



1. Project Data

Operation ID

P147913

Operation Name

Acre: Strengthening Public Policies DPL

Country

Brazil

Practice Area(Lead)

Macro Economics & Fiscal Management

L/C/TF Number(s)

IBRD-83100

Closing Date (Original)

31-Jan-2015

Total Financing (USD)

250,000,000.00

Bank Approval Date

05-Dec-2013

Closing Date (Actual)

31-Jul-2015

IBRD/IDA (USD)**Co-financing (USD)**

Original Commitment

250,000,000.00

0.00

Revised Commitment

250,000,000.00

0.00

Actual

250,000,000.00

0.00

Prepared by

Mauricio Carrizosa

Reviewed by

Clay Wescott

ICR Review Coordinator

Lourdes N. Pagan

Group

IEGEC (Unit 1)

2. Project Objectives and Policy Areas

a. Objectives

The Program Document (PD, pp. I and 11) articulated the development objective as follows: "To enhance the efficiency of public sector administration, particularly in the areas of education and gender equality."

The PD (p.11) also articulates the objective as follows: "More specifically, the proposed operation aims to strengthen public sector management as well as social and productive inclusion through: (i) improving planning, monitoring and evaluation to increase the results orientation of development programs; (ii) introducing integrated procurement and asset management practices; (iii) improving monitoring of learning outcomes of students in the state public schools; and (iv) aligning the state's gender policy and institutional



framework with gender policy reforms at the national level."

This Review will use the first of these formulations, articulated in the PDO statement at the beginning of the PD's section entitled "The Proposed Operation" and equivalent to the formulation stated in the summary sheet.

Following this formulation, this review assesses the following specific objectives:

1. Enhance the efficiency of public sector administration;
2. Enhance the efficiency of public sector administration in the area of education; and
3. Enhance the efficiency of public sector administration in the area of gender equality.

b. Were the program objectives/key associated outcome targets revised during implementation of the series?

No

c. Pillars/Policy Areas

The DPL supported policy reforms under two basic pillars as follows (PD, pp. 12-21):

1. **Public Sector Management:** This area covered (i) adoption and initial implementation of a Planning and Strategic Management System, which formalized and consolidated the state's pre-existing planning, monitoring, and evaluation processes in a single results-based system (full implementation expected by 2016); (ii) adoption and initial implementation of standardized procurement and asset management practices through the Public Resources Management System (GRP); (iii) adoption of standardized procedures for expenditure management.

2. **Social and Productive Inclusion.** This area comprised two sub-pillars as follows: 2.a. Basic and Secondary Education; and 2.b. Women's Social and Productive Inclusion.

2.a. Basic and Secondary Education: This area covered (i) establishment, adoption and implementation of the State System of Evaluation of Learning Results of Students in the Public School Network; and (ii) introduction of performance agreements and performance-related pay for school staff within the state's public school network.

2.b. Women's Social and Productive Inclusion: This area covered (i) establishment of a governance structure for delivering specialized services for women in situations of violence and vulnerability; (ii) adoption of a State Plan for preventive and assistance services guaranteeing women's rights in accordance with federal law; and (iii) creation of regional committees for combating violence against women at the local level.

d. Comments on Program Cost, Financing, and Dates

The Development Policy Loan (DPL) was approved by the Board on December 5, 2013, in the amount of \$250 million equivalent and declared effective on December 12, 2013. The DPL disbursed in two tranches. The first tranche (\$149.4 million) disbursed on December 17, 2013 (\$130.0 million) and January 14, 2014 (\$19.4 million). The second tranche (\$100.0 million) disbursed on June 2, 2014. The DPL closed on July 31,



