

CONSTRUCTION OF ADVANCED DIAGNOSIS FOR PROJECTS WITH SOCIAL IMPACT

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ABSTRACT

According to Cohen and Franco (2013), the evaluation of social projects focuses on the simplification of political decisions. The process of rationality of the public policies necessarily involves the measurement of the results of the actions carried out in the face of what was proposed. Programs and projects should be put into practice in combination with concrete actions, and an assessment of the achievement of the intended objectives is required. The present proposal seeks to obtain a prior diagnosis of the investments made by Suframa, making it possible to reduce risks inherent in the presentation phase of the project proposal to subsidize the decision as to its viability. The construction of the diagnosis will consider the socioeconomic data of the community involved, the identification of the project partners, the definition of the proposed objectives, the resources available, the cost structure and the business model for the project's sustainability. In addition to establishing necessary goals to achieve the objectives. The diagnosis should predict the structured processes for the implementation and operation of the enterprise and estimate the resources (material, human, financial and institutional) to guarantee the execution of the physical goals and the achievement of the proposed objectives (IPEA, 2018).

INTRODUCTION

According to Derlien (2001) the concept of evaluation of social projects has evolved over time. In the 1960s the objective was to get feedback from the Programs to subsidize the decisions of public managers. In the 1980s the focus was on the rational reallocation of public resources. In the 1990s the pressure to fight corruption began to demand that the evaluation process point to effective results. In 1994 the UK Treasury launched the Green Book, establishing economic, financial, social and environmental criteria for all public investments (Rodrigues, 2008) According to Rodrigues (2008), the control of public policies in Brazil has also evolved, mainly due to the demands of international development

agencies, such as the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD). to demand from the Brazilian Government make the control of the applied resources. The initiative to evaluate the results of Voluntary Transfers as a methodology indicated by the Brazilian Federal Government was only implemented in 2016 with the publication of the Interministerial Ordinance n°424 / 2016. The new legislation in force began to require a sustainability plan for the project, which should be presented together with the basic project. The sustainability plan must demonstrate how the operation will operate, describing routines of periodic and preventive maintenance, defining those responsible for its implementation, and how investment will be financed. In 2018, the Federal Government, through the Ministry of Planning, adopted the methodology contained in the "ex ante analysis practical guide" of the Institute of Applied Economic Research (IPEA) to guide the prior (ex ante) evaluation of public investments and government programs broadly. The methodology is based on the description of the problem to be faced, its characterization, policy objectives and expected results with the intervention. In this way, the present research aims to suggest in a brazilian practical way, a roadmap for gathering information on the part of the proponent to build the sustainability plan. Considering that the "practical guide to ex ante analysis" intends to guide the prior evaluations of Government programs and projects in a comprehensive way, it was soon sought to adapt and simplify the reality of Suframa's (Superintendence of the Manaus Trade Zone is a federal authority linked to the Ministry of Industry and Foreign Trade and Services, which manages a Manaus Free Zone) voluntary transfers. In this way the roadmap of the sustainability plan proposed in this research will be composed as follows: Socioeconomic diagnosis of the project's target audience; Management structure and operation of the enterprise; Structure of costs for operation and maintenance of the enterprise. The Diagnosis is important to identify the socioeconomic profile of the beneficiaries before the implementation of the project, making it possible to trace the evolution of the data when compared to the data that will be collected when the project is already in place. The structure of management and operation seeks to answer

questions about the management of the enterprise. Requiring the proponent to develop a business model that requires responsibility of each participant in order to ensure the full operation of the enterprise after the inauguration. The third topic of the diagnosis is to address the structure of costs to operate and maintain the enterprise, allowing the economic viability of the investment to be verified. The sustainability plan will also allow the identification and definition of obligations of all actors involved both in the implementation phase and in the operation of the project.

The remainder of the paper is organized as follows. Next section presents a brief overview of the literature about the impact evaluation of social projects. Then, the case study under analyses is described, followed by the main findings achieved as well as a brief discussion of those findings. The last section draws the main conclusions of the paper and presents some avenue for future research.

