Bank; and (iii) signature and entry into force of a technical cooperation agreement between the State Department of Health (SES/SE) and the State Department of Urban Development and Sustainability (SEDURBS) in Sergipe for the program's engineering works, under terms satisfactory to the Bank (paragraph 3.4). See other special contractual conditions in Annex III (Fiduciary Agreements and Requirements) and Annex B to the Environmental and Social Review Summary (ESRS).

Special contractual conditions of execution: (i) prior to initiating works for the Public Health School, the executing agency will sign an agreement with the State Health Foundation specifying the obligations of both parties for the execution and subsequent transfer and maintenance of the works; and (ii) prior to initiating the process to contract the firm that will design the architectural plans for the works, the executing agency will engage two civil engineers with experience or specializing in the health field who, among other things, will help prepare the terms of reference for the contract (paragraph 3.5). See other special contractual conditions in Annex III (Fiduciary Agreements and Requirements) and Annex B to the Environmental and Social Review Summary.

Exceptions to Bank policies: None.

Strategic Alignment							
Challenges:[d]	SI ☒			PI ☐			EI ☐
Crosscutting themes:[e]	GE ☒	and	DI ☒	CC ☒	y	ES ☒	IC ☒
Sustainable Development Goals:	SDG1 ☒	SDG2 ☐	SDG3 ☒	SDG4 ☐	SDG5 ☒	SDG6 ☐	SDG7 ☐
	SDG8 ☐	SDG9 ☐	SDG10 ☐	SDG11 ☐	SDG12 ☐	SDG13 ☐	SDG14 ☐
	SDG15 ☐	SDG16 ☐	SDG17 ☐				

[a] Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

[b] Under the flexible repayment options of the Flexible Financing Facility (FFF), changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

[c] The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

[d] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[e] GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1. Social and health conditions

1.1 **Socioeconomic context.** The state of Sergipe, located in the northeastern region of Brazil, has 2.3 million inhabitants, of which 670,000 (29%) live in the capital city of Aracaju.[1] Sergipe has demonstrated a positive trend in the Human Development Index, rising from 0.408 (low) in 1991 to 0.702 (high) in 2017.[2] Furthermore, from 2019 to 2020, the state of Sergipe successfully reduced poverty in Brazil (by 8.9 percentage points). These improvements follow the same trend as the northeastern region, but the state has been unable to bring down the historically high rates of poverty and inequality. For example, in 2021 nearly 46% of Sergipe's population was living in poverty (the average monthly per capita income was R$929, which is below the minimum wage of R$1,100), and the state had the highest inequality rate (Gini index) in Brazil (0.580 in Sergipe, compared to the national average of 0.543).[3] The state's payment capacity (CAPAG) is rated "B," so it meets the fiscal criteria required to be eligible for external financing.[4]

1.2 **Rapid demographic and epidemiological transition.** Like the rest of Brazil, Sergipe's population profile is rapidly changing, as a result of an increased rate of aging caused by a drastic drop in fertility and an increase in life expectancy. For example, the percentage of the population over the age of 65 rose from 7.6% in 2008 to 12.4% in 2018, and life expectancy increased from 71.9 to 73.2 years in the past decade. This transition has led to a significant change in the state's epidemiological profile, with a reduction in the relative burden of infectious and parasitic diseases and an increase in morbidity and mortality caused by chronic noncommunicable diseases (NCDs). In 2020, NCDs were responsible for nearly 70% of deaths in Sergipe, with a high burden of diseases of the circulatory system (20%) and tumors (12%), which are on the rise.[5] Some of the determinants of health that contribute to this situation are overweight (which affects 53.6% of adults over the age of 18) and lack of physical exercise (44.9% do not get enough exercise).[6] In addition, external causes such as traffic accidents and injuries accounted for 12.7% of total deaths in Sergipe in 2020. If the majority of chronic NCDs are not prevented or detected and treated in a timely manner by primary health care and specialized and diagnostic services, they lead to premature death or have long-term effects that limit a person's quality of life. In 2019, there was an increase in premature mortality in Sergipe, which had a years-of-potential-life-lost

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[1] Brazilian Geography and Statistics Institute (IBGE). https://www.ibge.gov.br/cidades-e-estados/se.html and https://www.ibge.gov.br/cidades-e-estados/se/aracaju.html.

[2] *Atlas do Desenvolvimento Humano no Brasil.* UNDP Brazil, Ipea and FJP, 2020.

[3] Brazilian Geography and Statistics Institute (IBGE), *Síntese de Indicadores Sociais, 2020.*

[4] https://www.tesourotransparente.gov.br/temas/estados-e-municipios/capacidade-de-pagamento-capag.

[5] DATASUS, 2020.

[6] Telephone Survey on Chronic Disease Risk and Protection Factors (VIGITEL, 2019). Data are for the state's capital, Aracaju.

rate of 10,556 per 100,000 population, higher than the rate in neighboring states such as Piauí (10,001) and Rio Grande do Norte (10,282).[7]

1.3 This epidemiological picture is aggravated by the persistence of certain infectious and parasitic diseases, which accounted for 18% of deaths in Sergipe in 2020. Diseases such as syphilis, HIV-AIDS, and tuberculosis have been increasing in recent years, illustrating the presence of determinants such as the lack of access to primary health care, its low case resolution capacity, and its inability to prevent the worsening of disease. The simultaneous and growing presence of chronic NCDs, external causes, and infectious and parasitic diseases has given rise to a triple disease burden that requires differentiated strategies, services organized in health care networks, and timely diagnostic support (imaging and laboratory) to prevent further deterioration of health conditions.[8]

1.4 **Maternal and child mortality.** After having dropped substantially in the first decade of the century, child mortality has been increasing in recent years. From 2014 to 2018, deaths occurring in the late neonatal period (7 to 27 days of life) increased by 49.3%.[9] Proper care of the newborn, pregnant woman, and childbirth could have prevented nearly 94% of these deaths.[10] As for maternal mortality, there has been a slight reduction in recent years, but the rate in Sergipe is above the national average (58.4 vs. 56.3 per 100,000 live births, respectively). Nearly 69% of maternal deaths between 2010 and 2015 in Sergipe could have been prevented, as they were due to obstetric complications caused by improper interventions, omissions, and/or treatments.[11]

1.5 **Impact of the COVID-19 pandemic.** In addition to these existing health challenges, Sergipe's population experienced two major waves of deaths associated with COVID-19, one at the end of July 2020 and the other in May 2021. There were over 6,000 deaths, which is equivalent to a rate of 276 deaths per 100,000 population (slightly higher than the northeastern region, which recorded an average of 225.6 deaths per 100,000 population,[12] a figure that was verified on 9 May 2022). Social quarantine measures negatively impacted the economy, with a negative balance of jobs in the first quarter of 2020, a 22% decrease in the collection of taxes on goods and services in April of the same year, and a 20% decrease in tax revenue the following month.[13]

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[7] Years of potential life lost are calculated by subtracting a person's age at the time of death from the person's potential life expectancy at that age. *Global Burden of Disease Study (2019).* https://ghdx.healthdata.org/gbd-results- tool?params=gbd-api-2019-permalink/9679c6e635559681541a1f7855a3c009.

[8] *Mendes, Eugênio Vilaça. Health care networks. Rev Med Minas Gerais 2008; 18(4 Supl 4): S3-S11.*

[9] *Government of the State of Sergipe. Plano Plurianual [Multiyear Plan] 2020-2023.*

[10] *"Lista Brasileira de Causas Evitáveis de Morte" para a classificação dos óbitos infantis (DIAS et al., 2017).*

[11] See link #5 (Gender and Diversity Annex).

[12] https://covid.saude.gov.br/.

[13] *Ribeiro, L. C. S., Santana, J. R., Andrade, J. R. L., Moura, F. R., Esperidião, F., Jorge, M. A., Gama, L. C. D., Souza, L. R. S., Assunção, L. M. C. M. Avaliação dos impactos econômicos da pandemia COVID-19 em Sergipe em 2020. Boletim Informativo LEADER-UFS. Nº 02-2021, Laboratório de Economia Aplicada e Desenvolvimento Regional (LEADER) da Universidade Federal de Sergipe, São Cristóvão, Fevereiro/2021.*

2. Determining factors: progress and limitations of the Unified Health System (SUS) in Sergipe

1.6 **Low case resolution capacity of primary health care.** Nearly 84% of Sergipe 's population relies exclusively on the Unified Health System (SUS) for medical care.[14] However, even though the state has an extensive network of primary health care services that is able to cover 93% of the population,[15] there are significant challenges in its case resolution capacity, given that nearly 24% of hospitalizations could be avoided if there was more effective primary health care. This percentage is higher than the national average of around 21%.[16] The preventive role of primary health care is still limited, and there are health complications that could be prevented through timely detection, diagnosis, and treatment. A significant shortcoming is the lack of data used for clinical care. Only 61% of primary health care facilities have an electronic health records system,[17] which creates gaps in patient information, diagnostic delays, and duplication of exams and tests. Furthermore, the lack of group-disaggregated information makes it difficult to assess health gaps in the population and make proper decisions. In other contexts, it has been demonstrated that the integration of services through care protocols, i.e., through the organization and coordination of services to treat a health condition or disease, along with the availability of clinical data, has reduced inefficiencies in primary health care.[18]

1.7 **Fragmentation of the services network.** Coordination between the different levels of health services is fundamental for achieving efficiency in the system, especially when they are organized in Health Care Networks (HCNs).[19] In Sergipe, two regulatory systems[20] are used to manage access to health care resources. As a result, there are currently two wait lines, one for services managed by the state and the other for services managed by the capital, with a duplication of patients in both lines, which increases wait times and the number of no-shows, even for expensive technologies such as PET scans.[21] In addition, patients are not prioritized based on triage services and clinical protocols. Given the high concentration of specialized services in the capital, patients (including hospitalized

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[14] Estimate based on the coverage of private health plans. *Agencia Nacional de Saúde Suplementar.*

[15] *Ministry of Health. Informação e Gestão da Atenção Básica.* https://egestorab.saude.gov.br/paginas/acessoPublico/relatorios/relHistoricoCobertura.xhtml.

