



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – Rehabilitation of Roads

Main Aspects

The maintenance and rehabilitation program aims at ensuring that at least 60% of the existing federal roads network be rated as in “good” condition by 2008. Today, only 16,1% of the network is ranked as “good”, and 47,8% is ranked as “bad”, with 36% ranked as “acceptable”. The goal is to reduce the share of roads ranked as “bad” to 1%, with between 1/3 and 2/5 of the network ranked as “acceptable”. The project will cover 12 federal roads in most of the 27 states, helping accelerate rehabilitation work on about 7,000 km and maintenance work on another 8,000 eligible km.

Indicators for the Project

Financial

2005 => R\$ 874 MM from PLO (budget draft law) + R\$ 952 MM from PP = R\$ 1.826 MM

2006 => R\$ 1.500 MM

2007 => R\$ 1.500 MM

Time span

2005/2006/2007

Benefit

WB methodologies estimate that the reduction in operational costs derived from the projected investment conservatively at R\$ 0,025/ vehicle/km (the typical operational cost is of \$ 1,20/vehicle.km, including fuel, wear and tear and standard costs). The aggregate economy was estimated at about R\$ 2,5-3,0 billion a year, after five years of investments, well above the yearly cost of the program at its peak (R\$ 1,5 billion). Savings would also derive from stopping the deterioration process of the roads. The WB HDM model suggests that the net present value of the project in constant prices is around R\$ 14,1 billions, considering a 10% discount rate and no increase in traffic. Additional fiscal gains would stem from the enhanced chances of promoting new concessions after the upgrade of many of the road segments targeted by the program.

Conditionality

Conduct and prepare, in 2005, the auctioning of at least five segments to be operated by the private sector.



Pilot Project Portfolio

Area - Transportation	Ministry - Transportation
Project – Rehabilitation of Roads	...Continuation

List of Roads

Total Investments in Maintenance and Rehabilitation of Federal Roads (2005)

Road	States Crossed	Rehabilitation / Maintenance	
		km	R\$ million
BR-020	BA;CE;DF;GO	440	88
BR-040	MG	100	20
BR-050	MG	30	6
BR-116	BA;CE;MG;PB;PE;PR;RS	938	187
BR-153	GO;MG;PR;RS;SC;SP;TO	1.151	230
BR-158	GO;MS;MT;PR;RS;SC	278	55
BR-163	MS;MT;PR;SC	408	81
BR-222	CE,PI,MA	85	17
BR-242	BA	342	68
BR-262	ES;MG;MS	525	105
BR-280	SC	80	16
BR-324	BA	194	38
BR-364	GO;MG;MT;RO	289	58
BR-365	MG	270	54
BR-392	RS	55	11
BR-459	MG	249	50
TOTAL		5.433	1.086

Most of the projects will be done under the CREMA mechanism.

The CREMA (Contrato de Reabilitação e Manutenção de Rodovias) mechanism transfers to the private sector the decision on the best allocation of resources to achieve government-established levels of road quality, in line with the principle of PPPs and concessions. About 3,700 km of roads in the program are eligible to become a concession, after being upgraded. By allowing the concessionary to pick up the maintenance costs, the government can save up to R\$ 10,000/year/km. Hence the concession of 3,700 km may imply future savings of up to R\$ 37-40 million a year—or R\$ 400 million over a 10-year period (concessions typically last for 20 years). For those roads with enough traffic, the concession can raise additional revenues, further helping recover the cost of the investments made in the next two or three years. Achieving effective and efficiency evaluations of this approach and of CREMA will be a side benefit of the Pilot Project.

Pilot Project Portfolio

Area - Transportation	Ministry - Transportation
Project – Rehabilitation of Roads	... Continuation

