



1. Project Data

Operation ID
P147979

Operation Name
BR Amazonas DPL

Country
Brazil

Practice Area(Lead)
Governance

L/C/TF Number(s)
IBRD-83760

Closing Date (Original)
31-Jan-2016

Total Financing (USD)
216,000,000.00

Bank Approval Date
23-May-2014

Closing Date (Actual)
31-Jan-2016

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	216,000,000.00	0.00
Revised Commitment	216,000,000.00	0.00
Actual	216,000,000.00	0.00

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2. Project Objectives and Policy Areas

a. Objectives

According to the Program Document (PD, p. 13), the Program Development Objective (PDO) is: "to assist the Government of Amazonas to: (i) improve tax administration and procurement procedures; and (ii) to strengthen the delivery of citizen security services and women's access to justice and social services."

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



c. Pillars/Policy Areas

The operation had two policy areas.

Tax Administration and Procurement. This policy area sought to increase tax compliance through modernizing and simplifying tax administration systems and procedures. Furthermore, it was to contribute to greater efficiency and transparency within the public sector by strengthening expenditure control and improving budget execution. A new regulatory framework was to enhance procurement planning and transparency of procurement practices.

2. Citizen Security with a focus on Gender-based Violence (GBV). This policy area aimed to improve efficiency and transparency in the provision of citizen security services with a focus on women through: (i) the integration of resources and actions of the different entities operating in the sector; (ii) the implementation of results-based management to evaluate the performance and productivity of police activity; (iii) the promotion of greater transparency of public security management; and (iv) the promotion of policies that improve women's access to justice and social assistance services.

d. Comments on Program Cost, Financing, and Dates

The operation was supported by an IBRD Loan of US\$216 million. It was approved by the Board on May 23, 2014, and became effective on October 10, 2014. It closed on schedule on January 31, 2016. The loan was fully disbursed in a single tranche on October 3, 2014.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The program objectives were highly relevant to the World Bank Group's (WBG's) objectives in the Brazil Country Partnership Strategy (CPS) 2012-2015 at the time of appraisal. They remain highly relevant to the priorities of the Country Partnership Framework (CPF) for Brazil, which is expected to cover the period from 2017 to 2023. Its three focus areas are: (i) supporting fiscal consolidation and fostering government effectiveness for inclusive, equitable and efficient service delivery; (ii) enabling private sector investment, productivity and jobs; and (iii) advancing more equitable and sustainable development. The CPF will be aligned with the objectives of the country's development strategy, and rooted in the findings and recommendations of the World Bank Group (WBG) Systematic Country Diagnostic (SCD) for Brazil. The SCD highlights the significance of fiscal management and procurement as key areas for improvement, and citizen security and GBV as critical obstacles to Brazil's development.

The program objectives are relevant to the framework of the Government of the State of Amazonas' (GoAM's) Multi-year Plan (PPA) for 2012-2015. The PPA priorities are divided into different thematic areas: (i) Education; (ii) Health; (iii) Social; (iv) Security and Justice; (v) Economy; (vi) Infrastructure; (vii) Planning and Management; and (viii) Legislative and Judiciary powers. These thematic areas correspond to the structure in which the Government establishes its priorities. The DPL is directly linked to the PPA thematic areas (iv) and (vii). The role of women is considered strategic in the development of Amazonas, and is therefore treated in the



PPA as a cross-cutting component of all thematic areas (PD, p. 12). The objectives remain relevant to the country conditions. The GoAM has made good progress in improving tax collection and expenditure management in Amazonas, but challenges remain. Reforms under Pillar 1 are particularly relevant in order to enable reliable fiscal management. Homicide rates had increased, and GoAM was seeking to introduce measures to address GBV and underlying issues of gender inequality in the state.

