



1. Project Data

Project ID

P126735

Project Name

Strengthening PM and Int Territorial Dev

Country

Brazil

Practice Area(Lead)

Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)

IBRD-83270

Closing Date (Original)

30-Jun-2017

Total Project Cost (USD)

48,000,000.00

Bank Approval Date

12-Feb-2014

Closing Date (Actual)

30-Jun-2017

IBRD/IDA (USD)

Grants (USD)

Original Commitment

48,000,000.00

0.00

Revised Commitment

48,000,000.00

0.00

Actual

9,923,031.07

0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Loan Agreement (Schedule 1, page 6) and in the Project Appraisal Document (PAD, page 5) was:

"To support the Borrower to improve service delivery through introducing performance-based management information technologies and an Integrated Territorial Development Approach in key public services".

This assessment is based on the two sub-objectives: (i) To improve service delivery through introducing performance-based information technologies: and, (ii) To improve service delivery through an Integrated



Territorial Development in key public services.

b. Were the project objectives/key associated outcome targets revised during implementation?
No

c. Will a split evaluation be undertaken?
No

d. Components

There were four components (PAD, pages 6-8).

One. Strengthening metropolitan management through integration and coordination in urban development, housing, transport, environment and disaster risk management. Appraisal estimate US\$16.40 million. Actual cost US\$6.13 million. Activities included: (a) strengthening the Rio de Janeiro Metropolitan Region's (RMRJ) governance framework through, (i) Monitoring and Evaluation (M&E) of territorial development impacts: and (ii) developing an integrated master plan for urban development: (b). strengthening transport management capacity through: (i) evaluation of the existing transportation ticketing system (*Bilhete Unico*):and, (ii) developing an action plan for the Urban Transport Agency (AMTU/RJ) and strengthening the State Transport Regulatory Agency (AGETRANS): (c) strengthening region's housing capacity through: (i) developing an institutional strengthening proposal for the Secretariat of Housing (SEH) and the Housing State Company (CEHAB): (ii) designing low income housing programs and integrating those programs with social programs: and, (iii) designing an integrated plan for sustainable urban land regularization: (d) strengthening disaster risk management capacity and early warning system for high rainfall events through: (i) hardware for the existing early warning system to monitor and respond to geological and hydrological disaster risks: (ii) a study to model the hydrological disaster warning system: (iii) mapping the region's landslide and flood risks: and, (iv) training the region's disaster risk management teams.

Two. Improving living conditions in the most vulnerable social settings. Appraisal estimate US\$23.00 million. Actual cost US\$1.42 million. Activities included: (i) strengthening capacity to implement an integrated and medium-term social development strategy through, supporting the region's restructuring and strategic planning process for social programs and developing a strategic plan for the Secretariat for Social Assistance and Human Rights (SEASDH), technical studies for designing M&E evaluation system, strengthening the existing public sector management procedures and administrative systems: and, (iv) strengthening the Social Assistance Unified System's(SUA's) management capacity: (ii) strengthening the region's capacity to locate and support missing and involuntarily interned people through: (i) developing a software and a methodology for implementing the Program for the Identification and Localization of Missing People (PLID): and (iii) extending the Mental Health Module System (MSM) to all hospitals in the region: (iii) strengthening management capacity for secondary education through expanding the State Secretariat of Education's (SEEDUC's) analytical and system management capacity, strengthening the management capacity on school infrastructure and implementing a four-year plan to build the necessary secondary school infrastructure: (iv) strengthening the health monitoring and evaluation processes and public hospitals' information systems through: (i) evaluation of the comparative performance of different models of organizing and delivering primary health care and restructuring of administrative and clinical processes in



public hospitals.

Three. Strengthening core finance and taxation functions. Appraisal estimate US\$6.10 million. Actual cost US\$0.25 million. This component aimed at developing new practices for strengthening the region's tax administration and financial management systems through: (i) technical studies for developing a methodology for estimating lost revenue due to tax waivers: (ii) developing proposed revisions to the tax collection procedures: (iii) implementing diagnostic mechanisms for debt management and a control system for the region's Automatic Property Tax (IPVA): (iv) developing procedures, manuals, databases for improving the management and costing of public investment programs: and, (vi) training the technical specialists and managers.