[16] *Projeto de Avaliação do Desempenho do Sistema de Saúde.* https://www.proadess.icict.fiocruz.br/.

[17] Data from Primary Health Care Indicator Panels https://sisaps.saude.gov.br/painelsaps/ Data on coverage and number of systems is from December 2020. Data on primary health care facilities with digital records is from September 2021.

[18] *Pinto, Diana et al. Health Networks in Action: The experiences of Argentina, Brazil, Colombia and Mexico. IDB, 2020.*

[19] HCNs are arrangements for organizing health activities and services of different technological densities, which, when integrated though technical, logistic, and management support systems, are intended to ensure comprehensive care. Ministry of Health, Brazil, 2010.

[20] The regulatory systems register prescriptions requested by the health professional, including diagnoses, referrals for specialized consultations and procedures, and hospitalizations. These requests are reviewed and approved by a medical expert. This system also organizes the scheduling of approved requests.

[21] A PET scan is an advanced type of tomography to assess changes in metabolic processes that is widely used in oncology. In 2021, there was a 100% and 23% rate of no-shows for PET scans and tomography tests, respectively. Ninety percent (90%) of patients did not show up for pediatric, dermatology, and rehabilitation consultations. Data from the Health Regulatory Complex in the state of Sergipe.

patients) must often travel from other regions to Aracaju for consultations, procedures, and diagnostic tests. However, Sergipe does not have a medical transportation system with vehicles equipped to move patients between services, which would help achieve efficiency in the state's HCNs.

1.8 **Limited supply of diagnostic and specialized services.** There is a significant gap in the number of diagnostic support services offered in Sergipe, as they are highly concentrated in the state's capital, Aracaju (nearly 80% of services for 29% of the population). The network is fragmented and poorly integrated with primary health care, which creates long wait lines for accessing certain services or diagnostic tests. For example, the wait time for an echocardiogram can be as long as 120 days.[22] In the case of exams, from 2016 to 2019 barely 10.6% of women between the ages of 25 and 64 had access to cervical screening and only 12% of women between the ages of 50 and 69 had a mammogram, due to the aforementioned limitations.[23] In addition, specialized care faces significant challenges such as the lack of protocols with clinical criteria and patient admission processes, the lack of systems able to share data with primary health care, and weaknesses in the communication and confirmation of medical appointments and exams, which leads to a nearly 45% no-show rate for consultations.

1.9 **Challenges in oncology and maternal-child health services.**[24] In terms of more complex services, the state of Sergipe has a network of 23 hospitals and 9 maternity centers, which are highly concentrated in the Aracaju metropolitan region. And although 12.3% of Sergipe's population has some type of disability, most of the health service buildings do not have accessible infrastructure, which creates an obstacle for the most vulnerable individuals. Hospital care has limited services, especially in the area of oncology and maternal-child health. For example, due to the shortage of services, in 2020 cancer patients had to wait nearly five months to begin treatment (surgery, radiation, and chemotherapy),[25] which jeopardizes the success of interventions and the possibility of recovery. Maternity centers in the interior of Sergipe are often not even able to handle low-risk childbirths due to a lack of equipment and staff. Patients are referred to the high-risk maternity center Maternidade Nossa Senhora de Lourdes (MNSL) in the capital, which leads to overcrowding and delayed access to services.[26] The MNSL has insufficient infrastructure for the existing number of beds and services required in a maternity facility at this level of complexity, which leads to inefficiency and lack of quality care for high-risk pregnancies. Lastly, in terms of pediatric hospital care, the current level of service is insufficient, with nearly 60% of pediatric surgeries and highly complex treatments referred to other states. Furthermore, 65% of deaths in children under the age of four could have been prevented had there been a better functioning health care system.[27]

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[22]. Estimate provided by SES/SE's regulatory authority.

[23] See link #5.

[24] See link #5.

[25] Estimates provided by the SES/SE. One of the priorities of the 2020-2023 Multiyear Plan of the state of Sergipe includes the construction of a new oncology hospital in the Aracaju metropolitan region for patient treatment and rehabilitation.

[26] For example, 35% of childbirths in the MNSL could be attended in less complex facilities.

[27] 2020 data from the Childhood and Adolescence Observatory. https://observatoriocrianca.org.br/.

1.10 **Management weaknesses: need to move toward a digital health transformation.** The Sergipe State Department of Health (SES/SE) has major weaknesses in its management capacity. Its information systems are either too rudimentary, fragmented, or obsolete which impedes the availability of timely and integrated data and information for making strategic decisions. There is no data collection (such as data collected by race[28,29]) that could be used to guide policies for the most vulnerable groups. Eight of the 20 health care, administrative, and monitoring systems highly rely on manual processes. The patient's clinical history and the health costs website are found in that group.[30]

1.11 The SES/SE has limited tools for managing the supply and demand for specialized services, which has become even more evident during the current COVID-19 pandemic. In response to the pandemic, the state of Sergipe increased the number of hospital beds and other services by 700% by expanding its own network and contracting private services as well as more health professionals. It also increased the supply of pharmaceuticals, rapid tests, and laboratory surveillance, and created operating and strategic centers to deal with the pandemic.[31] Nonetheless, there are still challenges. For example, the lack of an integrated hospital management system impedes the strategic management and allocation of resources based on demand and the patient's clinical risk. There is also no telemedicine system that would provide guidance and screen patients in order to assign consultations and treatments based on clinical protocols. In addition, the current system for managing health human resources is very basic, which impedes the organization and proper functioning of services. There are also problems in the distribution and storage of medicines, which leads to losses and inefficiencies for the state.

1.12 In terms of training health human resources, Sergipe has a Public Health School[32] with insufficient infrastructure to meet the training and qualification needs of health care administrators and professionals in the network. For example, in 2021, the Public Health School was only able to meet 40% of the estimated demand for training.[33] Furthermore, the current building is in poor condition, but because it is not owned by the state, it cannot receive funds for expansion and improvements.[34]

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[28] The majority of the population in Brazil is black (70% in Sergipe). However, there is significant racial inequality in the area of health, leaving this population with worse mortality and morbidity indicators. See *Cunha EMGP, "O recorte racial no estudo das desigualdades em saúde". São Paulo em Perspectiva, v. 22, n. 1, p. 79-91, January/June 2008.*

[29] Although progress has been made in the collection of mortality data based on race, most hospitalizations do not have this information. Sergipe, "Informe Epidemiológico". Year II, Nº 7, 2016.

[30] Assessment of SES Information Systems. February 2022.

[31] https://www.conass.org.br/sus-sergipe-na-pandemia-da-covid-19/.

[32] The Public Health School is the name of the SUS/SE's training center. This center focuses exclusively on training health administrators and health care professionals in Sergipe and does not offer training services to the public.

[33] Out of a total of 14,400 professionals, the Public Health School only trained 6,000 in 2021.

[34] Because the current building is not suitable for Public Health School activities, the State of Sergipe located a property that previously housed a school of the Ministry of Education that is not currently in use, which will be converted into a new building for the Public Health School. See link #6 "Technical Annex on Infrastructure and Climate Change."

3. Recent progress and program strategy

1.13 **The health reform in Sergipe.** Under constitutional[35] and health legislation[36] principles, in 2008 Sergipe began a health and management reform of the state's Unified Health System (SUS),[37] which seeks to improve the efficiency and effectiveness of the health care services provided to the population. In keeping with the national guidelines of the SUS and policies that guide its implementation, the Sergipe reform focuses on two key technical-institutional areas: (i) strengthening the state's role as a facilitator of policies and coordinator of the health system; and (ii) decentralization of the services provided in HCNs to ensure access and comprehensive care, so as to meet individual and collective needs.

