



## 1. Project Data

**Operation ID**

P147984

**Operation Name**

BR Bahia DPL

**Country**

Brazil

**Practice Area(Lead)**

Macro Economics &amp; Fiscal Management

**L/C/TF Number(s)**

IBRD-84140

**Closing Date (Original)**

31-Jan-2016

**Total Financing (USD)**

400,000,000.00

**Bank Approval Date**

30-Jul-2014

**Closing Date (Actual)**

31-Jan-2016

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

Original Commitment

400,000,000.00

0.00

Revised Commitment

400,000,000.00

0.00

Actual

400,000,000.00

0.00

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## 2. Project Objectives and Policy Areas

### a. Objectives

The Program Document (PD) (p. 1) articulated the Program Development Objective (PDO) as follows: “improve fiscal management and the policy framework for territorial planning and tailor selected public services to the needs of women, afro-descendants and minorities.” This review will use the following three specific objectives to assess efficacy:

1. Improve fiscal management;



2. Improve territorial planning; and
3. Tailor selected public services to the needs of women, afro-descendants, and minorities.

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

No

**c. Pillars/Policy Areas**

The DPO supported two pillars:

(i) **Fiscal management and territorial planning.** This pillar covered measures to increase recovery of tax arrears, reduce the payment of irregular social security benefits, and set in place institutional arrangements for territorial planning.

(ii) **Service delivery.** This pillar covered measures to promote racial equality; adapt education services to the needs of minorities; increase awareness to combat institutional racism; increase the early diagnosis of sickle cell disease; strengthen the quality of care in 25 selected State maternity hospitals; increase awareness of teenage pregnancy; strengthen capacity to prevent violence against vulnerable groups; improve access to services to victims of gender-based violence in rural and remote areas; and increase outreach of financing and technical assistance for businesses led by women and afro-descendants.

**d. Comments on Program Cost, Financing, and Dates**

The operation provided US\$400 million to the State Government of Bahia. The operation was appraised in June 2014 and approved by the Board on July 30, 2014. It became effective on August 29, 2014, and was closed as expected on January 31, 2016.

### **3. Relevance of Objectives & Design**

**a. Relevance of Objectives**

The PDO of this operation was relevant to Government of Brazil's (GoBa) priorities at appraisal and closing. The specific objective to improve fiscal management addressed the need to increase fiscal space in order to enable an inclusive delivery of services. The objective to improve territorial planning addressed Bahia's administrative fragmentation and lack of coordination that affect the efficiency of service delivery at the local level. The objective to tailor selected public services to the needs of women, afro-descendants,



and minorities responded to the higher poverty levels of these groups. The objectives supported Government strategies, as reflected in the first and second pillars of GoBa's 2012-15 Participative Multi-annual Plan (PPA-P), dealing respectively with social inclusion and affirmation of rights and with the democratic management of the State. Moreover, the GoBa recognized that improving inclusive service delivery required a sound fiscal position.

The PDO also supported the WBG's objectives under its Country Partnership Strategy (CPS) for FY2012-2015, including faster, more inclusive and more environmental sustainable growth under continued macroeconomic stability. Specifically, the PDO was directly relevant to the CPS's strategic objectives to improve fiscal and public sector management, improve the quality and expand the provision of public services for low income households, and improve policy coordination at the territorial level. At closing, the PDO remained relevant to the authorities' development priorities, as reflected in GoBa's 2016-19 PPA-P, and the Bank's CPS.

## Rating

High

### b. Relevance of Design

Policy actions supported by the operation in most cases had adequate institutional designs and drew from analytical work that reflected the Bank's contribution and value added. The Results Matrix linked the expected outcomes to the specific policy actions and the expected outcomes were broadly relevant to the objectives, although there were some shortcomings as discussed below.

**Fiscal management** could improve by increasing recovery of tax arrears (estimated at 55 percent of the State's tax revenues) and reducing the payment of irregular social security benefits (with pension deficits reaching 6 percent of the State's current revenues and pension debt at 108 percent of the State's GDP). This objective, however, likely depended on a number of factors in addition to tax arrears and pension benefits (e.g., federal transfers). **Territorial planning** could improve through institutional arrangements and territorial strategic plans that strengthen coordination of planning across the fragmented public administration (417 municipalities most of which with less than 30,000 inhabitants). Again, however, this is an objective that requires other actions, including in particular progress on integration of territorial plans into the State's PPA and on the tools to formulate priorities and translate them into the allocation of planned expenditures. On the third objective, some of the conditions affecting **women, afro-descendants, and minorities** that the DPO addressed (e.g., sickle cell disease, SDC, in afro-descendants) envisaged increased outputs (increased early diagnoses of SDC). In other cases, however, results (educational services adapted to the needs of indigenous and *quilombolas* minorities), only reflected implementation of policies (e.g., adopting new curriculum guidelines for *quilombolas* and indigenous people's schools, recruiting certified indigenous teachers), not significant outputs or outcomes, thereby resulting in weak results chains. In the main, policy actions supported by the operation recognized structural or institutional constraints to the expected outcomes, such as the high