Four. Project management. Appraisal estimate US\$2.50 million. Actual cost US\$0.24 million. Activities included project implementation support (including technical, administrative and fiduciary support, M&E support and stakeholder involvement).

e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

Project Cost. Appraisal estimate US\$48.00 million. Actual cost US\$9.92 million. Actual cost was much lower than the appraisal estimates as several activities in all components were not implemented (discussed in section 4 and 5).

Project Financing. This technical assistance project was financed by an IBRD loan of US\$48.00 million to the state government of Rio de Janeiro with the Government of Brazil as the guarantor. Amount disbursed at closure US\$9.92 million. Amount disbursed was lower due to non-completion of many planned project activities.

Borrower contribution. None was planned at appraisal and there was no borrower contribution during implementation.

Dates. The project, which was approved on February 12, 2014, closed as scheduled on June 30, 2017.

3. Relevance of Objectives

Rationale

The Rio de Janeiro Metropolitan Region with a population of 16 million is Brazil's second largest metropolitan area. Before appraisal, despite improvements in the last decade, public service delivery in the region had not kept with demand. With faster population growth in the outer municipalities, urban settlements had expanded into marginal land, creating a vulnerable situation that was exacerbated by the low municipal government capacity for planning and supplying basic services. The regional topography and shortage of affordable housing had led to the growth of informal settlements, many of which were in environmentally fragile hillsides and susceptible to serious flooding and landslides. This situation was worsened by the lack of affordable transport linkages to the city center. The State of Rio de Janeiro's strategic plan for the 2012-2031 period introduced a multi-sectoral approach to medium and long-term planning and linked it with budgetary plans (PAD, page 3). The approach focused on critical public services and prioritized policies with impact on the most vulnerable groups.



The PDO was consistent with the Bank's Country Partnership Strategy (CPS) for the 2012-2015 period, which highlighted importance of results-based management practices in several areas (real estate management, education, health and social programs), improving public services (health and education) to reach the low-income population in the state, promoting regional economic development and improving disaster risk management capacity. The CPS also identified the need for engaging with sub-national governments. The PDO remained consistent with the current Country Partnership Framework (CPF) for the 2018-2023 period. The Focus Area One of the CPF (Fiscal Consolidation and Government Support) aimed at supporting sustainable fiscal adjustment at sub-national level and improving service delivery and the Focal Area Three highlighted the need for a more inclusive and sustainable development of urban services. This technical assistance project was linked to Bank-financed US\$1,770.00 million commitment in the following State Development Policy Loans (DPLs): The Fiscal Sustainability Human Development and Competitiveness DPL (P117244). The Metropolitan Urban and Housing DPL (P12239): The Fiscal Consolidation, Human Development and Public Financial Management (P126465) and: Enhancing Public Management for Service Delivery in Rio de Janeiro DPL (P147695).

The PDO was, however, broad and not well-defined in terms of sectors covered by the project, which were many and varied. Further, the economic and fiscal crisis that started in 2013 and worsened in 2015 negatively affected the State's capacity to implement the project and the level of commitment of the state to the PDO. Sectoral priorities and activities kept changing throughout the project implementation.

Rating

Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To improve service delivery through introducing performance-based information technologies.

Rationale

The proposed project activities aimed to strengthen metropolitan management in Rio de Janeiro by targeting multiple sectors in a comprehensive manner. This was to be achieved through activities, encompassing the areas of public financial management, metropolitan and territorial governance, housing and land regularization, education, health, environment and disaster risk management, and social development. Collectively, these activities would contribute to the project development objective (PAD, page 21).

The project results framework was complex with multi-level outcomes in multiple sectors with various intermediate results and objectives linked to specific components (PAD, Annex 1). The linkages between outputs, outcomes and the PDO were not clearly defined.

Results

- The ICR reports that in relation to the PDO outcome "Percentage of Target Population Covered by Rio Sem Miséria Core Program," a large percentage of the population was covered by the Program, however



the causal relation between project activities and these results cannot be clearly attributed and assessed. The program lasted from 2011 until 2014, and the project financed a tool to more adequately predict income and facilitate the identification of families that could be covered by the State's social protection programs.