1.14 **The advantage of organizing in health care networks (HCNs).** The objective of the model for organizing health care in HCNs is to solve fragmentation problems, streamline the provision and use of health services, and avoid duplication, health care gaps, and excess costs caused by the preventable worsening of disease conditions. Evidence backs the implementation of a model based on integrated service networks that focuses on widely available and high-quality primary care.[38] This model requires a change in the organization of services, clinical and administrative processes, and management tools. The strategic use of digital health technologies may help increase the supply and quality of services and increase efficiency in health spending. Sergipe has been making progress in setting up HCNs by reorganizing services based on the epidemiological and demographic profile of each territory.

1.15 **Program strategy.** As part of the consolidation of its health reform, the State of Sergipe requested the Bank's support specifically to increase access to and the quality of services in HCNs and to strengthen the institutional and governance capacity of the SES/SE. Recent diagnostic assessments[39] conducted by the state show that these are the areas that have the biggest gaps and offer opportunities for improving health indicators and achieving better health outcomes. The Bank's support will be geared toward strengthening the model of integrated service networks focused on streamlining and efficiency in the use of resources. To this end, investments will be made in the following areas: (i) infrastructure and equipment for diagnostic and hospital support services to reduce gaps in access and quality; (ii) development and implementation of new strategic management tools; and (iii) digital health infrastructure and tools to increase access, improve management and reduce costs in the system. Other investments are expected as well, including to build the diagnostic capacity of the Central Public Health Laboratory (LACEN) and the Advanced Diagnostic Imaging Center (CADI). Also, to increase the management capacity of the State of Sergipe, investments will be made to renovate a new building for the Public Health School, which will make it possible to expand basic and more advanced training for staff. The capacity of the

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[35] Article 198 of the Federal Constitution (1988). "Public health care actions and services are part of a regionalized and hierarchical network and comprise a single, unified system organized based on the guidelines on decentralization, comprehensive care, and participation of the community."

[36] *Law 8080 – Organic Health Law, 1990.* The SUS website has more information on the system.

[37] Law 6345 of 2008 specifies the organization and operation of the SUS in the state of Sergipe.

[38] *Vilaça Mendes 2013, As Redes de Atenção à Saúde.*

[39] Multiyear Plan and Strategic Plan.

Regulatory Center to organize specialized care services will also be increased. In terms of hospital services, investments will be made to expand oncology and pediatric services, improve the capacity of maternity centers, and enhance the care of high-risk pregnancies. Given the high concentration of health services in Aracaju, services provide in the state's interior are also expected to be strengthened, increasing the availability of medical transportation with a network focus. Before moving forward with investments in systems, a strategic digital transformation plan must be developed that identifies current and future needs in areas such as technology infrastructure, governance, infrastructure, and applications.

1.16 **PROSOCIAL Conditional Credit Line for Investment Projects (CCLIP).** The objective of the Social Spending Modernization Program in Brazil (PROSOCIAL), which is a multisector modality II (MM-II) CCLIP,[40] is to make the administration of social spending in Brazil more efficient. The total amount of the CCLIP approved in 2020 is US$1,500,000. The specific objectives are: (i) to strengthen sector-level capacities in operational management; (ii) to strengthen the strategic management capacities of sector institutions; and (iii) to improve the delivery of high-quality social services. The CCLIP includes actions in the following sectors: (i) early childhood development; (ii) education (primary and secondary); (iii) health; (iv) labor markets; and (v) pensions. The liaison institution is the Ministry of Finance through the Office of International Economic Affairs (SAIN) (for more details, see the PROSOCIAL Conceptual Framework).

1.17 **Eligibility of the program under the CCLIP.** This program is the third operation under the CCLIP and meets the eligibility criteria set out in paragraph 3.5 of the policy applicable to the CCLIP instrument (document GN-2246-13) and its Operational Guidelines (document GN-2246-15). It is therefore aligned with the PROSOCIAL objectives since it seeks to: (i) expand access to and the quality of health care services; and (ii) modernize management and care processes, through digital transformation. The objectives of this program are also consistent with the following pillars of PROSOCIAL: (i) Pillar 2: "Promotion of the digital transformation in service delivery and management," by providing digital health infrastructure and services; (ii) Pillar 3: "Strengthening of planning capacities of sector institutions," by addressing changes in social spending resulting from demographic change; and (iii) Pillar 4: "Improved service delivery," by expanding access and improving the quality of health care services. The operation is also consistent with the CCLIP sectors and includes actions to increase the executing agency's institutional capacity, which were identified through an institutional capacity assessment conducted during the preparation of the program. This assessment verified its capacity to act as executing agency in connection with the program, in accordance with Appendix II—Institutional Capacity Assessment Platform (ICAP).

1.18 **Lessons learned.** The Bank has recent and extensive experience in the health sector in Brazil, primarily as a result of the execution of eight active operations: (3703/OC-BR; 3400/OC-BR; 4641/OC-BR; 4740/OC-BR; and 4696/OC-BR), in addition to two operations that were recently completed (3051/OC-BR; 3262/OC-BR

[40] MM-II CCLIPs involve several executing agencies, each with the capacity to prepare and implement projects in its respective sector, plus a liaison institution that coordinates the entire investment program under the CCLIP ("Conditional Credit Line for Investment Projects. Operational Guidelines," document GN-2246-15).

and 3678/OC-BR). This portfolio supports strategic lines for increasing the coverage and improving the quality of public health care services, following SUS principles. Some of the lessons learned in several of these projects that were incorporated into this new operation are: (i) the reorganization of services in integrated territorial networks, ranging from primary care to highly complex services, which helps gain efficiencies and strengthens the preventive and promotional role of health (Component 1); (ii) the incorporation of new management tools at both the service and state level (SES/SE) increases efficiency in the use of physical and financial health resources in a context of increased spending due to the complex fiscal situation experienced by states in Brazil (Component 2); and (iii) information systems and the timely use of data, especially the electronic clinical history, are essential for supporting the patient's journey, while preventing duplication and improving clinical care (Component 3). This operation's design also incorporates evidence presented in the Health Sector Framework Document (document GN-2735-12) such as the greater efficiency and better outcomes of services organized in networks, and the importance of strengthening the management and governance of information to improve the efficiency of digital health.

1.19 The program addresses pillar (iv) of the IDB Group's Country Strategy with Brazil 2019-2022 (document GN-2973) to "reduce social inequality and inequality of opportunity by enhancing public policy efficiency," and strategic objective (ii) "to improve management and the quality of spending and infrastructure in the education and health sectors," by contributing to the indicator of success, such as life expectancy at birth. The program is included in Annex III to the 2022 Operational Program Report (document GN-3087). For more information on the program's strategic alignment, see paragraph 1.26.

B. Objective, components, and cost

1.20 **Objective and scope.** The specific objectives of this operation are: (i) to expand access and improve the quality of health services in the state of Sergipe; and (ii) to modernize management and care processes through digital transformation. The achievement of these objectives will contribute to the general objective of improving the health of the population of the state of Sergipe.

1.21 **Component 1. Support for expanding access and improving the quality of services (IDB US$18,536,100; Local US$9,100,000).** This component will help expand access and improve the quality of health services and their organization by strengthening health care networks. The activities to be financed include: (i) construction of the building and procurement of equipment for a maternity center for high-risk pregnancies; (ii) equipment for three maternity centers in the inland part of the state; (iii) renovation of the building and procurement of equipment for the children's hospital; (iv) construction of the building and procurement of equipment for the oncology hospital; (v) renovation of the building and procurement of equipment for the Central Public Health Laboratory (LACEN) and the Advanced Diagnostic Imaging Center (CADI); (vi) architectural plans for the works, focusing on accessibility for people with disabilities; (vii) ambulances to transport patients between hospitals in the network; and (viii) contracting of an accreditation institution to conduct evaluations for the quality accreditation of the oncology hospital and LACEN. All new works and expansions to be financed by

IDB funds under this component will incorporate energy efficiency and water-saving measures, as well as low-emission construction materials.

1.22 **Component 2. Strengthening of health system management (IDB US$6,418,900).** This component will help strengthen management and care processes by building institutional, strategic, and management capacities. The activities to be financed include: (i) automated logistics services for medications and medical-hospital supplies;[41] (ii) studies to optimize the SES/SE's management and care processes; (iii) human resources management system; and (iv) improvement of infrastructure and procurement of equipment for the new property that will house the Public Health School, incorporating energy efficiency and water-savings measures and low-emission construction materials; training of professionals, including diversity issues; and development of care protocols for prevalent conditions (chronic NCDs, oncology, maternal-child health, and women's health).

1.23 **Component 3. Modernization of information management and the use of new technologies in health care (IDB US$9,295,000).** This component will contribute to the digital transformation of the health sector through changes in processes and the intensive adoption of new technologies for clinical and management areas, based on the six components of the sector's digital transformation.[42] The activites to be financed include: (i) the development of tools for digital health management (strategic plan, plan of action, key policies); (ii) procurement of computer equipment and software for expanding and modernizing the sector's information technology infrastructure; (iii) procurement of an interoperable electronic health records system; (iv) procurement of computer equipment and contracting of technology services to implement the SES/SE's Strategic Information and Decision-making Center, with capacity to monitor gender and diversity data; (v) procurement of a health services regulatory system; (vi) procurement of a hospital management system and a management system for outpatient services; (vii) development of a website for patients, professionals, and administrators; (viii) contracting of a call center service that will provide health guidance ("*Alô Sergipe*" service); and (ix) contracting of a service that regulates access to specialties and tele-consultations.