impact of a slow judiciary system on the accumulation of tax arrears and the role of federal laws and policies in setting the parameters of the pension system and influencing the delivery of various social programs.

□

As a result of the short horizon of the DPO, objectives reflected largely inputs and outputs (e.g., planning arrangements), not outcomes (e.g., better or more efficient public expenditures) or welfare outcomes (e.g., impacts on education quality). □ A programmatic approach would have enabled the operation to capture further outcomes along the results chains by supporting implementation of the reforms and allowing enough time to produce desired development results. For example, a programmatic approach could have allowed time to reflect the integration of territorial plans into the State PPA and its impacts on the allocative efficiency of public funds and the coverage and quality of service delivery at the regional/territorial level. The task team explained that there were three main reasons to support the choice of a stand-alone approach. First, a corporate preference given previous history in Brazil. Second, the authorities preferred a single-tranche operation because of the high transaction costs involved in securing federal approvals. Third, the political cycle as the operation was to take place in an election year.

□

At the time of appraisal Brazil had an adequate macroeconomic framework and Bahia had a comfortable fiscal position. Risks to the operation were well-identified and included political/governance in an election year, macroeconomic, sector strategies, technical design, and institutional capacity for implementation. As mitigating measures, the operation supported policies that were well-liked across the political spectrum—a result of extensive consultation with civil society—and leveraged ongoing Bank's investment operations to provide technical assistance in certain sectors. At the time of appraisal, Bahia's fiscal position and debt remained sustainable even under the most adverse conditions as demonstrated by a Debt Sustainability Analysis. This was considered adequate to mitigate possible adverse external shocks. Brazil's main macro risks (inflation pressures and the deterioration of the fiscal stance), risk buffers (flexible exchange rate regime and relatively large foreign exchange reserves), and mitigating factors (the authorities' commitment to inflation control and improved fiscal management) were identified.

**Rating**  
Modest

#### 4. Achievement of Objectives (Efficacy)

##### Objective 1

##### Objective

Improve fiscal management.

##### Rationale

The operation focused on increasing recovery of tax arrears and reducing the payment of irregular social security benefits. On **tax arrears**, the GoBa enabled automatic installment payment of tax arrears and placed liens on assets of taxpayers with tax debt exceeding thirty percent of their liquid assets and



amounting to at least BRL500,000 (prior actions). As a result, payment of arrears increased to BRL363 million from the 2013 baseline of BRL280 million, exceeding the target of BRL320 million. The target was exceeded without counting the amounts recovered from a tax amnesty program (REFIS) that took place in 2015.

□

On **irregular social security benefits** granted by the Civil Service Pension Scheme (RPPS), the audit unit of the Social Security Superintendence (SUPREV) carried out an internal assessment of GoBa's integrated human resources system. This internal audit—a prior action—identified many irregularities in social security benefits granted by RPPS, including benefit miscalculations, benefit incompatibilities, and benefits extended to individuals that were no longer eligible or not eligible at all. While SUPREV accessed the State Courts of Accounts' Public Accounts Observer System to facilitate the audit—a prior action—the effectiveness of this system proved to be minimal owing to poor and outdated data coverage. Nonetheless, by addressing the irregularities identified by its audit unit, SEPREV achieved substantial RPPS pension benefit savings. At end-2015, these pension benefit savings amounted to BRL23.8 million (from zero in 2013), somewhat short of the target of BRL30 million.

□

Both of the prior actions discussed above were critical, but not sufficient, for improving fiscal management in the State of Bahia. Bahia's fiscal sustainability depended on these and other measures that bear on overall revenue and spending performance. The ICR indicates that Bahia's fiscal position and debt remained sustainable. Although Bahia's fiscal performance deteriorated in 2016, primarily owing to reduced federal transfers, the negative impact was mitigated by improvements in Bahia's own resources owing, at least in part, to the actions supported by the operation. Bahia remains among the better fiscal performers among Brazilian States.