- The PDO outcome "Ratio Measuring the Collection of the Value-Added Tax on Goods and Services (ICMS) as a Proportion of Monthly Retail Sales Volume" was poorly chosen, as reported by the ICR, as it is dependent on various external factors. Economic cycles, and consumers and retailers' behavior with reference to effectively paying and collecting the tax were outside the control of the project. The planned outcome could not be directly attributed to project- financed activities to strengthening the Borrower's tax administration and financial management systems. The activity associated with the notification of tax law infraction was not completed at project closure.
- The ICR points out that many activities related to improving public service delivery in transport, housing and land regularization, social protection, education and health were scattered and not reflected in the results framework, and therefore cannot be assessed.

Rating
Negligible

Objective 2

Objective

To improve service delivery through an integrated territorial development approach in key public services

Rationale

For the purpose of this project, integrated territorial development was defined as the approach taken by the State to harmonize and coordinate planning and service delivery at the level of the metropolitan region, operating along three dimensions: (i) cross sectoral integration of land use planning, housing, transport, disaster risk management, environment etc.; (ii) multi-jurisdictional coordination among the various municipalities and state agencies; and (iii) through a spatially integrated approach to reduce service delivery gaps between high- and low-income areas (PAD, page 5).

Results

- The Integrated Metropolitan Plan for the Rio de Janeiro Metropolitan Region was not completed at project closure and it was not submitted to the State Assembly for approval, which was defined as one of the PDO outcomes.
- Other activities related to integrated metropolitan management in the areas of transport and disaster risk management were not implemented. The project included a PDO outcome estimating the population that would benefit from the Flood Warning System (16 million or the population of Rio de Janeiro state), which was not financed under this project. The ICR reports that although the early warning equipment was



acquired and the population would likely benefit from the improved systems, these investments were supported by the preceding TAL Pro-Gestão I. In addition, although the system is collecting data, the software to process and present the information had not been installed at the time of ICR completion.

Rating
Negligible

Rationale

Most activities were not completed and the defined outcomes could not be attributed to the project activities.

Overall Efficacy Rating
Negligible

Primary reason
Low achievement

5. Efficiency

The project was expected to have positive development impact on economic growth, in the short run through improvements in environment and taxation and in the long run through improvements in education, health, urban planning and governance. The PAD (Annex 6) summarized the details of the assessment of economic and financial benefits from selected project activities relying on external literature and studies. A traditional economic analysis was not conducted either at appraisal or at project closure, as the project supported technical assistance activities and no clear linkage could be established between costs and expected economic benefits.

Administrative and operational issues. There were administrative delays due to the relatively high management turnover in the State Government, which affected decision making. Inefficient procurement processes contributed to delays in the initial years of the project. Considerable time and costs were expended in vain for addressing procurement issues. These delays which were well within the project's control, were exacerbated by exogenous factors such as the fiscal crisis in 2013 which contributed to the reduced revenues from fiscal transfers to the State of Rio de Janeiro and political crisis beginning in April 2014. The combination of these factors contributed to non-completion of most of the Project's key sector activities (including in transport, health, education, housing, disaster risk management, strategic planning and monitoring and evaluation of the State Secretariat of Social Assistance and Human Rights and health related activities) and less than a fifth of the loan (17% or US\$8.04 million of the US\$48.00 million) was disbursed at project closure.



Efficiency Rating

Negligible

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objective is rated as Modest. Efficacy and efficiency is Negligible as only very few of the planned activities were implemented and most of the key sector activities including in transport, housing, disaster risk management, strategic planning and monitoring and evaluation of the State Secretariat of Social Assistance and Human Rights and health related activities were not implemented and the expected outcomes of improving service delivery through introducing performance based management information technologies and an Integrated Territorial Development Approach in Key Public Services were not realized or could be not be attributed to the project.

a. Outcome Rating

Highly Unsatisfactory

7. Risk to Development Outcome

Political Risk. The Integrated Metropolitan Plan that was to be submitted to the State Assembly was not completed by project closure. There is a risk that the Metropolitan Governance Law that has already been submitted to the State Assembly will not be approved soon, given the political instability and the fiscal crisis in Rio de Janeiro. This is exacerbated by the fact that Brazil is entering an election year, which could further disrupt the approval of any major legislation. The political risk has moreover increased with the corruption scandals (including those affecting key members of the state assembly)

Institutional risk. Although some project activities (such as the study on cost management and the State's tax collection capacity in the oil and gas sectors) were completed, there is risk that the that the recommendations of these studies may not be acted upon, either due to political factors or weak implementation capacity