1.24 **Program administration, monitoring, and evaluation (IDB US$1,750,000).** This component will support the SES/SE in the administration of the program. The activities to be financed include: (i) specialized technical engineering services; (ii) consulting services to support the executing agency; (iii) independent audit; and (iv) a midterm evaluation and a final evaluation.

1.25 **Key results indicators, benefits, and beneficiaries.** The main results indicators are: (i) number of people who receive health services; (ii) average wait time (days) to access specialized medical exams; (iii) percentage of normal childbirths in the state's SUS network; (iv) average wait time to receive oncology treatment after a

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[41] The contracted company must provide computer and logistics equipment, human resources, and the information systems needed to manage medication and medical-hospital equipment logistics.

[42] To ensure balance, investments are recommended in six areas: governance and management; people and culture; infrastructure; infostructure; informed health policies and practices; and digital applications and services in the sector (Bagolle et al., 2022).

confirmed diagnosis; (v) percentage of pediatric hospital readmissions; (vi) percentage of pharmacies in the state of Sergipe with a complete list of medicines; and (vii) percentage of health centers that are 100% digitized. The program's beneficiaries will be the 2.3 million residents of the state of Sergipe, especially the 84% that rely exclusively on the public health care system (which covers 100% of the most vulnerable groups).

C. Strategic alignment

1.26 The program is consistent with the Second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with development challenge of (i) Social Inclusion and Equality, since it expands quality health care services for the entire population, in order to address the growing burden of chronic NCDs. The program is also aligned with the following crosscutting themes: (i) Gender Equality; (ii) Diversity (see paragraph 1.27); (iii) Climate Change and Environmental Sustainability, through interventions in the maternal-child health area and the use of environmentally sustainable construction techniques, respectively; and (iv) Institutional Capacity and Rule of Law, by strengthening the management capacity of the state of Sergipe's Department of Health, by digitizing its services and training its employees. In addition, the program is expected to contribute to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12) by increasing the number of beneficiaries that receive health services; increasing the number of designated beneficiaries of public services that have been adapted for diverse groups; reducing CO_2 emissions; increasing investments in resilient or low carbon emissions infrastructure; and building the management and digital technology capacities of the institutions. The program is also aligned with the Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy (document GN-2710-5), since it will contribute to social inclusion by providing better access to health care services, especially in the areas of the state with greater socioeconomic needs. The program is also included in Annex III of the 2022 Operational Program Report (document GN-3087). Finally, the program is consistent with the Health Sector Framework Document (document GN-2735-12) by helping to improve physical and technological health infrastructure and strengthen the institutional capacity of the state health authority.

1.27 **Focus on gender and diversity.** The program will help promote gender equity through initiatives that seek to close gaps in the mortality factors that mostly affect women: chronic NCDs and high-risk pregnancies. It will also contribute to the inclusion of people with disabilities by renovating health facilities so that they are accessible and offer teleservice technologies. Lastly, it will help close health gaps in the Afro-descendent population through a new data collection process and the monitoring of health quality, as well as the formulation of an action plan focused on this population group. See Gender and Diversity Annex.

1.28 **Climate change alignment.** The program is aligned with the crosscutting theme of Climate Change and Environmental Sustainability, see Technical Annex on Infrastructure and Climate Change. It is estimated that 30.24% of resources are invested in climate change mitigation and adaptation activities, in accordance with the joint methodology of the multilateral development banks for tracking climate finance, since the new works and expansions incorporate energy efficiency and water savings measures and energy savings in construction materials, and the

design of spaces with climate resilience criteria. These resources contribute to the IDB Group's climate-related financing target.

D. Feasibility study

1.29 **Technical feasibility.** The program is technically supported by evidence on health systems organized in HCNs; see paragraph 1.14. To organize the services network, investments are being made to improve the infrastructure of specialized services (maternity center for high-risk pregnancies, children's hospital, oncology hospital, central public health laboratory, and advanced diagnostic imaging center), as well as to improve management through digital health tools.

1.30 **Socioeconomic feasibility.** The strategies promoted in this operation are based on evidence on the effectiveness of the HCN Care Model. Based on specific evidence in Brazil, the economic analysis quantifies the incremental benefits resulting from the program's investments, which include: gains in productivity due to the reduction of morbidity and mortality associated with the implemented care model; and (ii) gains resulting from the implementation of a digital transformation process. The analysis quantifies the disability-adjusted life years that may be saved by making investments in an integrated networks context, analyzing the increase in effective coverage and the time it takes for results to materialize. In the base scenario and using conservative assumptions in terms of the interventions' effectiveness, over a five-year period and using a 3% discount rate, the cost/benefit ratio ranges from 1.17 to 3.27. Furthermore, the sensitivity analyses show that the cost-benefit ratio is greater than 1 in most cases, including in less favorable scenarios. In the most realistic scenario, i.e. with average coverage and a standard gradient vector, the program's internal rate of return is 22%.

1.31 **Institutional and financial feasibility.** The institutional assessment for the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the findings of the assessment of the main fiduciary risks; (iii) the Institutional Capacity Assessment (ICAP); and (iv) working meetings with the Bank's project team, the executing agency, and other state authorities. These findings led to the conclusion that the SES/SE has satisfactory institutional capacity to execute the program.

1.32 **Social and environmental feasibility.** The program includes the construction of an oncology hospital and maternity center, as well as the renovation of a children's hospital, a laboratory, and a diagnostic imaging center. The maternity center will be constructed on a vacant property owned by the State of Sergipe, which is part of a state administration complex. All renovation activities will consist of minor works that will be carried out in buildings owned by the SES/SE, thereby preventing any impact on dwellings that would involve involuntary resettlement. The construction work will use renewable energies, and therefore contribute to achieving the global objectives of climate change mitigation. The operation is environmentally and socially feasible with the effective implementation of the measures set out in the Environmental and Social Management Plan developed during the preparation of this operation, as well as the provision and maintenance of the financial and human resources required to implement and monitor the operation.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 **Financing modality and structure.** This operation is structured as a specific investment loan, as it was designed to finance specific projects. This will be the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP) of the Social Spending Modernization Program in Brazil (BR-O0009).

Table 2.1 Estimated program costs (US$)

Components	IDB	Local	Total	%
Component 1. Support for expanding access and improving the quality of services	**18,536,100**	**9,100,000**	**27,636,100**	**61.28%**
Works and equipment	18,136,100	9,100,000	27,236,100	60.39%
Accreditation	400,000	0	400,000	0.89%
Component 2. Strengthening of health system management	**6,418,900**	**0**	**6,418,900**	**14.23%**
Information systems and consulting	2,600,000	0	2,600,000	5.76%
Construction work and equipment for the Public Health School	2,818,900	0	2,818,900	6.25%
Training	1,000,000	0	1,000,000	2.22%
Component 3. Modernization of information management and the use of new technologies in health care	**9,295,000**	**0**	**9,295,000**	**20.61%**
Digital health plans, systems, and equipment	5,265,000	0	5,265,000	11.67%
Management improvement	2,190,000	0	2,190,000	4.86%
Telehealth services	1,840,000	0	1,840,000	4.08%
Program administration, monitoring, and evaluation	**1,750,000**	**0**	**1,750,000**	**3.88%**
Total	**36,000,000**	**9,100,000**	**45,100,000**	**100%**

Note: The amounts shown for each component in the table are indicative.

2.2 **Disbursement schedule**. The expected disbursement period is five years (see Table 2.2). This estimate is based on: (i) the estimated average time to execute the activities to be financed; (ii) the institutional capacity of the SES/SE based on the Institutional Capacity Assessment (ICAP); and (iii) the program's complementarity with other health investments made by the state as set out in its Multiyear Plan 2020-2023.