## Rating

Substantial

## Objective 2

### Objective

Improve territorial planning.

### Rationale

Since 2011, the GoBa had been progressively establishing Territorial Development Councils (CODETERs) and designing and monitoring the State's PPA-P on a territorial basis in 2012 to reduce administrative fragmentation and improve coordination among different levels of government. This, however, was done in an ad-hoc and informal fashion. Hence, by end-2013, there were no operational CODETERs and no territorial strategic plans had informed the State's PPA-P. The operation sought two outcomes. First, it aimed to set in place institutional arrangements for territorial planning. Second, it sought to inform the State's PPA-P with territorial strategic plans. The law establishing the State's Territorial Development Policy was approved in December 2014—a prior action. The law formulated the principles, guidelines and objectives of



the Territorial Development Policy, established the State Council of Territorial Development and the CODETERs within a comprehensive and systematic framework. This, together with technical assistance supported by the operation to strengthen capabilities, made CODETERs fully operational and capable of contributing to the formulation of the 2016-19 PPA-P. At end-2015, there were 16 fully operational CODETERs (from zero in 2013), surpassing the target of 15. Furthermore, 15 *Territorios de identidade*—territorial planning units grouping municipalities with similar economic and cultural characteristics that are represented institutionally by the CODETERs—had formulated strategic plans to inform the forthcoming State's PPA-P, exceeding the target of 10. Hence, institutional arrangements for territorial planning were put in place and strategic plans were developed to inform the State's 2016-19 PPA-P where resources are allocated and monitored on a territorial (regional) basis for the first time. Nonetheless, these outcomes do not necessarily reflect improvements in territorial planning, the stated objective. Such an improvement would need to be gauged by the extent to which the 2016-19 PPA-P, which is being implemented, improves upon the previous PPA-P (which introduced a territorial basis for planning) in terms, for example, of the quality of public expenditures. Accordingly, the results achieved remain as work in progress toward development outcomes. □

### Rating

Substantial

## Objective 3

### Objective

Tailor selected public services to the needs of women, afro-descendants, and minorities.

### Rationale

To achieve this objective, the operation focused on nine outcomes covering racial equality, education services for indigenous and *quilombolas* minorities, institutional racism, sickle cell disease, maternal care, teenage pregnancy, violence against vulnerable groups, gender-based violence, and businesses led by women and afro-descendants. □□□□

□

On **racial equality**, the GoBa sought to set in place institutional and financial frameworks for promoting racial equality. The State System for the Promotion of Racial Equality was approved in June 2014 and regulations for this system and for the System for Financing Policies Promoting Racial Equality were formulated subsequently—both prior actions. At end-2015, the number of municipalities with more than 10,000 inhabitants that joined the State System for the Promotion of Racial Equality stood at 91, far exceeding the target of 20, and the number of social public programs with race-disaggregated indicators incorporated in the 2016-19 PPA-P was six, exceeding the target of five.

□

On **education services**, the GoBa sought to adapt educational services to the needs of indigenous and



*quilombolas* minorities. It introduced a curriculum framework on indigenous education in the State indigenous schools, as well as curriculum guidelines in the State schools for quilombolas (communities of former slaves' descendants)—a prior action. At end-2015, the percentage of indigenous and *quilombolas* schools that adopted the new curriculums was 100 percent, double the target of 50 percent. □ The GoBa also carried out a selection and recruitment campaign for indigenous teachers—another prior action. At end-2015, the ratio of indigenous schools with certified indigenous teachers stood at 17 percent of total, well short of the target of 80 percent of total. The missed target resulted from execution shortcomings at the line Secretariat level and intervening resource shortages at the State level.

□

On **institutional racism**, the GoBa sought to increase awareness to combat this condition. The State Policy for Health Services to the Afro-descendant Population was approved in August 2013 (a prior action). At end-2015, the State Secretariat of Health (SESAB) organized and delivered training to increase awareness and combat institutional racism to 24 State hospitals, nearly achieving the target of 25 State hospitals. (Two more State hospitals received training in 2016).

□

On **sickle cell disease (SCD)**, the operation sought to increase early diagnoses of SCD. It supported GoBa's efforts to increase the number of permanent collection centers for early detection and treatment of SCD, which mostly affects the afro-descendant population. At end-2015, the percentage of newborns receiving SCD testing in Bahia increased to 86.5 percent from the 2013 baseline of 82 percent, although it fell somewhat short of the target of 90 percent. The missed target was due to low staffing in some health municipal centers and difficulties in accessing isolated rural areas within the newborns' first 15 days of life.

