



1. Project Data :	
OEDID:	L2681
Project ID:	P006367
Project Name:	Salvador Metropolitan Development Project
Country:	Brazil
Sector:	Urban Management
L/C Number:	L2681
Partners involved :	
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2. Project Objectives, Financing, Costs and Components :

The project originally had three objectives: (a) strengthen the metropolitan management in the Salvador Metropolitan Region (MRS) through improved resource allocation; (b) strengthen municipal financial capacity; and (c) improve and develop a more adequate infrastructure and municipal services in the MRS to support increased economic productivity and provide better living conditions to the population of the region. The original project comprised: (i) a diverse range of institutional development initiatives including training and creating metropolitan data base; and (ii) physical investments including slum upgrading, road construction, solid waste collection, and market rehabilitation .

A loan amendment in 1992 simplified the project design and focused investment on four priority components: (1) implementing an area-wide solid waste management system; (2) improvements in basic sanitation and urban parks, and slum upgrading; (3) tools, training, and studies aimed at improvement in municipal management, and (4) investments in the historical center of Salvador .

Total project cost at appraisal was estimated to be US\$ 151.0 million, of which the Bank was due to finance US\$55.0 million. Actual project cost was US\$77.0 million, of which US\$36.6 million was financed by the Bank. A loan amount of US\$18.4 million was canceled.

3. Achievement of Relevant Objectives :

Institutional development objectives have been substantially achieved . CONDER (the Salvador Metropolitan Development Agency) is now a competent metropolitan planning and development agency. Specific improvements include implementation of a GIS-based Metropolitan Information System, development of a computerized cadastre, and updating mapping and cartography services. Studies and technical assistance funded by the project effectively contributed to the other components, including the solid waste management system, and the regeneration of the historical center of Salvador .

Financial objectives have been only partially achieved . Due to the highly inflationary environment and inability of the Federal Government to provide counterpart funding, on-lending of project funds through FEREM (Salvador Metropolitan Development Fund) was not viable, and was dropped. Municipalities' revenues showed some improvement after 1994. Per capita tax generation has improved. Municipalities have introduced cost recovery, for example, for solid waste collection .

Targets for physical development as outlined in the 1992 loan amendment were exceeded. A Metropolitan Solid Waste Management system has been developed, permitting collection and disposal of 80 percent of MRS waste. The basic sanitation and urban recovery program was successfully implemented. Investments in basic infrastructure and equipment were funded in six neighborhoods . Six

urban parks have been rehabilitated and refurbished. A subterranean cable network for public lighting and the construction of a large garage building were funded in the historical center of Salvador.

4. Significant Achievements :

- (i) The urban recovery program in the Novos Alagados region, comprising environmental recovery, social promotion and the eradication of shacks, is notable for its success in regenerating the region and benefiting 13,000 inhabitants. It is now considered a model for slum recovery projects in other areas of Brazil.
- (ii) The Solid Waste Management System has effectively ended the disposal of MRS waste in unsanitary open landfills, with associated health and environmental benefits. The State of Bahia won an important environmental award in Brazil in recognition of the innovative nature of the system.
- (iii) An effective program of environmental education is now in place, and community participation in urban development issues is well established.
- (iv) In spite of Brazil's economic and political instability, the project has resulted in the development of a number of competent agencies in the MRS which suggests that project sustainability is likely. Further a number of the investments in GIS, cadastre and mapping are of a long-term nature and will start to yield benefits (for example in efficient tax collection) from 1998 onwards.

5. Significant Shortcomings :

- (i) Whilst the project is rated as having substantially achieved its institutional and physical development objectives, it should be noted that the detailed components planned to achieve these objectives clarified in the 1992 loan amendment are significantly different to those planned at appraisal. A number of components were substantially reduced, and alternative actions introduced. This is a flexible response of the Bank to changing circumstances, but also suggests that there were considerable problems with the design of the project at the time of its approval. Project design was unclear and complex, with a large number of components which were not clearly related to objectives and did not form a coherent whole.
- (ii) The original project design intended that part of the proceeds of the Bank loan, together with funds from the Federal Housing Bank, would be on-lent as sub-loan through FEREM. This was a fundamental aspect of the project design, but was completely dropped in 1992.
- (iii) Relations between the federal government, the State of Bahia, and the Municipality of Salvador were often severely strained, due to economic difficulties and political conflict. Federal counterpart funds were abruptly cut off in 1986.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

7. Lessons of Broad Applicability :

- (i) Political will and project ownership are fundamental for success.
- (ii) Investment in human resources capacity building has yielded a high return, and increased the chance of sustainability of project achievements.
- (iii) Partnerships and collaboration between different agencies and between public and private sector institutions were effective in promoting development of the MRS.
- (iv) Multi-jurisdictional institutional arrangements contributed to delays in project implementation (in this case conflicts arose between the Federal Government, the State, and Municipalities).
- (v) Poor project design was responsible for many of the problems in the first five years of the project. Design should be simple, and take full account of the external political, economic and institutional risks.
- (vi) Metropolitan-wide operations are probably best addressed by sequencing first through a "quick and dirty" adaptable loan instrument, that is flexible, encourages learning by doing, and prepares the ground for sub-sector specific investment operations (e.g., transport, or water) to be followed later.

8. Audit Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR :

The ICR is satisfactory, providing comprehensive information on most aspects of the project . It could have made it clear as to whether the borrower officially changed from the federal government to the state of Bahia.