LITERATURE REVIEW

According to Cohen and Franco (2013), the evaluation of social projects focuses on the simplification of political decisions. The process of rationality of the public policies necessarily involves the measurement of the results of the actions carried out in the face of what was proposed. Programs and projects should be put into practice combined with concrete actions, and it is necessary to carry out an evaluation of the achievement of the proposed objectives. Derlien (2001) highlighted three phases on this evaluation process during the 1960s, 1980s and 1990s. In the 1960s, emphasis was placed on information. The information was generated as a feedback mechanism for the manager to develop improvements in the programs. In the 1980s, the main focus for the evaluation concept was the rational reallocation of resources. In the 1990s, the legitimization of investments began to be made by auditors who sought and collected results indicated in the evaluations (Derlien, 2001). In the United Kingdom in 1994 a guideline was set out in a document called "Green Book" which aims to establish criteria for all public investments be they social, infrastructure and capital (Stephanou, 2005). According to Stephanou (2005), the methodology of the Green Book aims to establish economic, financial, social and environmental criteria for all government policies, programs and projects. In Brazil until the 1980s monitoring and evaluation activities were restricted to accounting audits. At that time, the country's need to leverage international resources, such as the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD), emerged. These international institutions now demand the implementation of systematic control of the applied resources (Rodrigues, 2015). Since 2001, the Brazilian Federal Government has made available the Quality Program in the Public Service, directed to public companies and Direct Administration. Adherence was voluntary with an objective aimed at improving

management through practical actions that would later be evaluated internally. The cycle also provided for validation by external controls (Boullosa and Araújo, 2009). According to Boullosa and Araújo (2009), in 2005, the National Program of Public Management and Debureaucratization of the Ministry of Planning, called the *Gespública*, started operating. In order to improve the quality of public services and increase the competitiveness of the country. Over time, Boullosa and Araújo (2009) criticized the fact that evaluation programs were exclusively managerialist and warned of the need to implement instruments that incorporated the solution of social problems.

In 2016, the Federal Government of Brazil issued the Interministerial Ordinance 424/2016 (portal de convênios, 2018), which began to regulate the pass-through instruments signed by the organs and entities of the Federal Public Administration or private non-profit entities for the execution of programs, projects and activities of mutual interest, involving the transfer of financial resources from the Fiscal Budget and Social Security of the Union. Interministerial Ordinance 424/2016 in its Article 21 13, now requires that a Sustainability Plan be presented for the enterprise or equipment to be acquired with funds from voluntary transfers from the Federal Government. The Law requires that the Sustainability Plan must be presented together with the Basic Project, demonstrating how the operation will operate, describing routines of periodic and preventive maintenance, defining those responsible for its implementation and how the cost will be given.

STUDY CONTEXT

Superintendence of the Manaus Free Trade Zone

The Superintendence of the Manaus Free Zone (SUFRAMA) is a federal authority linked to the Ministry of Industry, Foreign Trade and Services. Created by Decree-Law no. 288/67, which also establishes the free trade area of import and export and special tax incentives, established with the purpose of creating in the interior of the Amazon an industrial, commercial and agricultural center with economic conditions that allow its development, given the local factors and the great distance, which are the consumer centers of its products.

Suframa Regional Development Policy

The actions of the Development Internationalization Program, currently incorporated into the Budgetary Program 2029 - Regional Development, Sustainable Territorial and Solidary Economy, have enabled the Autarchy to radiate the wealth generated by the Manaus Industrial District to the 153 municipalities in its area of activity (Lima, 2017). Through the collection of the Administrative Services Fee (TSA) SUFRAMA promotes the dissemination of wealth, generated in the Manaus Industrial District, through the signing of Agreements and Partnerships and with state and

municipal governments and educational and research institutions, entities class and cooperatives. According to the Transparency Portal of the Federal Government (Portal da Transparência, 2018), the amount of funds invested by SUFRAMA in the period from 1995 to 2016, through voluntary transfers, amounts to R \$ 1,136,735,358.64 (one billion, one hundred and thirty-six million, seven hundred and thirty-five thousand, three hundred and fifty-eight reais). With these resources, SUFRAMA celebrates agreements with state and municipal governments, educational and research institutions, class entities and cooperatives to make feasible projects to support economic infrastructure, production, tourism, research and development, intellectual capital formation, training, and professional qualification. Since 2009, Suframa has been carrying out a results analysis (ex post) of the evaluated agreements. However, the need for an ex ante evaluation that allows to establish the parameters necessary to perform a comparative scenarios table was verified.