Rating

High

b. Relevance of Design

The DPL and its internal logic are relevant to achieving the objectives. The prior actions are well aligned to the operation's objectives and to the Government's priorities. For example, under the first pillar of tax administration and procurement, one of GoAM's aims was to increase tax compliance and enhance efficiency and transparency in procurement procedures. Reform programs in other parts of Brazil had had success offering monetary rewards to consumers for requesting their receipts from retailers. The NFC-e (Amazonas' Consumer Electronic Fiscal Note or invoice system), was to enable the collection of high revenues. Therefore, the first prior action focused on GoAM adopting the NFC-e, with the expected result of increasing the number of registered tax payers, and improving methods of collection. Other prior actions dealt with improving the public procurement regulatory framework. Similarly, actions under the second pillar aimed to provide security to citizens, especially women. The lack of coordination between the civil and military police had previously created many problems throughout Brazil. The GoAM had made inroads in tackling violence by creating Integrated Areas of Citizen Security (AISC), comprised of both civil and military police officers. Prior Action 5 aimed to integrate the civil and military units. With respect to GBV, Prior Action 8 aimed to support and protect victims of GBV. The results expected were increased access by victims to judicial and social services, and greater awareness in communities regarding gender issues and services for women. One weakness in design was that the indicator on women's services depended on federal funding, which was beyond the support provided by the operation. The construction of the new facility for integrated service provision to women, *Casa da Mulher Brasileira [the House of the Brazilian Woman]*, depended on federal government funding, which was not provided. Overall, however, the operation's causal chain between prior actions and the expected results and outcomes was clear.

The DPL was also the appropriate instrument for promoting reforms in tax administration and procurement, and in adopting policies aimed at coordinating support for citizen security.

The macroeconomic framework was sufficiently stable for a development policy operation at the time of preparation. Brazil was poised to emerge from a deep recession. The economy appeared to be stabilizing and near-term prospects were for a gradual resumption of economic growth. Monetary policy had been appropriately calibrated, with the tight stance of the last two years warranted by strong inflation pressures. Overall, the financial system has remained sound amidst the recession and low credit growth. In its Article IV Consultations, the IMF recommended further structural reforms efforts in the areas of tax policy, labor markets, and infrastructure.



Rating

Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Improve tax administration and procurement procedures

Rationale

The program's main aims were to increase tax collection, strengthen expenditure controls, and increase the transparency and efficiency of government procurement.

Sales tax was the main source of revenue for the Amazonas, and it was believed that the collection rates could be improved. The prior actions focused on the overly complex sales tax administration, which involved high time and money costs for small businesses, and contributed to a low compliance rate. Retailers needed to first acquire the equipment to generate the tax receipts from an accredited supplier of the Secretariat of Finance (*Secretaria da Fazenda* – SEFAZ). The equipment and the application represented an average total cost of R\$3,000. The retailer also needed authorization from the state government to issue tax receipts, which involved cumbersome accreditation procedures. In addition, system maintenance costs were considerable. As a result, more than 80 percent of the 34,000 registered businesses in the retail sector of the State were not in compliance with the tax collection system.

As a prior action, the government adopted the NFC-e, first on a voluntary basis, and, from January 1, 2015, on a mandatory basis. This system considerably improved the recording of commercial transactions. It was free to retailers, and enabled the creation of an electronic file with invoice information at the time of purchase. This file was simultaneously sent to SEFAZ, which then validated the information against the taxpayer database.

According to the ICR, the number of firms using the NFC-e reached 9,396 against a baseline of zero and a target of 4,000. Before the NFC-e, there were 2,744 businesses issuing paper receipts. As a result of the policy efforts, there are now over 12,166 businesses issuing invoices, indicating increased tax compliance in the retail sector. There was also a significant increase in the volume of invoices. By December 2015, there was a record number of 18 million electronic invoices issued. Overall, in 2015, GoAM was able to collect R\$905 million through the sales tax (against a baseline of R\$873 million), despite a 7.5 decrease in retail sales in the state. This contributed to an overall 3 percent increase in state revenues. The NFC-e system also helped to reduce significantly the cost and time needed to comply with requirements for issuing consumer receipts. This was achieved by eliminating a number of bureaucratic steps that led to waiting times of up to 30 days (for acquiring equipment to generate tax receipts), and by acquiring free software for issuing the NFC-e. SEFAZ, in partnership with commercial associations, was able to reduce the compliance



cost from R\$3,000 to about R\$300 (basically, the cost of a printer). The GoAM launched a fiscal education campaign to incentivize consumers to ask for invoices to increase business accountability and fiscal transparency. The campaign was based on normative persuasion or 'fiscal citizenship'. Following the campaign, which included radio, television, newspapers, social networks, and other forms of media, the volume of receipts submitted increased by 26 percent. The new tax system also allowed consumers to review online, in real-time, all their transactions.

The operation helped to achieve three important outcomes related to procurement—enhanced efficiency; higher government savings; and increased transparency. The percentage of procurement processes completed in less than 45 days increased from 29 percent to 66 percent (against a target of 40 percent). To improve quality, the GoAM introduced sample inspections of purchases. A Contract Management System registered all contracts with outsourced services and with the Integrated Financial Management System (ICR, p. 23). Electronic signatures enabled more rapid electronic processing of purchases. The value of purchases made through price registration - which helps to reduce the duration and inefficiency of procurement processes - while systematically keeping records of the prices of goods procured - rose to 55.3% (from a baseline of 47.9 percent and a target of 55 percent).