Summary of CBA for the selected projects

Traffic Assumption: 0% growth

						Millions of Reais (except where indicated otherwise)		
Year	Investment	Maintenance Cost	Savings in public outlays	Gain for users	Net Effect (Benefits - Costs)	Reduction in vehicle operating costs (per km)	Opportunity cost due to reduction in traveling time per vehicle (per km)	
Net Present Value at different discount rates						(R\$ / 100)		
NPV - 10%	10.170,4	2.125,2	-3.354,9	17.450,6	14.095,7			
NPV - 12%	9.061,7	1.864,9	-3.172,4	15.387,3	12.214,8			
Annual Flows (not discounted)								
1	1.499,9	250,8	-1.199,7	990,2	-209,5	0,0	0,0	
2	1.499,9	250,8	-1.199,7	990,2	-209,5	0,9	0,0	
3	1.485,0	249,9	-1.186,1	2.905,8	1.719,6	1,0	0,0	
4	1.485,0	249,9	-1.186,1	2.905,8	1.719,6	2,4	0,1	
5	1.483,5	249,3	655,9	3.241,3	3.897,1	2,7	0,1	
6	1.483,5	249,3	655,9	3.241,3	3.897,1	1,8	0,0	
7	653,2	249,0	101,2	2.352,3	2.453,5	1,5	0,0	
8	653,2	249,0	101,2	2.352,3	2.453,5	2,1	0,0	
9	653,2	249,0	101,2	2.352,3	2.453,5	1,8	0,0	
10	653,2	249,0	101,2	2.352,3	2.453,5	1,8	0,0	
11	1.059,5	249,2	-223,7	1.482,9	1.259,2	1,7	0,0	
12	1.059,5	249,2	-223,7	1.482,9	1.259,2	1,5	0,0	
13	1.059,5	249,2	-223,7	1.482,9	1.259,2	1,6	0,0	
14	1.059,5	249,2	-223,7	1.482,9	1.259,2	1,1	0,0	
15	1.059,5	249,2	-223,7	1.482,9	1.259,2	1,1	0,0	
16	1.059,5	249,2	-223,7	1.482,9	1.259,2	0,9	0,0	
17	1.059,5	249,2	-223,7	1.482,9	1.259,2	0,8	0,0	
18	1.059,5	249,2	-223,7	1.482,9	1.259,2	0,7	0,0	
19	1.059,5	249,2	-223,7	1.482,9	1.259,2	0,5	0,0	
20	1.059,5	249,2	-223,7	1.482,9	1.259,2	0,5	0,0	



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – BR 101/SUL – duplication

Main Aspects

The duplication of Florianópolis-Osório road will improve traffic conditions on the BR 101/Sul road, creating a “Thoroughfare” connecting Mercosul markets as far as Buenos Ayres and Belo Horizonte. This duplication is part of an IADB loan, and of 10-year effort to improve roads in the South-Southeast part of Brazil conceived more than ten years ago. All required studies are complete and the IADB has already set a monitoring unit to provide the oversight of the construction. Part of the contracts has been signed, allowing for a quick implementation of the project, ahead of the conclusion of the concession process (which may happen during the construction period).

Indicators for the Project

Financial

2005 => R\$ 135 MM from PLO (BUDGET DRAFT LAW) + 285 MM from PP = 420,00 MM

2006 => R\$ 600,00 MM

2007 => R\$ 700,00 MM

Time span

2005/2006/2007

Benefit

The cost-benefit analysis points to a real internal rate of return of 30,7%. The cost/benefit ratio was estimated at 2,7. Considering an average daily traffic of 5,000 trucks and a toll of R\$ 5/100 km, the revenue potential was estimated at R\$ 250,000/km.year, well above the typical maintenance cost of R\$ 10,000/ km/year. Toll revenues would generate only R\$ 60-100 million of free cash a year over the 300km of the road, after deducting maintenance costs. This would not be enough to recover the construction cost, estimated at around R\$ 2 billion. The shortfall can, nonetheless, be minimized if the concession is extended to include the road linking Curitiba to Florianópolis, which was duplicated by 2003 with public funds and is planned to become a toll road. The Ministry of Transportation estimates that about ¼ of the construction prices accounts for taxes.

Conditionality

At the beginning of 2005, the Ministry of Transportation will present a feasibility study regarding the concession of Curitiba-Florianópolis-Osório as a single undertaken. The Ministry of Transportation is contemplating the possibility of making the concession during the construction, which has been initiated, while making the latter dependent on the former. The winner would run existing contract to their completion.



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – BR 381/MG - duplication

Main Aspects

This duplication will improve traffic conditions from the steel-producing district of Minas Gerais, north of Belo Horizonte, to São Paulo and the Mercosul “Thoroughfare”. The region is also the home to several timber and cellulose projects, and a fledging agrobusiness centered in coffee and corn production, which are largely dependent on road transportation. The road has received inadequate maintenance in the last ten years, in part because maintenance and rehabilitation work was neglected on the expectation of the duplication. Accelerating this investment will help reverse the deep deterioration process suffered by the road, which is also one of the main links of Minas and Central Brazil to the Northeast.