□

On **maternal care**, the GoBa sought strengthened quality of care in 25 selected State maternities. It established a multi-sector coordination arrangement among the State Secretariats for Planning (SEPLAN), Education (SE) and SESAB to strengthen the quality of maternal and neonatal services—a prior action. At end-2015, the effectiveness index on the provision of maternal and neonatal services—consisting of 10 indicators capturing the availability of services such as breast milk banks and intensive units for neonates and mothers—in 25 reference State maternity hospitals increased to 83 from the 2013 baseline of 65, exceeding the target of 80. Worthy of note is that the gaps with respect to other State hospitals and private sector hospitals were reduced, too, and that coverage ratios in State hospitals increased from 55 percent to 72 percent.

□

On **teenage pregnancy**, the GoBa sought to increase awareness of this condition. It formalized a multi-sector group (a prior action) comprising SEPLAN, SE and SESAB as part of its efforts to raise awareness and prevention of teenage pregnancies. The group was to launch two mass media campaigns. The SE campaign was launched and involved parents and students in schools participating in the school health program. At the time of evaluation, SESAB was assessing the need and format of a second mass campaign in the light of a postpartum counseling program it was running at the time. Accordingly, at end-2015, only one of two mass media campaigns was carried out, below the target of two. □ The missed target resulted from insufficient planning and coordination by SESAB.

□

On **violence against vulnerable groups**, the GoBa sought to increase institutional capacity to prevent such violence. The State Secretariat of Public Security (SSP) established a multi-sectoral group to assess the





service needs of selected vulnerable groups (elderly, youth, women, and LGBT population) and to design protocols for specialized services to these vulnerable groups—a prior action. At end-2015, 52 percent of the police force working with vulnerable groups had been trained in the use of the protocols for specialized services to vulnerable groups, exceeding the target of 50 percent. The GoBa also established a management committee responsible for coordinating activities to be developed under the National Plan to Fight Violence Against Black Youth (*Juventude Viva* or JV)—a prior action. At end-2015, five or 62 percent of municipalities in the metropolitan area of Salvador joined the JV program, exceeding the target of 50 percent. However, the federal government interrupted the program during the year at a time when only three municipalities had formally joined JV. The formal accession of the other two municipalities was thus not completed. (The program remains stalled at the federal level.) The GoBa continued the mobilization actions in the municipalities despite the suspension of the program at the federal level.

□

On **gender-based violence (GBV)**, the GoBa sought improved service coverage to victims of gender based violence in rural and remote areas of the state of Bahia and established the Permanent State Forum to Combat Violence Against Women in the Field and the Forest—a prior action. However, execution shortcomings at the line Secretariat level hampered the implementation of the GBV program. At end-2015, more than 5,000 women were assisted by mobile units providing services and raising awareness on GBV in 67 municipalities in rural areas. The latter figure represented 21.5 percent of municipalities in rural areas, well short of the target of 50 percent. It should be noted that at both appraisal and evaluation an official definition of "municipalities in rural areas" did not exist. The ICR assumed municipalities with less than 30 percent of urban population to be municipalities in rural areas, which resulted in 312 municipalities to be so designated, of which 67 (or 21.5 percent) had been served by mobile units at end-2015. The missed target resulted from weak implementation capacity at the line Secretariat level.

□

On **businesses led by women and Afro-descendants**, the GoBa sought increased outreach of financing and TA to those businesses. The law establishing the State Policy for Entrepreneurship among Afro-descendants and Women (PENM) was approved in December 2014—a prior action. At end-2015, the number of women and afro-descendant producers that received TA and entrepreneurship training stood at 1,034, exceeding the target of 800. It should be noted that the target indicator of 800 was defined in the PD as "women and afro-descendant producer organizations." At supervision missions, the Bank team and the GoBa clarified and agreed that the target indicator referred to "women and afro-descendent producer individuals."

□

**Rating**  
Modest





## 5. Outcome

There were moderate shortcomings in the operation's achievement of its objectives. The relevance of the operation's objectives was high and that of design was modest due to weak results chains. The operation supported improved fiscal management and territorial planning and improved delivery of selected public services tailored to the needs of women, afro-descendants and minorities. While the operation was successful in achieving most of its targets, some targets in pensions, education and public security were missed.