Table 2.2 Disbursement schedule (US$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	547,600	3,726,600	13,522,378	12,981,117	5,222,305	36,000,000
Local	3,640,000	2,184,000	2,184,000	1,092,000	-	9,100,000
Total	**4,187,600**	**5,910,600**	**15,706,378**	**14,073,117**	**5,222,305**	**45,100,000**
%	**9.28%**	**13.11%**	**34.83%**	**31.20%**	**11.58%**	**100%**

B. Environmental and social risks

2.3 Under the Bank's Environmental and Social Policy Framework (ESPF) and based on the evaluations performed during the due diligence process, this program is classified as a category "B" operation, since the construction works and renovation activities to be carried out will have moderate, local, and short-term environmental and social impacts. Impacts on air quality, noise, and vibrations from construction activities have been identified in the construction stage. During the operational stage, environmental impacts involve the generation of bioinfectious and hospital wastes and contaminated fluids. Projects that involve the infrastructure works to be constructed were evaluated during the due diligence process and in order to meet the requirements specified in the ESPF and the 10 Environmental and Social Performance Standards (ESPS), the Borrower will implement an Environmental and Social Management System (ESMS) pursuant to ESPS 1, and will conduct activities in accordance with the plans indicated in the Environmental and Social Management Plan (ESMP). Regarding the risk of natural disasters, in view of the issues of location, type of construction, and vulnerability and criticality levels, this risk is low. A virtual public consultation was conducted from 10 to 16 May 2022, and in general the consultation was meaningful and the program has the support of the population and interested groups that participated in the consultation. The questions had to with whether or not there were sufficient funds to maintain the equipment, the operation approval process with the IDB, and the timeline for executing the works. Following the consultation, the environmental and social documents were updated and subsequently published on the Bank's website, along with the consultation report.

C. Fiduciary risks

2.4 Three fiduciary risks were identified: two economic-financial risks and one systems-related risk. The first risk is due to the fact that this is the first time the SES/SE will execute an international loan program, so there is a medium-high risk that delays will occur due to lack of familiarity with the Bank's policies. To mitigate this risk, training will be offered on financial management and procurement policies for the team responsible for managing the program. The second risk (high) is due to a potential change in the exchange rate that was used when the program was prepared, which could result in insufficient funds for achieving the proposed objectives. To mitigate this risk, the Results Matrix will be reviewed when the program begins so that the most important outputs for achieving the objectives can be prioritized if necessary. The third risk is due to the absence of a financial management system for the program; if this system is not contracted by the beginning of the execution stage, there is a risk (medium-high) of delays in the delivery of financial reports, which could compromise or delay disbursement requests. To mitigate this risk, a technology solution will be developed or commissioned so that the program's accounts can be managed in U.S. dollars and the financial reports required by the Bank can be produced.

D. Other key issues and risks

2.5 During the risk workshop, two medium-high risks concerning the executing agency were identified (one institutional and the other human-resource related). The first risk has to do with the fact that the Audit Office of the State of Sergipe (TCE-SE)

does not have sufficient staff to audit the program. To mitigate this risk, a formal consultation was held with the TCE-SE prior to determining eligibility for disbursements, to evaluate the need to contract a firm accredited by the IDB to conduct that audit. The second risk refers to the fact that the State Department of Urban Development and Sustainability (SEDURBS) does not have engineers with experience in the design and construction of health care facilities, who could prepare documentation associated with competitive bidding processes and the monitoring of works, which could cause delays in the implementation timetable. To mitigate this risk, an intersector commission will be set up between the SES/SE and SEDURBS, and two engineers specializing in health infrastructure will be contracted to prepare the terms of reference for the design and execution of infrastructure works.

2.6 **Economic sustainability of the actions.** Taking into account the fiscal balance analyses submitted by the State of Sergipe and the federal government's evaluation of its payment capacity (CAPAG), the State is found to have the ability to finance the expenditures to be incurred by this operation. Furthermore, the information systems to be financed will provide cost savings by improving work processes and increasing the efficiency of the executing agency. It should be mentioned that the financing of the new services offered (or the expansion of existing services) will be co-financed by the federal government, as is usual in the SUS.

III. EXECUTION MECHANISM AND RESULTS MONITORING AND EVALUATION

A. Execution mechanism

3.1 **Borrower, executing agency, and guarantor.** The borrower will be the state of Sergipe, and the Federative Republic of Brazil will guarantee the borrower's loan-related financial obligations. The State of Sergipe will execute the operation through its Department of Health (SES/SE), which will set up a program management unit (PMU). The PMU will directly report to the maximum authority of the SES/SE and will be responsible for: (i) the planning, monitoring, and evaluation of the results; (ii) administrative/financial and procurement management; (iii) management of the program's technical quality and direct coordination with the technical areas involved; (iv) environmental and social management; (v) management of the program's communications; (vi) maintaining formal communication with the Bank; (vii) presenting the disbursement and accountability requests to the Bank; (viii) coordination of monitoring and evaluation activities; (ix) submission to the Bank of the procurement plan, annual work plans, and progress reports; and (x) coordination with the entities participating in the execution of program activities. For the program's engineering works, the PMU will have the technical support of SEDURBS, and will sign a technical cooperation agreement between the SES/SE and SEDURBS for this purpose. This support will include: the preparation of terms of reference; technical specifications; review of engineering studies; development and review of bidding terms and conditions; evaluation of technical proposals; inspection of works; and providing the specialists, technicians, and equipment needed to ensure the technical quality of the works.

3.2 The PMU will have a general director for the program and a team that will work exclusively on the program to facilitate its execution. The PMU team will be comprised of three coordinators: (i) a technical coordinator; (ii) a coordinator of planning, budget, administration, finances, and procurement; and (iii) a coordinator of the program's works. The PMU will also include and environmental and social specialist.

3.3 The program Operating Regulations will spell out the execution arrangements for each component, with clearly defined responsibilities and process flows, as well as profiles for PMU positions, among other relevant operational considerations. Any modification of the program Operating Regulations during the execution of the program must have the Bank's prior written statement of no objection.

3.4 **Special contractual conditions precedent to the first disbursement of the loan: (i) creation of the program management unit (PMU) and designation of its general coordinator, under the terms agreed upon with the Bank; (ii) approval and entry into force of the program Operating Regulations, under the terms agreed upon with the Bank; and (iii) signature and entry into force of a technical cooperation agreement between the State Department of Health (SES/SE) and the State Department of Urban Development and Sustainability (SEDURBS) in Sergipe for the program's engineering works, under terms satisfactory to the Bank.** See other special contractual conditions in Annex III (Fiduciary Agreements and Requirements) and in Annex B to the Environmental and Social Review Summary (ESRS). These conditions are considered essential for ensuring that the executing agency is prepared to initiate execution of the program, with a team appointed for that purpose and with clearly defined operational details that will guide execution. Furthermore, it is considered essential that the two state departments participating in the execution of activities have formally agreed upon the details on their coordination during the execution of program works.

3.5 **Special contractual conditions of execution: (i) prior to initiating works for the Public Health School, the executing agency will sign an agreement with the State Health Foundation specifying the obligations of both parties for the execution and subsequent transfer and maintenance of the works; and (ii) prior to initiating the process to contract the firm that will design the architectural plans for the works, the executing agency will engage two civil engineers**[43] **with experience or specializing in the health field who, among other things, will help prepare the terms of reference for the contract.** See other special contractual conditions in Annex III (Fiduciary Agreements and Requirements) and in Annex B to the ESRS. These conditions are considered crucial to ensure that the beneficiary of the Public Health School works has assumed the commitments required to receive and maintain the works, among other commitments, and to ensure that the executing agency has specialists in place to help it properly supervise preparation of the designs for the works to be financed by the program.

[43] Their services will be financed with program resources.

3.6 **Procurement.** The procurement processes financed by the loan proceeds will be conducted in accordance with the following Bank policies: "Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank" (document GN-2349-15) and "Policies for the Selection and Contracting of Consultants Financed by the IDB" (document GN-2350-15). In view of the assessment of the executing agency's capacity, procurement will be reviewed on an ex post basis, except when ex ante supervision is warranted, and in the case of single source selection processes as set out in the procurement plan that are partially or totally financed by the Bank. If the country system is used for procurement, supervision will also be conducted using the country system.

3.7 **Disbursements.** Disbursements will be made in the form of advances of funds based on the program's actual liquidity needs for a maximum period of six months. Disbursements will be deposited into a special bank account under the program's name for the exclusive use of loan proceeds, as described in the Financial Guidelines for IDB-Financed Projects (document OP-273-12).

3.8 **Retroactive financing and recognition of expenditures.** The Bank may retroactively finance and charge to the loan proceeds up to US$7,200,000 (20% of the proposed loan amount) and recognize and charge to the local contribution up to US$1,820,000 (20% of the estimated amount of the local contribution) those eligible expenses that were incurred by the borrower prior to the loan approval date for consulting services (to conduct engineering studies and diagnostics) and the works planned under Component 1,[44] provided requirements substantially similar to those specified in the loan contract have been met. These expenses should have been incurred by 10 March 2022 (approval date of the Project Profile), but will in no case include expenses incurred more than 18 months prior to the loan approval date.

3.9 **Auditing.** The Program's annual audited financial statements will be submitted to the Bank no later than 120 days after the close of each fiscal year of the executing agency and will be duly approved by the TCE-SE or an external independent audit firm acceptable to the Bank. The program's final audited financial statements will be submitted no later than 120 days after the date of the final valid disbursement.