Indicators for the Project

Financial

2005 => R\$ 45 MM from PLO (BUDGET DRAFT LAW) + 153 MM from PP= 198,00 MM

2006 => R\$ 130,00 MM

2007 => R\$ 195,00 MM

Time span

2005/2006/2007

Benefit

The project will sharply reduce the operational costs for trade in the region. The HDM-4 model points to a 13% real rate of return for the resources employed in the duplication. This rate of return may rise depending on some new projects currently under consideration by local firms.

Conditionality

Completion by the Ministry of Transportation of the detailed engineering project and a feasibility study for conceding the road.



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – BR 101/NE – duplication

Main Aspects

This duplication will complement infrastructure projects supported by the IADB throughout the Northeast Region through the PRODETUR loan program. This successful infrastructure program has been crucial to attract private investment in the tourism sector with great impact on jobs and growth in the region. The R\$ 1,9 billion project, which has not benefited from low-cost financing from multilateral institutions, will also help increase the competitiveness of the Suape Terminal in Pernambuco, increasing the yield of substantial sums of public money invested in this port in the last several years.

Indicators for the Project

Financial

2005 => R\$ 95,90 MM from PLO (BUDGET DRAFT LAW) + 307,00 MM from PP= 402,90 MM

2006 => R\$ 550,00 MM

2007 => R\$ 950,00 MM

Time span

2005/2006/2007

Benefit

The duplication of the BR 101-NE will increase the safety of this road, which presents significant commercial as well as passenger traffic. Heavy truck traffic is today one of the main causes of accidents involving passenger cars in this road that links several popular tourism destinations (the road ranges from Natal to the south shore of Pernambuco). The Ministry of Planning considers the road a potential candidate for a PPP. The highway, in addition of its potential to support the development of tourism, will help integrate several economic areas to the SUAPE port, which is poorly serviced by road and railways as of today. It will also reinforce (private) investments plans around the port, which hold the potential to transform SUAPE into an important regional gateway for coastal and overseas trade.

Conditionality

The Ministry of Transportation will present a study of feasibility of concession at the end of 2005, including the possibility of a PPP for part of the road.



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – Rio Beltway – duplication & **construction**

Main Aspects

This road is one of the three segments of a beltway around Rio de Janeiro. The Beltway construction has been called for by local business leaders, who have also supported the concession of the road, in view of the positive impact it could have on the economic fortunes and competitiveness of the region. The Sepetiba port was one of the last of the large ports envisaged in the 1980s. It was completed around 2000, after important outlays made between 1995 and 1998. This is a deep port (a draft of more than 50 feet) with good links by rail, but precarious road accesses, despite being located less than 20 miles away from the main highway in Brazil, the Rio-São Paulo Dutra Expressway, and counting with an important container terminal. There is growing consensus among local players about the convenience of building the road planning from the outset to make it into a turnpike with a toll system, most likely geared towards servicing truck traffic.

Indicators for the Project

Financial

2005 => R\$ 49,00 MM from PLO (BUDGET DRAFT LAW) + 88,00 MM from PP= 137,00 MM

2006 => R\$ 140,00 MM

2007 => R\$ 250,00 MM

Time span

2005/2006/2007

Benefit

The beltway will link Sepetiba to three other main roads: BR 040 to Belo Horizonte and Brasilia, BR116 to Bahia, and BR 101 to Espirito Santo. These links will lower export costs for many industries in those states, as they create an alternative to the Rio de Janeiro container port, as well as to the 60-year old roads that cross the now heavily-populated west side of the city. Preliminary studies show high potential of cost recovery via integrated toll charges, especially if the first construction phase is aimed at servicing mainly truck traffic.

Conditionality

Conduct a study of concession feasibility of the different parts of the Beltway.



Pilot Project Portfolio

Area - Transportation	Ministry - Transportation
Project - Rio Beltway - duplication & constructionContinuation