### a. Outcome Rating

Moderately Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

The main risks to the sustainability of the operations' PDO are macroeconomic/political and institutional capacity for implementation. After the DPO closed, Brazil's new government embarked on fiscal reforms to achieve medium-term fiscal consolidation. This has had an impact on GoBa's revenues from federal transfers and its ability to sustain service delivery in key sectors such as public security (e.g., the JV program stalled) and education (e.g., second official recruitment of indigenous teachers postponed). Moreover, the fiscal reforms suggest a possible change in political priorities at the federal level, notably in the extent of support to the delivery of social services that are crucial for Bahia given its socioeconomic structure. Furthermore, there are clear weaknesses in institutional capacity for implementation at the line Secretariats level in terms of skills and/or mindsets needed to sustain policy implementation in certain sectors.

### a. Risk to Development Outcome Rating

Substantial

## 7. Assessment of Bank Performance

### a. Quality-at-Entry

The ICR suggests careful project preparation. It underscores that the Bank team worked very closely with the GoBa during the preparation phase of the loan. Policy areas were identified jointly with the GoBa and reflected GoBa's strategic priorities, which helped secure ownership and implementation commitment. The targeted policy actions were identified drawing from lessons learned from the previous Bahia DPL and Bank-led analytical work and technical assistance activities. Furthermore, synergies with other Bank investment operations, especially the Bahia Integrated Health and Water Management Project SAWP (P095171) and the Bahia Sustainable Rural Development (P147157) were identified and



leveraged to finance TA for targeted policy actions in health and territorial planning, respectively. Macroeconomic aspects were addressed adequately: the macroeconomic framework was appraised and macro risks, risk buffers and mitigation measures identified. A comprehensive poverty and social impact analysis (PSIA) was carried out to assess the potential distributive effects of the policies supported by the operation. Its overall conclusion was that the policies supported by the operation would have pro-poor outcomes because they address some of the causes of the socioeconomic inequalities that have marked Bahia, and that the policies are not likely to have significant positive or negative effects on Bahia's environment, forests, fisheries or other natural resources.

Nonetheless, quality at entry was affected by two shortcomings. First, given the complexity and longer gestation period entailed by many of the policies supported by the operation, a programmatic approach could have better captured welfare outcomes (e.g., improved efficiency of territorial spending) and allowed for a fuller set of reforms, with better sequencing and pacing. The task team stressed that efforts were made to link the operation to the first Bahia DPL, although admittedly outcomes and indicators were very different. Second, M&E design faltered as many target indicators largely reflected inputs and outputs rather than outcomes and two target indicators were not clearly defined at the outset.

### **Quality-at-Entry Rating**

Moderately Satisfactory

#### **b. Quality of supervision**

Supervision inputs and processes were adequate. Two large multi sectoral missions were fielded in 2015 and 2016, during which the Bank team discussed the progress in the operation implementation, challenges, risks, and guidance was provided when needed. Two Implementation Status and Results Reports providing detailed information on target indicators and candid commentary on implementation were prepared in July 2015 and December 2016, respectively. Furthermore, the ICR notes (without providing details) that sectoral dialogue was carried out by the Bank's team as part of ongoing investment operations and TA in the areas of health and territorial planning.

### **Quality of Supervision Rating**

Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **8. Assessment of Borrower Performance**

### **a. Government Performance**



The ICR notes (paragraph 74) that the GoBa demonstrated strong ownership and continued efforts at achieving the committed results, persevering when confronted by exogenous shocks, e.g., continuing the municipalities mobilization despite the stalling of the JV program at the federal level. The GoBa established an enabling environment, including by meeting all prior actions and adopting regulatory measures to support the implementation of the targeted policy actions. The task team indicated that, at the time of evaluation, Bahia's fiscal position and debt remained sustainable as demonstrated by their own analyses of sub-national fiscal developments in Brazil showing that Bahia respected all fiscal limits. SEPLAN satisfactorily prepared, coordinated the activities of the concerned line Secretariats (health, education, women policies, public security, and promotion of racial equality) and monitored the actions supported by the operation. Nonetheless, the ICR recognized (paragraph 76) that there was room for improvement in some sectors, notably in education and public security, where the concerned line Secretariats did not demonstrate readiness for implementation, resulting in missed targets. Nevertheless, the ICR reports that remedial actions were taken in both cases. □□

### **Government Performance Rating**

Moderately Satisfactory

### **b. Implementing Agency Performance**

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### **Implementing Agency Performance Rating**

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### **Overall Borrower Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

Many of the indicators selected for measuring the results largely reflected inputs rather than outputs or outcomes as there was little distinction between policies and results in many instances. For example, mass media campaign on youth pregnancy or hospitals that received training to increase racism awareness, reflected inputs. In contrast, arrears recovery and pension benefit savings were more outcome-oriented. Overall, the 16 indicators comprising the M&E framework were aligned with the DPO results, although in a few cases (e.g., territorial planning), results (institutional framework in place, territorial plans completed) did not accurately measure the PDO (improved territorial planning). In many cases, particularly under the objective to tailor public services, the significance of attribution of results to reforms was limited, given how close the results were to the reforms. Furthermore, two indicators were not clearly defined (see section b below)

All results indicators identified baseline and target values. □ The indicators were largely based on data that was to be collected by the implementing agencies.