8. Assessment of Bank Performance

a. Quality-at-Entry

This Technical Assistance Project was the last of a series of Bank financed policy development and institutional strengthening projects in Rio de Janeiro (Rio Development Policy Loan (DPL) 1 Fiscal Sustainability, Human Development and Competitiveness, Rio DPL Metropolitan Urban and Housing, Rio DPL Fiscal Efficiency for Quality of Public Delivery, Rio DPL 4 Enhancing Public Management for Service Delivery and Rio TAL 1 Renovating and Strengthening Public Management. The project included several not completed activities from the previous operations. Several risks were identified at appraisal including Substantial risks associated with stakeholder's commitment and mitigation measures were incorporated to address this risk and the overall project implementation risk was rated as Moderate at design. Appropriate arrangements were made at appraisal for safeguards and fiduciary compliance (discussed in section 10). There were major shortcomings at Quality-at Entry:

- The statement of the PDO was broad and there were shortcomings in the results framework. The broad PDO made it difficult to measure the outcomes that could be attributed to this project. The results framework did not present a clear chain between project activities, outputs, intermediate results and planned outcomes. The problem of attribution was exacerbated by the inclusion of several pending tasks from the previous World Bank operations described above. The broad definition of objectives further allowed the different state agencies to change priorities and substitute studies linked to improving operations and process management.
- The sequencing of this project - the last in the context of Bank financed policy development projects in Rio de Janeiro - was clearly inappropriate. Given that this project supported technical assistance activities, these activities should have preceded the other projects described above. The inappropriate sequencing undermined the monitoring of project performance (discussed in section 9).
- The project was ambitious with respect to the time frame. The project was initially presented as a stand-alone four- year project. However, during preparation, it was decided that the project would be designed as an Additional Financing to an ongoing Bank-financed operation (Renovating and Strengthening Public Management Support). This decision was eventually given up in favor of a stand-alone operation. This change in lending instrument caused a disruption towards the end of the Project's preparation period and contributed to delays. The project's implementation period was further reduced to about three years, as compared to the originally intended four years.
- The project design which entailed nine sectors and involved three Project Implementation Units (the State Secretariats of Government, Planning and Finance) and fourteen government agencies was complex. This in conjunction with ineffective overall project coordination arrangements undermined smooth communication between the different entities.
- The project design underestimated the risks associated with inadequate political support in the face of competing demands for funds from different secretariats and governance. The mitigation measures incorporated at design for addressing these risks proved to be inadequate. This was exacerbated by the lack of familiarity of the Project Implementation Units (PMUs) with Bank's procurement rules.
- The project was clearly not ready at effectiveness, given that inter agency coordination agreements, the Operations Manual and technical details of activities were not ready at appraisal. These factors contributed



to implementation delays and eventual non-completion of most of the project activities.

Quality-at-Entry Rating

Unsatisfactory

b. Quality of supervision

Seven Implementation Status Reports (ISRs) were filed over a four- year project implementation period. The supervision team included different sector specialists. The support provided by the supervision team aided in fiduciary compliance (discussed in Section 10). There were however major shortcomings in supervision.

- The Bank team failed to effectively resolve problems in a timely manner.
- The continuity of dialogue with the counterparts was undermined by the frequent changes in the Bank supervision team (which included three Task Team Leaders (TTLs) in three years and number of changes in sector specialists). The dialogue of different Bank sector specialists with their counterparts was not coordinated with the centralized management structures within the Bank and the State Government. The task term leader's ability to address common challenges and engage with the stakeholders was compromised as the supervision missions often did not cover all sectors.
- The lengthy interactions between the supervision team and the Borrower regarding eligibility, technical specifications and procurement, contributed to implementation delays and slow disbursements.
- Although the team recognized the need to restructure the project early in project implementation in September 2014 to address issues such as extending the closing date, partially cancelling the loan and modify the project scope, the decision to process the restructuring process was delayed and eventually the project was not restructured.
- The supervision team's approach to incorporating suggested changes from the state was too flexible, as even late in implementation activities were either replaced or dropped, in the face of new priorities identified by the Secretariats and the Project Implementation Units(PIUs).