CBA- Benefit Analysis of Rio Beltway				
Year	Savings In Traveling Time	Gains in Operational Cost	Benefit to the Operation of Sepetiba Port	Total BENEFITS
0	0	0	0	0
1	0	0	0	0
2	0	0	0	0
3	12.249.715	19.099.756	45.329.960	76.679.431
4	12.764.203	19.901.946	54.072.602	86.738.751
5	13.300.300	20.737.827	65.207.159	99.245.286
6	13.858.912	21.608.816	79.265.603	114.733.331
7	14.440.986	22.516.387	89.934.525	126.891.898
8	15.047.508	23.462.075	102.330.171	140.839.754
9	15.679.503	24.447.482	116.793.611	156.920.596
10	16.338.042	25.474.276	133.511.005	175.323.323
11	17.024.240	26.544.196	150.511.428	194.079.864
12	17.739.258	27.659.052	170.058.697	215.457.007
13	18.484.307	28.820.732	191.474.828	238.779.867
14	19.260.648	30.031.203	216.043.941	265.335.792
15	20.069.595	31.292.513	244.298.673	295.660.782
16	20.912.518	32.606.799	266.324.960	319.844.277
17	21.790.844	33.976.285	286.425.577	342.192.705
VPL	53.202.373	82.953.142	373.733.080	509.888.594
VPL	73.928.443	115.269.230	549.733.293	738.930.966

Year	Total Cost of Construction and Maintenance				Total Benefits
	Alt. I	Alt. II	Alt. III	Alt. IV	
VPL (16%)	333.574.260	247.741.448	364.195.268	278.362.456	509.888.594
VPL (12%)	351.729.086	260.444.926	383.803.217	292.519.057	738.930.966

The review of traffic projections and the extension of the planning horizon to 20-25 years, together with the geographic optimization of toll stations and supporting services, point to strong economic potential for a concession, which is likely also to stimulate savings during the construction phase.



Pilot Project Portfolio

Area - Transportation

Ministry - Transportation

Project – Tucuruí Locks

Main Aspects

Tucuruí is a large electric power point built in the 1980s. The associated dam is not particularly high, but inevitably blocked river navigation. The government is committed to complete these locks to grant large regions in the eastern Amazon access to a deep port near Belém do Pará. The resources already sunk in the construction of the port (in the 1980s) and the lock are considerable, and the potential volume of grain crops that could be effectively and cheaply shipped through the Tocantins river is substantial. The acceleration of works would help finish the locks by 2006, after a decade-long construction effort. Inclusion of such a project on Pilot will also help address in an effective and transparent ways existing implementation issues.

Indicators for the Project

Financial

2005 => R\$ 70,00 MM from PLO (BUDGET DRAFT LAW) + 150,00 MM from PP= 220,00 MM
2006 => R\$ 150,00 MM

Time span

2005/2006

Benefit

The completion of the project will reduce transportation costs of grains from a large area in the Central region of Brazil, opening up the Araguaia-Tocantins river and a large port, which is the closest in Brazil to the Panama canal. CBA, considering only the cost related to concluding the locks (i.e., considering past expenditure as sunk costs), points to an IRR of 17% in real terms. Also, increasing grain exports from Central Brazil through this route is likely to reduce the impact of the expansion of the northern agricultural frontier.

Conditionality

Evaluation of implementation aspects.



Pilot Project Portfolio

Area – Transportation

Ministry - Transportation

Project – Port Agenda

Main Aspects

The Agenda is a concentrated effort to address the most urgent needs of 11 major ports, including Santos. A first batch of investments will include dredging, means to accelerate the consolidation under one roof of administrative staff from different federal agencies at each port, the rehabilitation of weights at port gates, and improvements in existing electronic links with the Federal Revenue Service (SRF). The overall cost of this first batch of initiatives, excluding the links with the SRF, is estimated at around R\$ 75 million. A second batch will focus on the construction of road accesses to the selected ports, parking spaces for large trucks, and further dredging and cleaning up of access channels.

Indicators for the Project

Financial

2005 => R\$ 101,00 MM from PLO (BUDGET DRAFT LAW) + 226,10 MM from PP= 327,10 MM

Time span

2005

Benefit

There is no formal CBA for these initiatives, which are, however, the result of an extensive analysis of needs of individual ports that respond to more than 80% of Brazil's international trade. This analysis involved bottom-up reviews and a coordination effort conducted by the Casa Civil together with the Ministries of Transportation, Planning and Finance, as well as consultation with the private sector. It will involve new approaches to procurement of services and a systematic dialog with environmental authorities.

Conditionality

Given the fragmented nature of the initiatives under this umbrella, the main conditionality will be in implementation. A special unit has been created in the Casa Civil to monitor the implementation of this "Agenda", which will liaise with the unit to be created at the Treasury to conduct the Pilot.