The number of services for which standard specifications for contracting (thereby reducing the need for detailed case-by-case examinations) are obligatory increased from 9 to 21, against a target of 19. Through the establishment of an Integrated Management System of Procurement and Contracts, the GoAM introduced mandatory procurement planning and regulations for electronic purchasing. This allowed the Government to gain economies of scale through bulk purchases and reduce the number of procurement transactions, while also lowering prices and improving quality. This resulted in average savings of 23 percent when compared to other purchasing mechanisms. In the education sector, outsourcing led to a 12.8 percent average reduction in the unit cost of selected services (against a target of 10 percent). Overall, measures supported by the operation are estimated to have reduced public expenditures in areas such as cleaning, security, and leasing of vehicles by about 20 percent. Savings in 2015 amounted to R\$213 million, of which R\$91 million resulted from standardizing services, and R\$122 million from reduced service consumption and substitution of cheaper services.

Transparency has increased due to these measures and also to the establishment of the *e-Compas.AM*, a procurement portal, which concentrates and discloses all procurement information to the public. All of GoAM procurements are now published on *e-Compas.AM* against a target of 80 percent and a baseline of zero. Citizens can access procurement information online, thereby enhancing accountability. Businesses can also identify and track bidding opportunities, available framework agreements, and the results of bidding processes, as well as all the necessary manuals and legislation to inform them on required processes.

Rating
High

Objective 2
Objective



Strengthen the delivery of citizen security services and women's access to justice and social services

Rationale

The operation assisted GoAM in increasing the efficiency and transparency of citizen security; however, it was less successful in its focus on women.

Reforms supported by the operation helped to integrate resources and actions of civil and military police and implement results-based management to improve performance. The district patrolling, or *Ronda no Bairro* program was expanded, resulting in the integration of the operations of military and civil police through the establishment of 30 Integrated Police Units. This reduced the duplication of efforts, inefficient use of resources, and sometimes unclear roles and responsibilities of the two forces, as well as confusion within the population with respect to their mandates. The new integrated operations are spread throughout 22 Integrated Citizen Security Area (against a baseline of 6 and target of 18). The distribution accounts for about 90 percent of the total population and covers areas where the vast majority of violent crimes occur. □ The training program in community policing methodology was useful for helping police integration. A total of 2,017 officers were trained (against a baseline of 1,030 and a target of 2,000), representing about 18 percent of the total workforce of both military and civil police. The government states that there has been a significant cultural change due to this type of training and integrated work. It also states that the training's gender component was important in sensitizing participants to GBV, creating synergies with other gender-related services supported by the program

31 performance indicators have been incorporated within the Secretariat of Citizen Security (SSP) through a System of Performance Evaluation. These are discussed on a monthly. Improved information technology has been introduced to provide real-time geographically-referenced data for all crime-related activities, which in turn enables the quicker dispatch of officers and vehicles. The GoAM is now publishing online data on crime, police activity, and security costs on a monthly basis.

Less progress was made in increasing access of women to justice and social services. □ The government established the Executive Secretariat for Gender-Related Policies (SEPM) as a prior action. However, SEPM was not able to provide the expected extent of support and protection services for victims of domestic violence. According to the ICR, this was mostly the result of events that the GoAM could not influence. For example, the construction of the new facility for integrated service provision to women, *Casa da Mulher Brasileira [the House of the Brazilian Woman]*, depended on funding from the federal government. The Municipality of Manaus conceded the land required but the federal government did not provide the funding to construct the building. Thus the expectation that 6,000 women victims of violence would receive judicial and social services at the facility was not fulfilled. SEPM was also unable to use its mobile units (to provide services to women) during the municipal election campaign to avoid their misuse for political purposes. The number of communities reached with mobile units providing judicial and basic services to women rose to 47 from a baseline of 2; but fell short of the target of 60. There were, nevertheless, some important improvements in both access to justice and social services. SEMP is reaching out to women in spite of not receiving federal funds, and the GoAM continues to provide services through existing channels. Victims were not left unattended. □ According to the GoAM, over 23,000 women had access to services, and the government was able to bring gender issues to the forefront of its agenda. □ A program focusing on preventing repetition of domestic violence against women (the Maria da Penha Program) was established.