B. Results monitoring and evaluation plan

3.10 **Monitoring.** The following standard Bank instruments will be used to monitor the program: (i) multiyear execution plan and annual work plan; (ii) procurement plan; (iii) Results Matrix; (iv) program monitoring report; and (v) audited financial statements. The executing agency, acting through the PMU, will submit semiannual progress reports to the Bank within 60 days after the end of each calendar six-month period. These reports will address: (i) fulfillment of the objectives and results stipulated in each annual work plan and in the program monitoring report, including risk analysis and monitoring and related mitigation

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[44] These amounts will make it possible to hire the engineers for the PMU and the company that will prepare the architectural plans for the works. These are high-cost preinvestment expenses involving significant amounts. Based on the analysis of institutional capacity, they are crucial for proper execution during the first year of the program, and will be included as a special contractual condition of execution (paragraph 3.5).

measures; (ii) execution status and procurement plan status; (iii) fulfillment of contractual provisions; and (iv) financial execution status. In addition, the report for the second half of each calendar year will include: (i) annual work plan and multiyear execution plan for the following year; (ii) an updated procurement plan; and (iii) if applicable, the actions to be taken to implement the auditor's recommendations. The indicators in the Results Matrix will also be monitored using information generated by the State of Sergipe and reported in the Information Technology Department of the Unified Health System (DATASUS).

3.11 **Evaluation.** The program's impact will be evaluated based on the synthetic control method using information from the DATASUS system (which routinely collects information), as well as state information available in the Brazilian Geography and Statistics Institute (IBGE). The methodology consists of creating, for each indicator, a valid control for the treatment unit, which in this case is Sergipe, based on a weighted average of other units, in this case the other states of Brazil. This control is called the synthetic control and the rest of the states are called donors. The synthetic control shows a behavior equal to that of the treatment unit in the period prior to the intervention, so that its future behavior can serve as a counterfactual of what would happen in the absence of the program. Accordingly, the difference between the synthetic control and the treatment unit after the intervention can be attributed to the intervention. The baseline should be established in the first year, and the final report will be prepared in the fifth year. The program will also include a midterm evaluation of its implementation, to be submitted up to 90 days after the date when 50% of the loan proceeds have been disbursed, or 36 months after the entry into force of the Loan Contract, whichever occurs first, and a final evaluation to be submitted to the Bank 90 days after the end of the original disbursement period or any extensions thereof. The program's budget includes specifically allocated resources to finance all of these evaluations.

Development Effectiveness Matrix		
Summary BR-L1583		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.4
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium High
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB´s Role - Additionality		
***Annex III Fiduciary Arrangement*s describes project reliance on the use of country systems (VPC/FMP Criteria)**		
7. Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Reportes de consultoría en Sistemas de Información de Salud y Telemedicina

BR-L1583

Evaluability Assessment Note: This project is the third individual operation within the CCLIP Program for the Modernization of Social Spending in Brazil (BR-O0009). The general objective of this third operation is to improve the health of the population. The specific objectives of this operation are: (i) to expand access to and quality of health services in the State of Sergipe (ESE); and (ii) modernize healthcare management processes through a digital transformation. It will be financed through a specific investment loan with USD36,000,000 of ordinary capital and USD9,100,000 of local contribution. The project proposes to finance interventions that expand the access and quality of health services, strengthen the management of the health system, and promote the use of new technologies in health.

The diagnosis is adequate and well documented by the evidence, highlighting the gaps in care and the elements that allow strengthening care networks to overcome the limitations of low resolution of care networks, fragmentation in the provision of services, limited supply of services diagnostic and specialized, challenges in the provision of hospital services and weaknesses in the management and use of information. The results matrix is consistent with the vertical logic of the operation and presents reasonable, well-specified and adequate results indicators to measure the achievement of the specific objectives.

An economic analysis was carried out with specific evidence for Brazil of the benefits associated with the provision of care through health networks. Using a discount rate of 3%, the range of the benefit/cost ratio is from 1.17 to 3.27, having an Internal Rate of Return of 22%. The evaluation plan contemplates answering the question of the causal effect of the program on the results indicators. The project has identified risks and appropriate and monitorable mitigation or escalation measures have been proposed.

RESULTS MATRIX

PROJECT OBJECTIVE:	The specific objectives of this operation are: (i) to expand access and improve the quality of health services in the state of Sergipe; and (ii) to modernize management and care processes through digital transformation. The achievement of these objectives will contribute to the general objective of improving the health of the population of the state of Sergipe.

GENERAL DEVELOPMENT OBJECTIVE / EXPECTED IMPACT

Indicators	Unit of measure	Baseline value	Baseline year	Target		Means of verification	Comments
				Value	Year		
General development objective: To improve the health of the population of the state of Sergipe.							
Premature mortality due to stroke in women[1]	/100,000 inhabitants	5.01	2020	4.17	2027	Mortality Information System (SIM)	Age range for premature mortality: 30 – 59 years.
Premature mortality due to stroke in men	/100,000 inhabitants	10.58	2020	9.00	2027		
Premature mortality due to diabetes mellitus in women	/100,000 inhabitants	27.48	2020	23.56	2027		
Premature mortality due to diabetes mellitus in men	/100,000 inhabitants	34.67	2020	30.59	2027		
Late neonatal mortality rate	/1,000 live births	3.3	2020	3.16	2027		Age range for late neonatal mortality: 7 to 28 days of life.

[1] Details on stroke and diabetes indicators by gender are provided based on the recommendation in link #5 Gender and Diversity Annex.

SPECIFIC DEVELOPMENT OBJECTIVES / EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline		Target	Means of verification	Comments
		Value	Year	Total / End of project		
Specific development objective 1: To expand access and improve the quality of health services in the state of Sergipe						
Number of people who receive health services[2]	#	2,011,407	2021	2,111,977	ANS: https://www.ans.gov.br/anstabnet/cgi-bin/tabnet?dados/tabnet_br.def	This refers to the population exclusively covered by the SUS, i.e., without private health insurance. A 5% increase is expected by project completion.
Average wait time (days) to access magnetic resonance tests	# days	90	2021	30	Central Regulation Office (Acone System)	Number of days between the order and test. A test was selected that is used to diagnose different chronic diseases or their sequelae.
Percentage of women (aged 25-64) with pap smear performed annually	%	15%	2020	66%	Outpatient information system of the SUS (SIA) - DATASUS and IBGE	In accordance with the Multiyear Plan 2020-2023. (Number of cervical smears in women aged 25 to 64 / women aged 25 to 64 residing in the ESE) x 100.
Percentage of women (50-69) with follow-up mammogram	%	6.5%	2020	24%	Outpatient information system of the SUS (SIA) - DATASUS and IBGE	In accordance with the parameters of the National Cancer Institute, the target is 50% of the target population. (Number of mammograms in women aged 50 to 69 / Number of women aged 50 to 69 residing in the ESE) x 100.
Percentage of normal childbirths in the state's SUS network	%	56.33%	2021	70%	DATASUS - *SINASC – Live Births Information System*	Number of live births by normal delivery among resident mothers X 100) / (Number of live births among resident mothers). In accordance with the targets agreed upon with the Ministry of Health, the national parameter is 70% of normal childbirths (*Source: Sispacto, caderno de diretrizes* 2017-2021).
Average wait time (days) to receive oncology treatment after a confirmed diagnosis	# days	120	2020	60	Central Regulation Office (SES/SE)	The target is based on Federal Law 12,732 of 2012, which establishes the maximum number of days between the diagnosis of a malignant neoplasm and the beginning of treatment.
Percentage of pediatric hospital readmissions	%	0	2021	20%	Specialized and Urgent Care Directorate (SES/SE)	(Number of children under the age of 12 who are readmitted to the hospital within 3 months X 100) / (Number of children under the age of 12 who are admitted to the hospital). The target is based on the Consortium of Hospital Quality Indicators (Brazil, 2020).

[2] CRF (Corporate Results Framework) indicator.

Indicators	Unit of measure	Baseline		Target	Means of verification	Comments
		Value	Year	Total / End of project		
Percentage of new establishments with certificate of compliance with the accessibility norm.	%	0	2022	100%	Sanitary Surveillance Coordination Office (COVISA)	Buildings will comply with Norm ABNT NBR 9050.
Specific development objective 2: To modernize management and care processes through digital transformation						
Percentage of pharmacies in the state of Sergipe with a complete list of medicines	%	0	2021	80%	Logistics management system for medicines	(Number of pharmacies in the state of Sergipe with a complete list of medicines) / (total number of pharmacies) X 100. The system is expected by be set up in all pharmacies in the state of Sergipe by 2027, ensuring that at 80% of the services will have a complete list of medicines.
Estimated capacity of the Public Health School to provide ongoing training	Professional-days/ year	30,240	2022	72,000	State Health Foundation (FUNESA)	Calculation method: total capacity of the building X 75% X 252. - The average annual occupancy of the Public Health School is estimated to be 60% of its maximum capacity. - Based on an average of 252 working days per year. The estimated need for training is 72,000 professional-days/ year. This need was calculated based on an average need of 5 days' training per professional per year and a total of 14,400 professionals in the SES/SE.
Percentage of health centers that have implemented an electronic records system	%	0	2021	80%	Coordination of Information Systems in the SUS (SES/SE)	Number of centers with an electronic records system implemented / total centers x 100.
Average hospitalization rate in the state's hospitals	# days	8.35	2021	7	Hospital Information System (SIH/SUS)	Number of patient-days / number of discharged patients. Internal medicine hospitalizations are considered for this indicator.
Number of calls handled by the "Alô Sergipe" medical advice call center	Service / year	0	2022	95,000	"Alô Sergipe" management system	See the description of the "Alô Sergipe" service in output 24.