2015, six months after the original date of January 31, 2015. The closing data was extended to allow more time to pursue the educational reforms.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The DPL objectives addressed well-identified conditions in the State of Acre (SOA) that could potentially undermine the efficiency of public administration. These conditions included (i) separate development planning, monitoring and evaluation processes; (ii) diverse practices across agencies with regard to accounting, procurement, and control of public expenditures; (iii) a lack of an adequate application of student evaluation results and weak teacher incentives to improve learning outcomes; and (iv) poorly integrated SOA services to women, with a particular concern on the high levels of violence to women. DPL objectives also supported SOA and Bank strategic objectives. SOA's Strategic Plan 2012-15 ("Develop and Serve") sought to achieve a continuous and progressive increase in living standards, underpinned by high productivity, fair distribution of income and wealth, ample employment opportunities, as well as social inclusion and mobility. SOA's 2016-20 Plan ("Governance and Economic Sustainability") articulates a similar objective. Under the Bank's 2012-15 Country Partnership Strategy (CPS), the DPL was one of a number of sub-national DPLs and Sector Wide Approach projects designed to strengthen public sector management and service delivery. The CPS emphasized macroeconomic management, fiscal consolidation, increasing the efficiency of public sector management and improving the quality of education and health expenditures for low-income households as its key pillars for sustainable development and inclusive growth. The Bank's new strategy has not yet been developed, but the task team indicated that it is planned to be similar, on public sector management issues, to the 2012-15 CPS.

Rating

High

b. Relevance of Design

The reforms supported by the DPL could potentially improve the efficiency of overall public administration, as well as of administration in the education and gender areas that it pursued. Integrating planning, monitoring and evaluation processes under one results-based system can achieve efficiency gains (e.g., higher disbursement rates and better value for money) from coordination across the three processes. Application of uniform public expenditure accounting, procurement and control rules to all agencies can achieve overall efficiency gains (e.g., through economies of scale from larger procurement of specific items), particularly as all agencies become subject to the same procurement standards. Assessment of past student learning outcomes can inform improvements in teaching strategies, and performance-related teacher pay can better engage teachers in implementing those strategies. Integration of specialized services to women can also improve efficiency through gains from coordination across those agencies.



The PD expected a sustainable macroeconomic environment for the operation at both the federal and state levels. Medium term fiscal projections pointed to a moderate decline in federal debt levels. While SOA debt levels had increased from 37 percent of net current revenues in 2009 to 58 percent in 2012, these were expected to peak at around 107 percent in 2017 and then decline. Nevertheless, the PD identified a risk that reduced federal revenue sharing resulting from lower growth in Brazil could constrain SOA's fiscal space, a risk that was mitigated by the DPL's focus on the efficiency of public expenditure. The PD also identified stagnation of the national economy as the greatest risk to the State. The Bank prepared the DPL on a tight timeline to help cover Acre's 2014 financing requirements, which had increased with the decline in federal revenue sharing.

The two-tranche design appropriately provided for a medium-term policy engagement, including Bank support to address capacity issues during implementation.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Enhance the efficiency of public administration.

Rationale

The DPL reforms on results-based planning and procurement will potentially increase efficiency, although the measures taken have not as yet translated into actual efficiency enhancement of the public administration. The evidence provided reflects evaluation activities, achievement of budget targets, and coverage of standardized procurement practices, not any measurements of the technical or economic efficiency of the public administration. On **evaluation activities**, the ICR reports that SOA evaluated the four largest investment programs and the task team reported evaluations covered 45 percent of the Multi-Year Plan program budget. On **achievement of budget targets**, the target to increase the percentage of Multi-Year Plan targets completed from 75.8 percent in 2012 to 80.0 percent in 2014 was met (at 80.1 percent). These targets focus on whether goals were achieved, not efficiency (whether value for money improved). Nevertheless, the task team suggested that the new Integrated System of Planning and Strategic Management may have contributed to improved disbursement rates on the capital budget, which increased from 62 percent in 2012 to 78 percent in 2014. On **procurement coverage**, the target to increase the coverage of standardized procurement from 0 percent of tender value in 2012 to 50 percent in 2014 was surpassed, at 80 percent; and the target to increase the share of single source purchases covered by standardized procurement from 0 percent of value to 90 percent was exceeded at 100.0 percent. This evidence, however, does not measure whether or not more value was obtained out of SOA's procurement (e.g. through lower prices), although the task team referred to anecdotal evidence pointing to faster



procurement processes and reduced fragmentation of procurement contracts.