In 2016, the Ministry of Planning together with the Federal Control Agency published Normative Instruction 01/2016 that established the Federal Government's Risk Management Policy in order to establish procedures that minimize the risk of not achieving the public policy objectives as well as to avoid deviations in the institutional objectives of Federal Government bodies. On November 22, 2017, the President of Brazil issued Decree 9203/2017, which established the governance policy for all Federal Government instances, incorporating concepts of the Risk Management policy published in the previous year and adding guidelines and governance mechanisms, in addition to establishing the creation of an Interministerial Governance Committee. In the context of the Brazilian Government, the Ministry of Planning has published the "practical guide for ex ante analysis" (IPEA, 2018) in order to establish parameters for the evaluation of public policy proposals, considering the results for society and when possible estimating costs and the benefits they propose.

FINDINGS AND DISCUSSIONS

The present research provides an analysis of the review of the methodology of evaluation of the agreements signed by Suframa based on the "practical guide for ex ante analysis" indicated by the Ministry of Planning of the Brazilian Government from 2018. The methodology will be applied empirically using as an example the Proposal of Agreement presented for the Suframa of construction of a covered fair in the interior of the state of Rondônia (Brazil). The aim is to obtain standardized information on the efficiency and effectiveness of the investments made by the municipality, making it possible to reduce risks inherent in the projects and parameterization to support the decision regarding the conclusion of new agreements. The "practical guide to ex ante analysis" (IPEA, 2018) starts from the presupposition of rationality in the decision process by

public policy. Figure 1 presents schematically the reasoning associated with the decision process underlying that practical guide.



Figure 3 - Rationality in the public policy cycle

The suggested methodology considers the following steps: i) diagnosis of the problem; ii) characterization of the policy: objectives, actions, target audience and expected results; iii) policy design; iv) reliability and credibility building strategy; v) implementation strategy; vi) monitoring, evaluation and control strategies; (vii) cost-benefit analysis; and (viii) budgetary and financial impact. In the empirical case of the project to be financed by Suframa, a script was prepared to be answered by the Proponent. The project consists of the construction of a covered fair with 60 boxes, with the budget available in the amount of R\$ 500,000.00 (five hundred thousand reais) in order to meet the fairgrounds that currently occupy the streets of the surroundings with an improvised fair without health conditions. In this way it was suggested that the tenderer present the project's sustainability plan following the proposed roadmap through the questionnaire described in the following topic.

Guidance questionnaire to prepare the diagnosis

The questionnaire was divided into three parts: socioeconomic diagnosis; structure of management and operation of the enterprise; Cost structure for operation and maintenance of the Producer's Fair. The first block of questions allows identifying the potential users of the structure that will be built, who they are, what the socioeconomic profile is, what they sell. This information is important for tracing the economic and social evolution of users when they are operating at the new location. The second block of questions seeks to answer questions about the management of the enterprise. Requiring the proponent to develop a business model that requires responsibility of each participant in order to ensure the full operation of the enterprise after the inauguration. The third is to address the cost structure to operate and maintain the enterprise, allowing the economic viability of the investment to be verified.

The diagnosis should provide for the structured processes for the implementation and operation of the fair and the estimation of resources needed (material, human, financial and institutional) to guarantee the execution of the physical goals and the achievement of the proposed objectives (IPEA, 2018). Another important aspect is the definition of the actors involved and the description of the respective financial responsibilities assumed in the proposed project, thus allowing a consistent analysis of the strategy adopted in relation to the objectives and results sought (IPEA, 2018).

Information presented in the Sustainability Plan

The first part of the diagnosis presents socioeconomic information about the 33 fairgrounds that occupy the improvised fair by tents that occupy the streets near the place where the enterprise will be built. The main genres marketed are vegetables, accounting for 23% of sales, followed by meat (beef, pork and poultry) with 19% of sales, followed by dairy products and vegetables with 16% each and fish corresponding to 11% of current sales. Other products represent 15% of the products marketed. These data demonstrate the precariousness with which perishable products are currently marketed without refrigeration. There is also a need for the structure of the new space to house refrigerating equipment for perishable products. When asked whether the products were purchased from third parties or handled by the fair itself, 80% stated that they are producers of the goods. Regarding the profit 72% affirm to obtain gains of up to R \$ 1000,00 (thousand Reals) another 28% affirmed to have gains above this value. When asked if the fair took part in other fairs, 82% said yes. When asked if they participate in any government benefit program, 58% said they did not. The next item of the diagnosis addressed the aspects about the management of the enterprise. The model presented by the bidder (Rondonia State Government) stated that after the construction of the Feirão, the management will be shared between the Association of fair dealers and the Municipality of Candeias do Jamari, assignee of the land. Maintenance, cleaning, energy and security costs will be charged by Candeias City Hall and are estimated at R \$ 4100.00 (four thousand and one hundred reais) during the first year of operation of the fair and will be held by Candeias do Jamari City Hall. In the following years the proposal is that the associations of Rural Producers, Association of the fairgrounds take over the management of the fair. We emphasize that the commitments presented in the Sustainability Plan will be signed through terms of partnerships.