Pilot Project Portfolio

Area - Transportation	Ministry - Transportation
Project - Port Agenda	... Continuation

List of Projects and Cost (R\$ million)

PORT	ACTION	PILOT	PLO	TOTAL	PORT	ACTION	PILOT	PLO	TOTAL
RIO GRANDE (RS)	Navigation signs	3,0		3,0	SEPETIBA (RJ)	Dredging	20,0		20,0
	Dredging	11,5	4,5	16,0		Access BR101	7,5		7,5
	Truck parking area	1,5		1,5		Security System		2,0	2,0
	Subtotal	16,5	4,5	20,5		General Works		9,0	9,0
				Subtotal		27,5	11,0	38,5	
ITAJAÍ (SC)	Deepening of access channel	6,0		6,0	RIO DE JANEIRO (RJ)	General Works	10,0		10,0
	Rehabilitation pier	7,5		7,5		Energy system	4,0		4,0
	Road Access	16,0		16,0		Dredging	22,0		22,0
	Subtotal	29,5		29,5		Secondary Dredging	4,0		4,0
				Weights		0,4		0,4	
SÃO FRANCISCO DO SUL (SC)	Rehabilitation berths 102/103	12,8		12,8	Warhf demolition	2,0		2,0	
	Access BR 280	2,0		2,0	Security System	4,0		4,0	
	Energy system	0,8		0,8	Dredging access to Niteroi		2,0	2,0	
	Deepening of access channel	19,2		19,2	Subtotal	46,4	2,0	48,4	
	Subtotal	34,8		34,8					
SANTOS (SP)	Cleaning access channel	3,0		3,0	VITÓRIA (ES)	Road access (Capuaba)	4,7	1,2	5,9
	Dredging	42,0		42,0		General Works	7,2		7,2
	Deepening of access channel	10,0		10,0		Security System		2,0	2,0
	Office building	2,5		2,5		Deepening of access channel II		2,5	2,5
	Cleaning up access channel	2,5		2,5		Deepening of Porto Barra do Riacho		4,5	4,5
	Security System		9,5	9,5	Dredging		2,5	2,5	
	Road Access		50,0	50,0	Pier defenses	2,5	1,5	4,0	
	Road Access II		10,0	10,0	Subtotal	14,4	14,2	28,6	
	Subtotal	57,5	69,5	127,0					
TOTAL		137,8	74,0	211,8	TOTAL		88,3	27,2	115,5



Pilot Project Portfolio

Area - Transportation

Ministry – Urban Development

Project – Belo Horizonte Subway

Main Aspects

The completion of the first line of the Belo Horizonte—BH mass transportation line is important for several reasons. First, delays have entailed additional costs to the Federal government because the program envisages the transfer of the system to local authorities upon completion, and the current arrangement of shared responsibility does not foster efficient operation and decision-making. Also, delays reduce the profitability of the line, because incomplete lines do not attract enough users to pay for financial commitments with lenders and builders. Although at least four other cities are in similar situation, the BH system is where construction is most advanced. It was chosen to be the test case for the overall program, including with respect to the transfer of responsibilities (the inclusion of this project in the Pilot is independent from budget allocations for subways in other cities).

Indicators for the Project

Financial

2005 => R\$ 20,40 MM from PLO (BUDGET DRAFT LAW) + 81,60 MM from PP= 102,00 MM

Time span

2005

Benefit

Ex-ante, rail systems typically passed a CBA sponsored by the financier (WB, IADB, JBIC, etc). Fluctuation of the exchange rate and other economic and demographic changes may have affected these estimates. Hence plans, including for additional lines, may need a revaluation in some cities, with possible consideration of more affordable alternatives, such as special buses in exclusive lanes. The right choice in this case was to concentrate resources to ensure completion and the ultimate transfer to local authorities. Although this reasoning may not be extended to other cases, WB report n° 29806-BR suggests that the rate of return for completing the works would be of 17,1% in real terms (the exercise considers the past outlays as foregone costs, which is an exceptional assumption).

Conditionality

Participation of the BH mass transportation project will be conditioned to the agreement by the local government to take over the whole project by the time of the conclusion of Line 1, forsaking further financial support from the Union to operate, expand, or maintain existing or futures lines. Participation of other mass transportation systems in the Pilot in the following years will depend on the success of the BH pilot, on similar agreements by other cities, and possibly on the revaluation of the project with financiers.