Rating

Substantial

Objective 2

Objective

Enhance the efficiency of public administration in education.

Rationale

Although student testing of educational outcome and performance-based teacher pay can increase the efficiency of public administration in education, there is no evidence that actual efficiency increased. The DPL used the following indicators to measure the achievement of this objective: coverage of student testing and changes in learning outcomes. On coverage of **student testing**, the program increased the number of students evaluated from 26,474 in 2012 to 27,020 in 2014 and 26,006 in 2015, both lower than the target of 32,000. This was due to adverse weather conditions and a 2015 teacher strike. The evidence on **learning outcomes** (percent of schools meeting learning outcome targets) could not be produced because the Federal Government does not report it (it only covers third grade) and what it covers has not yet been published for 2015. Be that as it may, these indicators do not reflect efficiency, either in terms of value for money or outputs per unit of input.

Rating

Modest

Objective 3

Objective

Enhance the efficiency of public administration in gender equality.

Rationale

The DPL operation helped to advance Acre's gender policies by consolidating the institutional framework to implement State policies aligned with the national-level legislation and by strengthening the provision and geographical coverage of services for women. Although regional integration and planning of preventive and assistance services to women can improve the efficiency of public administration in these services, there is limited evidence provided that actual efficiency has yet increased. The planned evidence reflected the number of **women served by women's service centers** in three regional hubs, which increased from 1,888 in 2012 to 2,033 in 2014, above the target of 1,366.



Rating
Substantial

5. Outcome

The DPL addressed well-identified development challenges with regard to public administration efficiency, including fragmentation of processes in results-based planning, dispersion of procurement practices across agencies, fragmentation of services to women, and systems and incentives to improve learning outcomes in public schools. Design to address these challenges was relevant, with appropriate reforms to integrate separate budget planning processes, standardize procurement practices, regionally integrate services to women, and improve information and incentives for better learning outcomes. Although the measures taken could increase efficiency, actual improvements in efficiency could not be validated in any of these areas, for the evidence provided did not reflect efficiency measures. The ICR provides some descriptive material of various initiatives under the components (e.g., mobile units to support women), but no measure of how those initiatives actually improved value for money.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

Systems appear to be well in place for sustaining any results achieved with regard to results-based planning and procurement. Integration of services to women is underpinned by new and stronger governance structures that may also help sustain any efficiency achievements over time. On education, student testing and performance-based teacher incentives are not yet consolidated, with no results to sustain yet. Sustainability of results (e.g., on achievement of budget targets or delivery of services to women) will depend on continued budget support, which is at risk under Brazil's currently difficult macroeconomic conditions.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The DPL had strategic relevance. Its objectives addressed well-documented conditions of fragmentation and



dispersion in public administration and low quality of education. The DPL's design identified relevant reforms to address those conditions, including efforts to integrate and better coordinate key areas of public administration, improve public education assessments and teacher incentives, and integrate the disperse services to women. The DPL's analytical underpinnings provided good input on the targeted reforms, less so on the evidence base for efficiency improvements (except perhaps on education). The experience of other Bank operations in Brazil and Acre (in particular the Acre Social and Economic Inclusion and Sustainable Development Project – PROACRE) also helped inform the DPL.

A Poverty and Social Impact Analysis substantiated the DPL's attention to social, gender, and poverty issues, by suggesting expected positive impacts of reforms in the administration of public school education and of services to women, although it did not offer any impact estimates. The PD also expected that the stronger results-based planning arrangements supported by the DPL would result in better monitoring of environmental results, while not expecting any adverse environmental effect from the DPL. The PD noted SOA's fiscal sustainability (despite recent increases in borrowing) and highlighted a strong case for the State maintaining its fiscal health, underpinned by Acre's higher than average (Brazil) growth and despite possible changes in revenue sharing arrangements and lower growth of the national economy that could constrain SOE's fiscal space. Nevertheless, the DPL's focus on efficiency gains could help mitigate stresses on the fiscal accounts. The PD also identified political, fiduciary, and capacity risks, albeit with confidence in the State's recent record of political stability, and of its strengthening fiduciary controls and administrative capacity. In particular, the PD noted the strengths of Acre's public finance management systems, its plans to adopt International Public Sector Auditing Standards, and the strong internal audit governance, while noting the significant challenges faced by the external audit function and by the procurement systems (which the DPL addresses together with the preexisting PROACRE operation). Standard disbursement arrangements were planned.