OUTPUTS

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target / End of project	Means of verification	Comments
Component 1. Support for expanding access and improving the quality of services										
1.1 Architectural plans for the construction and renovation of health facilities, completed	Project	0	3	2	0	0	0	5	Document certifying completion of the work, issued by the Infrastructure Administration (GEINFRA), which is subordinate to the Administrative Directorate (DIAD)	The buildings will be accessible for people with disabilities and will follow the Bank's sustainable construction recommendations.
1.2 High-risk maternity center built and equipped in accordance with EDGE certification requirements	High-risk maternity center	0	0	0	0	0	1	1		Replacement of the current building, which will be used to house another service. Includes a service to care for pregnant women, postpartum women, and newborns in vulnerable conditions who need to be connected with a referral hospital that services high-risk pregnancies (*Casa de Gestante, Bebê e Puérpera*).
1.3 Maternity centers in the interior of the state equipped	Normal risk maternity center	0	0	1	1	1	0	3	Document certifying receipt of the equipment, issued by the Supply Distribution Office (CADIM), which is subordinate to the DIAD	
1.4 Children's hospital renovated and equipped in accordance with EDGE certification requirements	Children's hospital	0	0	0	1	0	0	1	Document certifying completion of the work, issued by GEINFRA, which is subordinate to the DIAD, and document certifying receipt of the equipment, issued by CADIM, which is subordinate to the DIAD	An 890 m^2-space currently occupied by the Human Milk Bank (460 m^2) and a monitoring service (430 m^2) will be renovated.
1.5 Oncology hospital built and equipped in accordance with EDGE certification requirements	Hospital	0	0	0	0	1	0	1	Document certifying completion of the work, issued by GEINFRA, which is subordinate to the DIAD	

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target / End of project	Means of verification	Comments
1.6 Central Public Health Laboratory (LACEN) renovated and equipped	Laboratory	0	0	0	1	0	0	1	Document certifying completion of the work, issued by GEINFRA, which is subordinate to the DIAD, and document certifying receipt of the equipment, issued by CADIM, which is subordinate to the DIAD	
1.7 Advanced Diagnostic Imaging Center (CADI) renovated and equipped	CADI	0	0	0	1	0	0	1	Document certifying completion of the work, issued by GEINFRA, which is subordinate to the DIAD	Area to be renovated: 951 m^2.
1.8 Ambulances purchased for transportation between hospitals in the network	Ambulances	0	0	12	13	0	0	25	Document certifying receipt of the vehicles, issued by CADIM, which is subordinate to the DIAD, DIAD and/or the Specialized Care Directorate	
1.9 Quality-accredited health care facilities	Accredited facilities	0	0	0	0	2	1	3	Quality accreditation certificate issued to certain health facilities	The Central Public Health Laboratory (LACEN) and the Oncology Hospital will be certified.
Component 2. Strengthening of health system management										
2.1 Pharmacies with improved capacity in the planning, execution, and monitoring of medicines and medical-hospital supplies	Pharmacies	0	0	0	20	60	13	93	Document certifying implementation of the system, issued by the Office for the Coordination of Technologies, Information, and Communication (COTIC), which is subordinate to the Cabinet.	Logistics and operations management of the flow of supplies, interface with legacy systems, provision of technical and special operations staff for warehouses and pharmacies, provision of operations supplies, individual protection, and any other supplies and resources needed to provide the service.
2.2 Study on the optimization of SES/SE processes, completed.	Report	0	0	0	1	0	0	1	Consulting report	

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target / End of project	Means of verification	Comments
2.3 Human resources management system implemented	System	0	0	0	1	0	0	1	Document certifying implementation of the system, issued by COTIC, which is subordinate to the Cabinet	
2.4 Public Health School renovated and equipped in accordance with EDGE certification requirements	School	0	0	0	0	1	0	1	Document certifying completion of the work, issued by GEINFRA, which is subordinate to the DIAD	Renovation includes the improvement and expansion of infrastructure, desktop computers, laptops, servers, printers, web cameras, video cameras, operating systems and software, lighting, speakers, tables, desks, swivel chairs, student desks, and service desks.
2.5 Professionals trained	Professionals trained	0	0	900	900	1,800	900	4,500	Records and attendance list for courses taken	Subjects: network-focused health management, telemedicine tools, and care protocols.
2.6 Care protocols for prevalent conditions published and disseminated	Care protocols	0	0	0	2	2	0	4	PDF file for the care line Links to materials used to disseminate the care protocols	Care protocols are documents that systematize healthcare flows that should be guaranteed for users in order to meet their health care needs. The prevalent conditions in the state of Sergipe are chronic noncommunicable diseases, cancer, conditions related to maternal-child health and women's health.
2.7 Professionals trained in diversity topics (including sign language)	Professionals trained	0	0	100	100	200	100	500	Certificate and attendance list of courses completed	Topics: sign language, nondiscriminatory and inclusive care (LGBTQ+ and Afro-descendants) and sensitivity training to promote use of the race/color variable.

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target / End of project	Means of verification	Comments
Component 3. Modernization of information management and the use of new technologies in health care										
3.1 Tools for digital health management developed	Tools	0	0	0	1	0	0	1	Document certifying receipt of tools, issued by the Technologies and Information Coordination Office (COTIC), which is subordinate to the Cabinet	Includes Strategic Digital Health Plan and Plan of Action (with corporate architecture, system governance, and key policies).
3.2 Health facilities with technology equipment in operation	Health facilities	0	0	0	10	16	0	26	Document certifying installation of connectivity and computer equipment, issued by COTIC, which is subordinate to the Cabinet	Includes the installation of information technology infrastructure to support high availability (24/7) of the project's information systems.
3.3 Electronic Health Records System implemented	System	0	0	0	1	0	0	1	Document certifying implementation of the center, issued by COTIC, which is subordinate to the Office	Central data repository with individual health information of each citizen, based on the policies, security, and minimum data set of the Ministry of Health.
3.4 Strategic Information and Decision-making Center in the SES/SE implemented	Center	0	0	0	0	1	0	1		Health data analysis tool (analytic) which facilitates the extraction, processing, and presentation of the information found in different health information systems, including the Central Data Repository, and with the capacity to monitor the health indicators for the black and LGBTQ+ population by gender.
3.5 The state's health services regulatory system has been implemented	System	0	0	0	1	0	0	1	Document certifying implementation of the system, issued by COTIC, which is subordinate to the Office	Information system to facilitate the approval of hospitalization, highly complex procedures, diagnostic tests, and specialized consultations, enabling integration with other existing regulatory systems.

Outputs	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target / End of project	Means of verification	Comments
3.6 Hospital management system and outpatient management system implemented	Health facilities	0	0	0	10	10	6	26		Information system for hospitals and outpatient services directly managed by the state to digitize clinical, management, and financial operations processes
3.7 Website for patients, professionals, and administrators implemented	Website	0	0	0	0	1	0	1		Service website for individuals to schedule consultations and tests, access their medical records, and get information on self-care. This tool should be available through the website based on a mobile app.
3.8 "*Alô Sergipe*" telephone service line implemented	Service	0	0	0	1	0	0	1	Service contract	Telephone line services to classify risk and better direct the flow of care, provide guidelines on symptoms, tests, and treatment; monitoring of priority chronic conditions (prenatal care, immunization).
3.9 Service to regulate access to specialized care, implemented	Service	0	0	0	1	0	0	1		Services for the clinical regulation of referrals and support for care provided by doctors and nurses (tele-consultation) with a focus on prioritized prevalent conditions with clinical monitoring of patients.

Fiduciary Agreements and Requirements

Country: Brazil **Division**: SCL/SPH **Operation No.:** BR-L1583 **Year**: 2022

Executing agency: State of Sergipe, acting through its Department of Health (SES/SE)

Operation name: Health Care and Social Inclusion Network Strengthening Program - PROREDES Sergipe

I. Fiduciary Context of the Executing Agency

1. Use of the country system in the operation (any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank).

☒ Budget	☐ Reports	☒ Information system	☐ National Competitive Bidding (NCB)
☒ Treasury	☐ Internal audit	☒ Shopping	☐ Other
☒ Accounting	☒ External control	☐ Individual consultants	☐ Other

2. Fiduciary execution mechanism

☒	Specific features of fiduciary execution	The borrower will be the state of Sergipe, and the executing agency will be the Department of Health of the State of Sergipe (SES/SE), acting through a program management unit (PMU) that will be responsible for the program's technical, administrative, financial, and procurement management.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional assessment conducted for the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the findings of the assessment of the main fiduciary risks; (iii) the institutional capacity assessment (ICAP); and (iv) working meetings with the Bank's project team, the executing agency, and other state authorities. These findings led to the conclusion that the SES/SE has satisfactory institutional capacity to execute the program.