CONCLUSIONS AND FURTHER RESEARCH

This paper presents the simplified construction of a previous diagnosis that allows the coordinated planning of the proposed actions. Considering the low complexity in the specific case of the construction project of the covered fair, the information collected is sufficient to

meet the objectives proposed by the diagnosis. However the prior the diagnosis is only the first part of the evaluation process and are part of the planning process. The evaluation process to be complete should include the monitoring of policies implemented on a continuous basis. Previous information obtained by the ex ante diagnosis should be compared with the results obtained at the end of the project through an ex post evaluation, identifying failures and adjustments that allow the improvement of the efficiency of public investment. Allowing to improve the planning of the actions prior to the celebrations of agreements, allowing a more detailed monitoring of the project. Promoting greater efficiency in the application of public resources, greater effectiveness of the proposed objectives and ensuring the effectiveness of impacts in the context of the social dimensions envisaged.

A questionnaire was drawn up to identify the target audience of the project, the main products marketed, the management model and how it would be done. A questionnaire was prepared based on an IPEA (2018) methodology based on the "practical guide to ex ante analysis". the participation of each entity involved. It is important to highlight the difficulty of the proponent in the case of the Government of the State of Rondonia to carry out the diagnosis, much as they are only accustomed to planning and executing the works without any major concerns in verifying the management and operation after delivery. This lack of planning combined with a shortage of trained personnel that provides for the performance of the enterprise often causes non-operation causing waste of public money or compels the proponent to return federal resources for the purpose. From the results verified from the questionnaire it was possible to map each one of the 33 fairgrounds that currently occupy the improvised fair in the same street, guaranteeing to these people the priority in occupying the definitive fair. Another important point was to verify which product is marketed, considering that 46% of the marketers sell perishable products they need refrigeration, pointing out the need to guarantee refrigerated facilities to adequately venture will benefit mostly rural producers and non-traders, whereas 80% said they produce their own goods. Regarding income, it was verified that even though the fair operates poorly, it generates a significant income for each tradesman that ranged from R\$ 1000.00 (one thousand reais) to six hundred eight hundred reais (R \$ 6,800.00), despite not having been presented the estimate of increase in income is likely to improve sales with the operation of the new fair. Considering that 58% stated that they do not participate in any government aid program, important partnerships can be made to promote the sale of goods, such as the sale for the composition of school meals for students in the public school and teaching. And also partnerships with the Secretariats of Social Assistance to verify which Government programs may include the beneficiaries of the project. Another important point addressed in the diagnosis is the managerial model and sharing responsibilities.

Previously a fair was built and then one thought how it would be managed, with that, many fairs are inaugurated and never worked in the interior of Brazil. The current model provides that the State Government, responsible for the construction, make terms of commitment with the City of Candeias that will be responsible for the management and maintenance, association of Producers and association of the fair that will be responsible in managing the business after the first year operation. It is important to emphasize that it will be necessary to carry out a training of these participants (associations and fairs) in management, associations, cooperativism and entrepreneurship so that they have administrative autonomy of the enterprise.

The prior evaluation process that is being proposed in this work will still require being framed to cover other lines of investment made by Suframa. In addition to the need to raise the awareness of the proponents in carrying out this prior planning in order to allow all involved (sponsor, proponent, third parties and beneficiaries) to become aware of their role during the work and operation of the project, minimizing the risk of project failure. The proposal to perform a previous diagnosis was reached, even though some information has not been raised by the Government of Rondônia as for example the forecast increase in sales with the start of the fair. The next step to be taken in future research is the definition of the "ex post" evaluation methodology applied to the specific cases of Suframa. Establishing an indicator tracking curve through data consolidation. The possibility of testing the methodology in concrete situations will function as a benchmark for the construction of a system and will allow to verify if the execution of the Project is occurring within the objectives initially foreseen and also will allow to make a comparative table of indicators of each financed project. The application of the "ex ante"

evaluation methodology and subsequent evaluation of "ex post" results in concrete cases will allow the use of management tools to be incorporated into the evaluation methodology of projects financed by Suframa, according to the complexity of the projects.

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