Pilot Project Portfolio

Area – Profitable irrigation and water supply | **Ministry** – Interior

Project – Irrigation Projects

Main Aspects

This component of the Pilot will focus on several irrigation projects currently at different stages of progress, with a view to ready them to private sector investment and operation. Typically, private investors are expected to play the role of “anchor” to the projects, completing the infrastructure and opening new distribution channels in Brazil and abroad. This is an important step forward in the policies of the Ministry of Integration and comes in the wake of several hundreds of millions of dollar committed to public irrigation projects in the last 20 years. The new policy reflects the observation that, although, in many cases, the production and export of high-quality tropical fruits and grape from irrigated areas have been successful, several public projects have so far presented a negative present value because large works were started but never finished, and the projects remain under-utilized for a long period of time. The budgeted resources are to be used to complete some of the projects and, in other cases, provide conditions to bring the private sector in.

Indicators for the Project

Financial

2005 => R\$ 100,00 MM from PLO (BUDGET DRAFT LAW) + 50,00 MM from PP= 150,00 MM

Time span

2005

Benefit

The World Bank indicates that, under adequate design and implementation conditions, standard CBA tools such as the FARMOD software indicate that irrigation can be profitable and economically adequate. The Guadalupe Project in Piauí is typical among the 14 irrigation projects selected to participate in the Pilot. About ¼ of the envisaged area has been built, but about half of this total of 3,000 ha is idle. Upon full completion, the project is planned to generate 40,000 direct and indirect jobs and about US\$ 40 million in sales. The World Bank indicates its completion as one of the high priority and low cost initiatives to be pursued by the state of Piauí (report n. 24484-BR, 2003). Recent biodiesel projects by private sector illustrate the potential of such an approach.

Conditionality

Participation in the pilot in 2006 will depend on the preparation of another 10 perimeters (projects) to be put under a concession regime.



Pilot Project Portfolio

Area – Profitable irrigation and water supply | **Ministry** – Interior

Project – 14 Irrigation Projects

LIST OF SPECIFIC PROJECTS **SUBJECT TO CONCESSION**

Project	Location	Potential Production (R\$ M/year)	Thousand Jobs (direct and indirect)
Guadalupe	PI	120	40
Tabuleiros Litorâneos	PI	70	25
Tabuleiro de São Bernardo	MA	35	116
Tabuleiro de Russas	CE	120	45
Baixo Acaraú	CE	139	40
GauagribeApodi	CE	59	15
Salitre	BA	320	90
Pontal	PE	80	23
Irecê	BA	600	180
Jaíba	MG	700	190
São João	TO	21	10
Várzeas de Souza	PB	30	15
Luiz Alves do Araguaia	GO	70	30
Total		2350	819



Pilot Project Portfolio

Area – Profitable irrigation and water supply

Ministry – Environment

Project – Pró Agua

Main Aspects

The program aims at increasing the supply of difficult-to-obtain water in arid regions, providing adequate price signals to ensure an efficient use and conservation of the resource. The project has been subjected to rigorous CBA under the sponsorship of the World Bank. It has involved the participation of states (10%-20% counterpart) and comprises a direct investment and an institutional strengthening component. The main additionality in this case will be ensuring a greater degree of protection to this program, together with R\$ 10 million in new spending. That will safeguard the full disbursement of the remaining balance of a World Bank loan.

Indicators for the Project

Financial

2005 => R\$ 14,30 MM from PLO (BUDGET DRAFT LAW) + 9,70 MM from PP= 24,00 MM

Time span

2005

Benefit

Participation in the Pilot will help safeguard the financing of R\$ 194 million in ongoing construction and R\$ 20 million in new works, in addition to support the institutional strengthening component of the project. It is a low-cost but important component of a set of coordinated policies to increase the supply of water in rural areas of the Northeast vulnerable to droughts.

Conditionality

Those prescribe in the project financing.



Pilot Project Portfolio

Area – R&D Facilities

Ministry – Science & Technology

Project – Meteorology Lab

Main Aspects

The lab will help coordinate and develop efforts to improve meteorological forecast in the short term. Good meteorological forecast can save billions of dollars, both in cash crops and production for domestic consumption, helping also reduce price volatility and inflation. Recent improvements have already helped reduce insurance costs, including insurance underwritten by the government on behalf of small-farm owners.

Indicators for the Project

Financial

2005 => R\$ 00 MM from PLO (BUDGET DRAFT LAW) + 15,12 MM from PP= 15,12 MM

2006 => R\$ 21 MM

Time span

2005/2006

Benefit

Gains from better meteorological information are estimated at US\$ 2 billion a year. In recent years, better use of this type of information has already helped cut R\$ 150 millions in the cost of PROAGRO and public insurance schemes (Rossetti, 2002).