4. Fiduciary risks and risk response

Risk category	Risk	Level of risk	Risk response
Economic financial	Because this is the first time the SES/SE will execute an international loan program, there may be delays in execution due to lack of familiarity with the Bank's policies.	Medium-high	Training will be offered on financial management and procurement policies for the team responsible for program management.
Economic financial	If the exchange rate varies negatively (from 15%) of the exchange rate used in the program's consultation letter, the budget for the program's components will be reviewed. The loan contract's budget may result in insufficient funds for achieving the proposed objectives.	High	The Results Matrix will be reviewed when the program begins so that the most important outputs for achieving the objectives can be prioritized if necessary.

Risk category	Risk	Level of risk	Risk response
Systems	If the financial management system is not contracted at the beginning of the execution stage, there may be delays in the delivery of financial reports, which could compromise or delay disbursement requests.	Medium-high	Develop or contract a technology solution so that the program's accounts can be managed in U.S. dollars and the financial reports required by the Bank can be produced.

5. Policies and guidelines applicable to the operation: The Financial Guidelines for IDB-Financed Projects (document OP-273-12) will be used for the financial management of the program. Procurement processes will use the Bank's policies set out in documents GN-2349-15 and GN-2350-15.
6. Exceptions to policies and guidelines: None.

II. Considerations for the Special Provisions of the Loan Contract

Conditions precedent to the first disbursement:
Exchange rate: For the accounting of the loan proceeds and local counterpart funds, the Parties agree that the applicable exchange rate will be: (i) for the IDB loan, the exchange rate in effect when funds advanced in the program's currency are converted to local currency; and (ii) for the local counterpart, the exchange rate in effect on the date expenditures are reimbursed and recognized.
Type of audit: The program's annual audited financial statements will be submitted to the Bank no later than 120 days after the close of each fiscal year of the executing agency and will be duly approved by the Audit Office of the State of Sergipe (TCE-SE) or by an external independent audit firm acceptable to the Bank. The program's final audited financial statements will be submitted no later than 120 days after the date of the final valid disbursement.

III. Agreements and Requirements for Procurement Execution

☒	Bidding documents	For the procurement of works, goods and nonconsulting services carried out in accordance with the "Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank" (document GN-2349-15) subject to international competitive bidding (ICB), the Bank's standard bidding documents or other documents agreed upon by the executing agency and the Bank for specific procurement will be used. In addition, the selection and contracting of consulting services will be carried out in accordance with the "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" (document GN-2350-15), and the standard request for proposals issued by the Bank or agreed upon by the executing agency and the Bank for a specific selection will be used.
☒	Advance procurement/ Retroactive financing	The Bank may retroactively finance and charge to the loan proceeds up to US$7,200,000 (20% of the proposed loan amount) and recognize and charge to the local counterpart up to US$1,820,000 (20% of the estimated amount of the local counterpart), those eligible expenses that were incurred by the borrower prior to the loan approval date, provided requirements substantially similar to those specified in the loan contract have been met. These expenses should have been incurred as of 10 March 2022 but will in no case include expenses incurred more

<table>
<tr><td></td><td></td><td>than 18 months prior to the loan approval date for consulting services (to conduct engineering studies and diagnostics) and the works planned under Component 1.[1]</td></tr>
<tr><td>☒</td><td>Procurement supervision</td><td>Procurement will be reviewed on an ex post basis, except when ex ante supervision is warranted. If the country system is used for procurement, supervision will also be conducted using the country system. The supervision method to be used, whether (i) ex ante, (ii) ex post, or (iii) country system, should be determined for each selection process. Ex post reviews will be conducted in accordance with the project's supervision plan, subject to change during execution. The thresholds for ex post review are as follows:
<table><tr><th>Executing agency</th><th>Works</th><th>Goods/services</th><th>Consulting services</th></tr><tr><td>SES/SE</td><td>US$5 million</td><td>US$5 million</td><td>US$1 million</td></tr></table></td></tr>
<tr><td>☒</td><td>Records and files</td><td>The PMU will be responsible for the documentation process and safekeeping of files for supervision and audit purposes.</td></tr>
</table>

Main procurement items

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount US$
Goods				
25 ambulances to transport patients between hospitals	National competitive bidding (NCB)		Q4 2024	1,250,000
Works				
Maternity hospital for high-risk pregnancies	International competitive bidding (ICB)		Q4 2025	6,537,000
Firms				
Management training for professionals	Quality- and cost-based selection (QCBS)		Q4 2024	400,000

See Project Execution Plan.

[1] These amounts will make it possible to hire the engineers for the PMU and the company that will prepare the architectural plans for the works. These are high-cost preinvestment expenses involving significant amounts. Based on the analysis of institutional capacity, they are crucial for proper execution during the first year of the program, and will be included as a special contractual condition of execution (paragraph **Error! Reference source not found.**).

IV. Financial Management Agreements and Requirements

☒	Programming and budget	The SES/SE, through the program management unit (PMU), is responsible for coordinating the entire planning process for executing the activities. in accordance with the project execution plan and the annual work plan. The state agencies use planning tools such as the Multiyear Plan), the targets and priorities of the Budget Guidelines Act (LDO), and the actions of the Annual Budget Act (LOA). The budget to be used for the program's activities is part of that LOA. The SES/SE team should ensure that the budget resources earmarked for the program (both the IDB funds and the local counterpart) are duly budgeted and secured for annual execution purposes, in accordance with the operational programming and the program's financial plan.
☒	Treasury and disbursement management	Disbursements and cash flow. Disbursements will be made in U.S. dollars in the form of advance of funds or other modality set out in the "Financial Guidelines for IDB-Financed Projects" (document OP-273-12). The amount of such advances will be based on a projection of financial execution for up to 180 days. After the first advance, subsequent advances may be processed when 80% of the total cumulative balance of previously advanced funds has been substantiated. If necessary, the use of the accommodations set out in the "Financial Guidelines for IDB-Financed Projects" (document OP-273-12) may be analyzed. The "Online Disbursement" electronic platform will be used to manage disbursements with respect to the Bank. Bank resources will be administered through a program-exclusive account that is able to identify the loan proceeds and conduct bank reconciliations of those funds. For the accounting of the loan proceeds and local counterpart funds, the executing agency will use: (i) for the IDB loan, the exchange rate in effect when funds advanced in the program's currency are converted to local currency; and (ii) for the local counterpart, the exchange rate in effect on the date expenditures are reimbursed and recognized. Any expenses deemed ineligible by the Bank will be repaid using local counterpart funds or other resources, at the borrower's discretion and upon approval by the Bank, depending on the nature of their ineligibility.
☒	Accounting, information systems, and reporting	Public agencies in the state of Sergipe are required to work with the Integrated Public Management System (iGesp) administered by the State Treasury Office, which conducts financial, accounting, and financial planning activities for state operations. The system allows accounting information to be extracted in different environments; however, it does not currently allow the identification of transactions charged to the program with the characteristics required by the Bank (in the program's currency), so a module or parallel system will need to be adapted in order to keep the program's financial data and accounting records in a unified manner. For this reason, within a maximum period of six months from the execution of the loan contract, the SES/SE should verify the implementation of a management and financial system that will automatically allow financial data to be produced in accordance with Bank requirements.

☒	External control and financial reports	The external audit of the program may be conducted by the Audit Office of the State of Sergipe (TCE-SE) or by an external independent audit firm that is eligible to audit IDB-financed operations, according to terms of reference previously agreed upon by the executing agency and the Bank, which may be adjusted throughout the life of the project depending on the findings of the Bank's supervision. The program's audited financial statements will be submitted to the Bank no later than 120 days after the close of each fiscal year, and the final audited financial statements will be submitted no later than 120 days after the date of the final valid disbursement.
☒	Financial supervision of the operation	The financial supervision plan will be based on assessments of risk and the SES/SE's fiduciary capacity and will consider on-site supervision and desk visits, as well as the assessment and monitoring of the findings and recommendations of audits of the program's annual financial reports.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Brazil. Loan ____/OC-BR to the State of Sergipe. Health Care and Social Inclusion Network Strengthening Program - PROREDES Sergipe. Third Individual Loan Operation under Conditional Credit Line for Investment Projects (CCLIP) BR-O0009 – Social Spending Modernization Program in Brazil

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the State of Sergipe, as Borrower, and with the Federal Republic of Brazil, as Guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Health Care and Social Inclusion Network Strengthening Program - PROREDES Sergipe, which constitutes the third individual loan operation under Conditional Credit Line for Investment Projects (CCLIP) BR-O0009 – Social Spending Modernization Program in Brazil, approved by Resolution DE-159/20. Such financing will be in the amount of up to US$36,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan and Non-reimbursable Financing Proposal.

(Adopted on ___ ____________ 2022)

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