1,699 implementers of the Maria da Penha Law were trained, although this was less than the target of 2,750. The ICR explains that the shortfall was due to the change in the definition of 'implementer' during the course of program implementation. Due to these shortfalls, especially in women's access to social and justice services, this objective is rated as modest.

Rating
Modest

5. Outcome

The operation's objectives were highly relevant to the Bank and government strategy and to country conditions. The design was substantially relevant, with the two pillars logically linked to the achievement of the intended results. The efficacy of the first was high, with significant achievements in tax collection, and in the efficiency and transparency of procurement (the latter resulting in important cost savings). Under the second objective, the efficiency and transparency of citizen security were enhanced with the support of the operation. However, factors beyond the control of GoAM meant that some key improvements in women's access to judicial and social services fell below target. GoAM, nevertheless, took several effective reform measures in this area. Overall, shortcomings were minor, and outcome is assessed as satisfactory.

a. Outcome Rating

Satisfactory

6. Rationale for Risk to Development Outcome Rating

GoAM displayed strong commitment and ownership, and, along with other stakeholders, remains committed to the new processes and systems. The reforms introducing the NFC-e and procurement measures are well consolidated, and their demonstrated impact on tax revenue and savings make their termination unlikely. Budget constraints could affect integrated community policing and the gender program. However, SEPM has now been integrated in the structure of the State Secretariat for Justice, Human Rights, and Citizenship (SEJUSC), and its additional responsibilities have also come with a five-fold increase in its budget. SEPM is now responsible for additional gender-related services such as overseeing the major centers that provide services for GBV victims. Reaching the state's remote communities for service delivery to women remains a challenge. According to the Supervision report dated October 14, 2015, the Secretariat is planning to use boats to provide services to riverside communities that are difficult to reach, and has begun training boat teams on how to counsel women victims of violence. The risk to development outcome is considered low for the first objective and modest for the second.



a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The Bank responded swiftly to an urgent request from both the federal and state governments to prepare the single-tranche DPL. The operation complemented one by the Inter-American Development Bank (IADB) and filled GoAM's financing gap for which IADB had insufficient funds (ICR, p. 7). The Bank advanced the preparation and approval processes (six months from concept review to Board approval) to allow the two operations to go forward simultaneously and to meet the GoAM's fiscal deadlines. In this short period, the Bank also worked closely with the GoAM to ensure that the operation's pillars and activities aligned well with its objectives. The operation was underpinned by prior analytical work, and the Bank commissioned a risk assessment on the security sector. Lessons from other operations in Brazil were taken into account. These included: the importance of limiting prior actions to a few key ones on policy and institutional reforms and focusing on putting arrangements in place to assist their implementation over the medium-term. It was also recognized that citizen security, in addition to being a direct benefit to the most vulnerable in the community, is a pre-requisite for the effective delivery of public services. While the Bank focused on policy implementation, IADB focused mainly on legal and regulatory aspects of fiscal reform. The Bank team was also responsible for including an additional complementary gender component, thereby enabling a stronger focus on gender issues and the support of important reforms. □M&E design was generally adequate, although one shortcoming was the inclusion of □a target that depended on federal funding and was hence beyond GoAM's control.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The Bank provided continuous support, sending technical teams to assist in specific policy areas, and also through remote access. Three Implementation Status Reports were filed over a fourteen-month period. Close supervision and communication with GoAM helped to deal to mitigate identified risks. The ICR notes that supervision was particularly extensive for the first policy area, for which the Bank supported GoAM in areas that went beyond the achievement of the program targets.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory



8. Assessment of Borrower Performance

a. Government Performance

The GoAM showed strong commitment and ownership, and despite challenges from the economic crisis, took the steps needed to achieve the PDO. Strong technical capacities of the staff involved in the program helped in good design and smooth implementation (ICR, p. 30). In addition to providing effective leadership, GoAM also continuously supervised and coordinated activities of sectoral government entities implementing the DPL-supported policies, especially the Secretariats of Finance, Planning, Citizen Security, and Gender-Related Policies (the last two within the State Secretariat for Justice, Human Rights, and Citizenship). A relatively smooth political transition following the 2014 election helped to facilitate government commitment and program implementation.

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

SEFAZ was the implementing agency for the first policy area. It performed well, and participated actively in program preparation and implementation. The expertise of the staff involved in implementing the program helped in achieving good results. SEFAZ collaborated actively with the Bank to implement an impact evaluation of procurement reforms and an innovative survey of over 150 suppliers, to identify the main challenges they faced in selling to the state. The Secretariat of Citizen Security's performance in addressing a longstanding problem in lack of coordination between police forces was satisfactory. The Secretariat for Gender-Related Policies' performance was somewhat undermined by factors outside its control, such as staff turnover and budget restrictions, though it made important efforts to overcome these constraints.