Savings can arise, for instance, from a more timely application of chemicals to prevent diseases. Such an improvement is estimated to help reduce costs by US\$ 300 million a year and cut the amount of chemicals washed by rains.

Conditionality

To be detailed.



Pilot Project Portfolio

Area – R&D Facilities	Ministry – Science & Technology
Project – Meteorology Lab	

Memmorandum items:

Insurance Premium (as % of crop value) paid by Proagro before and after aligning planting with meteorological conditions

Traditional Technologies			
CULTURE	Before	Now	Projected
Wheat	11,7%	5%	2,5%
Rice and Beans	11,7%	6,7%	3,35%
Cotton, corn and soy	7%	3,9%	1,95%
Apple	3,5%	3,5%	1,75%
Sorgus	9,4%	5,5%	2,75%
New Technologies			
CULTURE	Before	Now	Projected
Wheat	11.7%	4%	2%
Rice and Beans	11,7%	5,7%	2,85%
Corn and soy	7%	2,9%	1,45%
Sorgus	9,4%	4,5%	2,25%

Cost of Pest Control Applications against Asian Rust Soy Pest (*ferrugem asiática*)

Traditional	With meteorological monitoring	Gain
3 applications	1,5 applications	
US\$ 1.6 billion	US\$ 0.8 billion	US\$ 0.8 billion



Pilot Project Portfolio

Area – R&D Facilities

Ministry – Land Development

Project – GPS land survey

Main Aspects

Law 10.267/2001 requires every land transaction to include in the associated deeds and public register the GPS coordinates limiting the estate transacted. These data will be filed in a federal data center with a view to help improve the protection of property rights. The R\$ 28 million project under the responsibility of MDA (the Land Development Ministry) will make a crucial contribution to the full implementation of this law. The project will help lower the cost of land acquisition, lease and renting, and provide tools to improve the market for small plots associated with family farming. Strengthening property rights, in addition to promote investment and innovation in agriculture, is an important part of the new policies of agricultural development, imparting a new ethos to government-supported programs to increase land access to landless workers.

Indicators for the Project

Financial

2005 => R\$ 28,82 MM from the original budget + 0,00 MM from PP= 28,82 MM

2006 => R\$ 29 MM

Time span

2005/2006

Benefit

Apart from its economic benefits for commercial farming, the system will help ensure the implementation of the Law, in particular in the case of medium- and small-scale farming, for which the public sector is direct to borne out most of the cost of the land survey. The project is part of a set of actions also developed with a view to reduce the chances of forged sales of public land and the unlawful appropriation of protected areas, including environmental reserves and ancestral land of minorities such as Indians and "Quilambolas" (free communities created by individuals fleeing slavery in the XVII-XIX centuries).

Conditionality

To be detailed.



Pilot Project Portfolio

Area – R&D Facilities

Ministry – Industry & Trade

Project – Bio-Science Manaus Lab

Main Aspects

Manaus, at the heart of the Amazon has a diversified industrial base, which is growing beyond electronics to take benefit from the biodiversity of the region. Currently, there is little infrastructure in the biological sector, and local firms typically have to rely on labs in other regions to conduct analysis and other services needed to research and product development. The new lab will provide local capacity to conduct chemical, pharmacological, toxic and microbiologic tests. The lab will also help improve production processes for local industry and will work as the center of a web or regional labs. According with international academic studies, this type of spending typically yields a 30% rate of return. This infrastructure will help the private sector to boost its production and exports of environment based and friendly products in the coming years.

Indicators for the Project

Financial

2005 => R\$ 11,00 MM from PLO (BUDGET DRAFT LAW) + 2,67 MM from PP= 13,67 MM

2006 => R\$ 14 MM

2007 => R\$ 14 MM

Time span

2005/2006/2007

Benefit

The main benefit will be to lower the cost of innovation development and dissemination of environment-friendly businesses. Making available Public facilities able to provide fee-based services that may not lend themselves to private-sector provision is a core element of the *industrial policy* promoted by the government. The inclusion of this project in the Pilot also helps provide a more diversified portfolio to the experiment.

Conditionality

Participation in the pilot in 2006 will require solving the issue of the administrative structure the Laboratory, and further development of market research to identify specific potential customers in the private sector.