## b. M&E Implementation

The M&E framework relied heavily on the M&E system in the GoBa's 2012-15 PPA-P that tracked the target indicators on a regular basis. (Annual reports on the PPA-P are published and available online since 2012). SEPLAN led M&E implementation and coordinated with all the concerned agencies that collected the data necessary to monitor and evaluate the implementation of policies and achievement of all results. For data that were not easily accessible before, such as the implementation of the State System for the Promotion of Racial Equality, a committee to monitor and evaluate progress was established in 2014. Furthermore, the ICR notes (paragraph 32) that the involved government agencies provided additional information on their sectors, including details of new reforms during supervision missions. During M&E implementation, the indicator "women and afro-descendant producer *organizations*" had to be clarified at supervision missions as "women and afro-descendant producer *individuals*." Additionally, the indicator on "number of municipalities in rural areas" was not defined as there was no official definition of rural municipality at both appraisal and evaluation. Therefore, assumptions had to be made to evaluate progress at the preparation of the ICR.

## c. M&E Utilization

The ICR does not report any utilization of the M&E framework beyond monitoring program implementation. There was no assessment of the validity of the results framework underpinning the operation. M&E measured indicators that largely reflected inputs not outputs or welfare outcomes. No information was available to assess the extent to which M&E findings were communicated to all concerned stakeholders and whether M&E findings informed strategic changes or resource reallocations. Indeed, the policy areas and target indicators remained unchanged throughout the operation barring the clarification of the definition of the productive inclusion indicator, as noted previously

## M&E Quality Rating

Modest

## 10. Other Issues

### a. Environmental and Social Effects

The ICR includes one short section (paragraph 67, p. 21) on poverty impacts, gender aspects and social development. It argues (with minimal discussion) that the reforms supported by this DPL on health, education, productive inclusion and public security contributed to the social inclusion of the targeted marginalized groups. The ICR does not report environmental issues



## **b. Fiduciary Compliance**

The ICR does not report fiduciary issues.

## **c. Unintended impacts (Positive or Negative)**

None.

## **d. Other**

None.

## **11. Ratings**

<b>Ratings</b>	<b>ICR</b>	<b>IEG</b>	<b>Reason for Disagreements/Comment</b>
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Modest	Substantial	There are clear risks to the sustainability of inclusive service delivery owing to fiscal constraints and weak institutional capacity for implementation, especially at the line Secretariats level
Bank Performance	Satisfactory	Moderately Satisfactory	Shortcomings at quality at entry, including stand-alone design and weak M&E (see section 7a)
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
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 supports the ICR lessons on the importance of reform ownership for a strong implementation, the benefits of learning from previous operations, and the long-term nature of reforms aimed at changing social norms. On the ICR lesson regarding the role of new institutional arrangements, this review would note that, given the short time elapsed since the new arrangements were established, it is too soon to draw a lesson on the role they played, especially on sustaining the progress of the reform program.□□

□

This review offers one additional lesson: Programs supporting multi-step and multi sector policies that are complex and require longer gestation period may be better supported by a programmatic rather than stand-alone approach. In these cases, a programmatic approach could allow for a better sequencing and pacing of the policy actions. It could also take better account of the authorities' implementation capabilities and increase reforms implementation prospects, and ultimately sustainability, by identifying appropriate prior actions and triggers between series and mobilizing more adequate resources

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR is candid and well-written. It provides detailed accounts and analysis on most aspects of the operation. The section on design would have benefitted from more attention to the validity of the results framework. The ICR could usefully have provided more information on the extent of coordination among the various Bank ongoing operations in Bahia and how cohesiveness among them and this DPL reflected developments on the ground. The ICR does not cover poverty, gender and social effects adequately, particularly following the comprehensive PSIA carried out by a Bank team to assess the distributional effects of the policies supported by this operation

#### a. Quality of ICR Rating

Substantial