Implementing Agency Performance Rating

Satisfactory

Overall Borrower Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework presented in the Program Document is clear, with baselines, indicators and targets. Progress was to be monitored through indicators that are linked to the prior actions. SEFAZ was responsible for data collection, coordination with other relevant agencies and for reporting to the Bank. The Bank was also to carry out continuous implementation support to monitor progress toward the PDO. There were 14 indicators, out of which two were not clearly defined, and one outside the control of GoAM.



b. M&E Implementation

Annex 4 of the ICR reports thoroughly on the results indicators in a manner which is consistent with the Program Document. The comments provided in the Annex are comprehensive, and explain the reasons why some of the achievements fell short of the targets in the areas of women's access to justice and social systems. The ICR notes that SEFAZ was consistent in collecting and consolidating data, and in keeping the Bank informed of progress. It also notes that the technical support incorporated into the program strengthened the State's M&E systems and yielded notable legacies. The Bank monitored progress continuously. It also supported GoAM in creating monitoring dashboards through a comprehensive procurement data analysis, and in providing a tracking mechanism for a range of indicators integrated with the state's broader procurement procedures.

c. M&E Utilization

There are indications that M&E is being effectively used and is helping in decision-making. For example, the procurement dashboards have been integrated in institutional processes and utilized to inform decision making. Police officers make tactical decisions based on data from the information system in deploying teams to areas that are prone to crime and violence. SEPM uses the M&E system to document the number of women receiving services and their locations.

M&E Quality Rating

Substantial

10. Other Issues

a. Environmental and Social Effects

No direct environmental or natural resource impacts were expected from the operation, and the ICR does not report on safeguards compliance.

Although the timeframe for measuring social effects was limited, a Poverty and Social Impact Assessment (PSIA) was conducted. The PSIA indicated possible positive distributional effects on poor and vulnerable groups through reforms under both pillars. Increased tax efficiency and savings were expected to lead to enhanced public services for these groups. Improved citizen security was expected to benefit the entire population. The PSIA argued that poor women and male Afro-descendant youth may have additional benefits as they were overrepresented among the victims of domestic violence (ICR, p. 28). Actions supported by the DPL are also expected to foster social accountability through public disclosure of crime rates and police activities, and also through procurement data. Placing women's issues in the forefront is also expected to set the stage for enhanced services for women.



b. Fiduciary Compliance

The ICR does not report any issues related to fiduciary compliance.

c. Unintended impacts (Positive or Negative)

The ICR reports on two unintended positive impacts First, the expected launch of the Malha Fiscal -- a real-time information system that uses data from electronic receipts and cross-checks information for consistency - will be a useful tool for conducting in-depth audits. Second, the Municipality of Manaus requested a follow-up DPL (the Manaus Service Delivery and Fiscal Management operation, launched in fiscal year 2016).

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		High	---

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

□ Among the useful lessons in the ICR, the following are highlighted:

- **Program experience demonstrates the importance of good collaboration between the Bank and other external partners.** The partnership with the IDB, including the constant sharing of information and the use of the same program implementation unit facilitated the implementation of a □ broad reform process. The Bank's swift action to fill a financing gap was essential to advance reforms.
- **The usefulness of an M&E system is augmented if targets are under the control of the implementing**



agency. In this case, some targets were set, the achievement of which depended on factors beyond the control of the state government.

- **In this and in other operations, the Bank is accumulating important knowledge on the security sector.** The risk assessment on the sector carried out for this operation was a crucial input to program design and implementation. Given the likelihood of more frequent Bank interventions in this area, it would be useful to document citizen security experience in a systematic manner beyond that reported in ICRs or risk assessments.
- **Electoral cycles and associated campaigning periods can impact negatively on program results.** Disruption may be reduced, or even avoided altogether (as in this case) by careful planning at the preparation stage, and through the inclusion of relevant mitigation measures.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is clear and well written. The section on the achievement of objectives is comprehensive, and Annex 4, which presents the results indicators, achievements, and comments, is easy to follow. The ICR also presents evidence from outside the program, and its formal results framework to reinforce the discussion of outcomes (particularly where achievements under the program fell short of the targets, but where GoAM nonetheless worked to make progress towards the objectives). The ICR presents insightful lessons for future projects/programs that deal with citizen security).

a. Quality of ICR Rating

High