Pilot Project Portfolio

Area –Transport, Business
Requeriments

Ministry - Finance

Project – Scanners, Custom Efficiency and Tax Integration with States

Main Aspects

SRF will implement this agenda, which includes the purchase and installation of large container scanners required by the International Ship and Port Facility Security (ISPS) code. In addition, the SRF will invest in surveillance equipment in ports to increase security, reduce smuggling, and speed up operations. Investment in information technology to increase the responsiveness of Customs will also be part of this two-year effort. Another component includes joint work with the states of São Paulo and Bahia aimed at addressing overlaps and redundancies between levels of government in the area of business registration. The modernization of the federal databank on corporation records (cadastro de pessoas jurídicas) with a view to introduce electronic sale receipts will be an initial step towards tax reform integrating the indirect taxes raised by the federal and state governments.

Indicators of Project

Financial

2005 => R\$ 0,00 MM from PLO (BUDGET DRAFT LAW) + 400,00 MM from PP = 400,00 MM

2006 => R\$ 500,00 MM

Time of project

During the year 2005/2006

Benefit


Adequacy with international security standards and improved efficiency on Customs will likely generate efficiency gains, especially to foreign trade.

Speeding up custom operations, will lower production costs (the overwhelming share of imports in Brazil comprises intermediate and capital goods).

Simplify, integrate and reduce registration requirements are a priority identified by a study prepared in the scope of the IMF program (structural benchmark). Those issues have been also raised by the federal government level with states in the scope of the Tax Reform and the microeconomic agenda pursued in 2004.

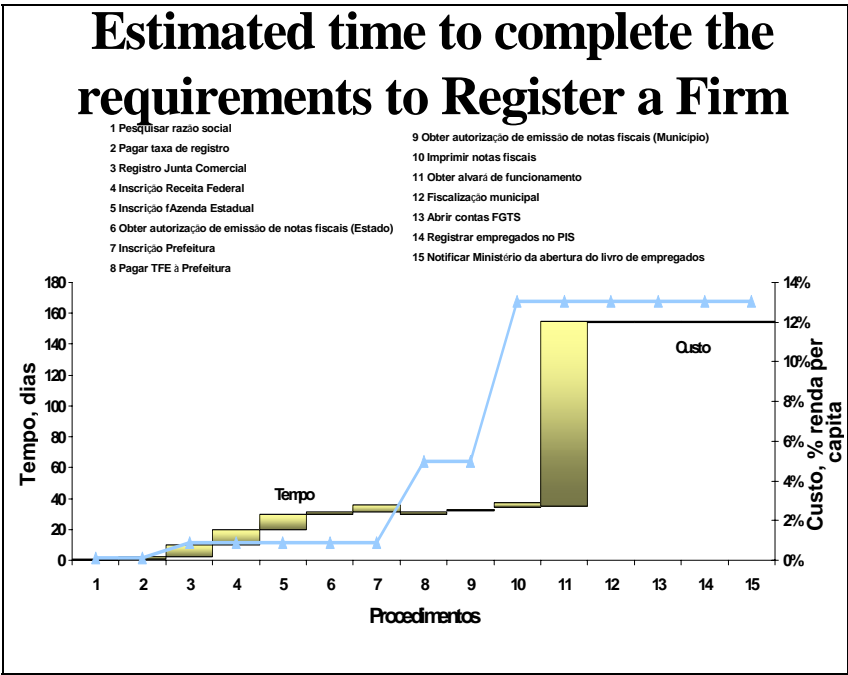
Conditionality

To be detailed.



Pilot Project Portfolio

Area -Business Requeriments	Ministry - Finance
Project -Simplification of Registration RequirementsContinuation



Source: Survey conducted by the IFC with selected practitioners in São Paulo



Pilot Project Portfolio

Area – Streamlining business Requirements | Ministry – Social Security.

Project – An efficient and responsive Social Security

Main Aspects

This agenda is part of a larger agenda aimed at fostering entrepreneurship and reducing the informality in labor markets. A key step to that has been the overhauling of the Social Security, with the creation of the autonomous Social Security Revenue Service (SSRS). Strengthening the new SSRS will require investments, whose volume has estimated at around R\$ 100 million in 2005, complementing the R\$ 40 millions from an IADB loan. This will go mainly to provide the organ with adequate information technology.

Indicators of Project

Financial

2005 => R\$ 00 MM from PLO (BUDGET DRAFT LAW) + 100,00 MM from PP = 100,00 MM

Time of project

During the year 2005

Benefit

A better distribution of the tax burden will increase the efficiency of the economy, fostering formal employment.

Conditionality

The definition of a plan to strengthen the Social Security in 2005, resulting in enhanced credit recovery and stronger mechanisms to administer the concession of new benefits.