Despite the positive factors outlined above, M&E design significantly undermined quality at entry. As indicated in Section 9, the indicators do not provide sufficient evidence on the efficiency achievements of the DPL, which were the key focus of the DPL's development objective. While there is some anecdotal evidence of improved disbursement rates and faster procurement as evidence of improved efficiency under Objective 1, this review cannot assess the efficiency gains, if any, that were achieved under the other two objectives. The lack of adequate indicators was a significant shortcoming.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Bank team very closely supervised the operation (42 staff weeks), as indicated in the ICR and suggested by four well-documented Implementation Status and Results Reports, a larger than usual number for a DPL. Furthermore, the ICR highlights the intensive and continuous Bank presence, the coverage of all aspects of the program, an ongoing dialogue evidenced by mission aide memoires, the focus on ensuring results and on measures needed to move the program forward, and the technical assistance that the Bank provided, which continued beyond the closing date until May 2016. Nevertheless, supervision could have paid stronger attention to elucidating the efficiency gains that were at the core of the DPL's development objective.



Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

DPL's prior actions and full compliance with second tranche release conditions indicate substantial government commitment to the program at the design stage, as was the provision of relevant policy and institutional environments covering reforms in the three policy areas, albeit perhaps stronger on overall fiscal management and services to women than on education. The PD and the second tranche release document deemed Acre's macroeconomic environment adequate, upon preparation of the program and release of the second tranche. Despite its fiscal weaknesses (See <http://www.rankingdecompetitividade.org.br/ranking/2015/geral>) Acre appears to have maintained its fiscal health during implementation. Although the debt-to-revenue ratio increased from 69 percent of net current revenues in 2013 to 97 percent in 2015, largely due to declining federal revenue sharing, the ratio remained well below the 200 percent allowed under federal fiscal responsibility legislation, with the SOA undertaking a significant adjustment of expenditures in the face of declining federal revenue sharing. The SOA Government conducted consultations with local communities on its 2011-14 Multi-year plan, which underpinned the DPL. There is, however, no information on the extent to which these consultations covered the specific DPL actions on budget management, education, and services to women.

Within the Government, the State Secretariat of Planning was in charge of organizing the overall operation, with responsibility for its general implementation, and including M&E (where dedicated groups monitored reforms in each area). Four secretariats were in charge of its specifics. The Secretariats of Administrative Management and Institutional Coordination covered the public sector management pillar. The Secretariats of Education and Policies for Women covered policies in those areas. The ICR conveys a highly positive view of their role, albeit difficult to gauge with accuracy, highlighting the high-level political support that the agencies received, which permeated down to working level staff; the close involvement by Bank teams; and a visible role of institution building (e.g., in the context of the GRP and of Regional hubs for Specialized Services to women). Implementation readiness appears to have been strong on general public sector management (results-based budgeting and procurement) and on services to women. It was less so on student testing and performance-based teacher incentives, where the Government did not successfully deal with some implementation challenges (e.g. on procurement, comparability of testing, and political support), in addition to facing unexpected developments (weather, teacher strikes). The Government reported well on seven of the eight planned results indicators.



Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

Implementing Agency Performance Rating

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Monitoring indicators did not reflect efficiency achievements in public sector administration adequately. The indicators focus on levels of Multi-Year Plan evaluation, completion of targets, GRP and single source coverage, coverage of yearly student assessments in public schools, learning outcomes (not available) and coverage of specialized services to women. These indicators do not reflect standard efficiency criteria, either technical or economic. The indicators reflect gross outputs or outcomes, not the efficiency of those outputs or outcomes. Although the ICR (para. 42) highlights the informational benefits of the reforms in the three areas, it leaves unclear how the information gathered can help measure and monitor the efficiency of public administration.

Furthermore, one indicator – percentage of yearly development targets completed - does not provide comparability through time because the ambitiousness of target's change (i.e., an improvement in the indicator may reflect easier-to-achieve targets). Moreover, the baseline for one indicator – 0 for the percentage of the PPA budget covered by evaluation – is unlikely to be accurate, for even before the DPL, some programs must have been evaluated under the Government's pre-existing evaluation arrangements (See PD, para 50), although the task team indicated that the recent evaluations are far more ambitious (covering the full investment cycle) than the evaluations prior to the DPL (comprised of beneficiary satisfaction surveys).

b. M&E Implementation

Monitoring was carried out by the State Secretariat of Planning, the implementing agency. The ICR suggests that, together with the Bank, it closely monitored program implementation and collected information on all indicators. The ICR highlights the improvements in monitoring capacity under the GRP, indicating the broad and reliable procurement information gathered. However, the ICR does not provide an indication that any program evaluation activities were carried out.



c. M&E Utilization

Implementation monitoring was used in connection with the education reforms, where the student evaluation program faltered due to weather, a teacher strike, and technical issues. Implementation monitoring led to exploring options (e.g., different timing) to increase participation in student testing, thus far not achieved. Also, implementation monitoring identified technical problems in measuring progress in learning outcomes with nationally-based exams and led to developing a new educational achievement index for future years based on a state-level test.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

As discussed above, the PD expected the DPL to have beneficial social and environmental effects. The ICR (para 58) only had a limited reference to what those effects could be. The ICR did not discuss environmental effects.

b. Fiduciary Compliance

The ICR did not discuss fiduciary compliance,

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

None reported

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---



Risk to Development Outcome	Modest	Substantial	Sustained budget support to the DPL areas is a substantial risk, given Brazil's currently difficult macroeconomic conditions.
Bank Performance	Satisfactory	Moderately Satisfactory	M&E did not capture the efficiency dimension of the objectives adequately.
Borrower Performance	Satisfactory	Moderately Satisfactory	Implementation readiness on the education reforms was weak.
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

This review rephrases two of the lessons in the ICR and adds one more:

1. A limited number of specific DPL areas will help achieve implementation for reforms. The Acre DPL focused on a few well-defined areas (results based planning, procurement, student testing and teacher incentives, and specialized services to women). This selectivity helps explain the timely implementation of reforms in three of the four areas.
2. Similarly, close Bank supervision may have a positive bearing on reform implementation. The Bank dedicated 42 staff weeks to supervision (including the ICR). Such supervision included important technical assistance inputs, for example, on procurement norms and regulations, where the Bank has considerable experience.
3. Levels of activity in public administration processes do not adequately measure public administration efficiency. The DPL focused on levels of activity (e.g. coverage of specialized services to women) that do not reflect the efficiency (cost effectiveness, value for money, or technical efficiency) with which those services are being discharged (e.g., the cost effectiveness of those services). By way of example, on public administration, the savings effectively obtained by moving from physical to electronic auctions or by aggregating small purchases into larger procurement contracts could better measure the efficiency gains under the first objective than public resources management system or single source coverage. On education, some measure of outcomes achieved (e.g., coverage and average standardized test scores) for a given level of resources would be appropriate.



13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is concise and well written. It has a useful descriptive section (Major Factors Affecting Implementation) that helps better understand the DPL reforms. The ICR could have afforded some attention to macroeconomic trends at the country and state levels, as these define the adequacy of the environment for DPLOs, which was apparently good in Acre, despite the adverse country trends. The ICR could also have benefitted from more detail on relevance of objectives and design. Its assessment of outcomes is primarily driven by indicator targets, with little attention to the efficiency dimensions of the objective, thereby limiting the overall quality of the evidence.

a. Quality of ICR Rating Substantial