Quality of Supervision Rating

Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework described in the PAD (Annex 1) was complex, with multiple-level objectives, outputs and expected outcomes, which were not attributable to this TA project for the most part. The four key outcome indicators inappropriate for monitoring project performance. The indicator - preparation and presentation of an integrated Metropolitan Plan to the State Assembly for approval was more an output than an outcome



indicator. The two key outcome indicators - the percentage of target population covered by the Rio Sem Miséria core program and the direct project beneficiaries benefitting from the Flood Warning System could not be attributed to the project activities. The indicator measuring the collection of the value added tax on goods and services (ICMS) as a proportion of monthly retail sales volume was inappropriate and poorly chosen, as collection of taxes depends on various external factors outside the control of the project (such as economic cycles, and consumers and retailers' behavior with reference to paying and collecting the taxes). Project outcomes related to improving public service delivery in transport, housing and land regularization, social protection, education and health were not reflected in the results framework and could not be assessed. Data for monitoring outcomes was to come from sources including the secretariats and existing administrative data systems (such as the Rio Previdência administrative system and the State Environmental Institute (IPEA) Flood Warning System Website (PAD, page 10)).

b. M&E Implementation

Given the shortcomings in M&E design, it is not clear why the indicators were not revised or modified following the Mid-Term Review. Given that many project activities were not financed and the project achieved few results, there was not much of monitoring and evaluation during implementation. This was further exacerbated by uneven feedback from the different project implementation units and agencies. There was no critical analysis on why the Intermediate output indicators were not achieved and what measures could have been adopted to ensure the delivery of products in the different areas during project implementation.

c. M&E Utilization

The M&E system was not effective in making changes that could have contributed to expediting project implementation.

M&E Quality Rating

Negligible

10. Other Issues

a. Safeguards

This project was classified as a Category B project. Other than Environmental Assessment (OP/BP 4.01) two safeguard policies were triggered: Natural Habitats (OP/BP 4.04); and, Involuntary Resettlement (OP/BP 4.12).

The PAD (page 14) notes that the Involuntary Resettlement safeguards were triggered due to the project activities related to activities in the areas of risk mapping, land tenure regularization and metropolitan plans. The PAD (page 15) notes although the project activities did not include conversion or degradation of critical natural habitats and no significant natural habitats impact was foreseen, natural habitats safeguards were



triggered, since activities included formulation of policies on housing and land management that could have implications on natural habitats. An Environmental Management Framework (EMF) was prepared to address environmental and natural habitats issues and a Resettlement Policy Framework (RPF) was prepared and publicly-disclosed at appraisal (PAD, page 14).

The ICR (page 18) notes that compliance with safeguards was deemed to be satisfactory during implementation.

b. Fiduciary Compliance

Financial Management. A financial management assessment conducted at appraisal concluded that the financial management arrangements were deemed to be satisfactory and the financial management risk was rated as Modest (PAD, page 13). The ICR (page 18) notes that although there were some delays in submission of audit reports, audit reports were unqualified and the final audit report was due by February 28, 2018. There were no instances of ineligible expenses.

Procurement. An assessment was conducted at appraisal to judge the procurement management capacity of the implementing agencies (The State Secretariat of Planning and Management, the State Secretariat of Public Works and the State Secretariat of Finance). The three agencies had procurement teams specialized in the national rules. The major issue identified was the lack of specialized procurement staff in the agencies. An action plan was agreed during project preparation to strengthen the procurement team (PAD, pages 14 and 34).

The ICR (page 16) reports that with the exception of the Project Implementation Unit (PIU) in the State Secretariat of Planning, none of the PIUs or the other state agencies involved in the project were familiar with Bank's procurement policies and this contributed to delays during implementation. The ICR provides few details on procurement but notes that there were no instances of ineligible expenses during implementation (ICR, page 18).

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Unsatisfactory	Highly Unsatisfactory	---
Bank Performance	Unsatisfactory	Unsatisfactory	---



Quality of M&E	Negligible	Negligible	---
Quality of ICR		Substantial	---

12. Lessons

IEG selected the following main lessons from the ICR, with some modification of the language.

- (1) Multiple Project Implementation Units (PIUs) within different state agencies could undermine project ownership.** This project showed that having multiple PIUs (as opposed to having a strong PIU with full time and well trained staff) could increase the risks associated with separate and disconnected activities and this could contribute to undermining project ownership on the part of the different state agencies.
- (2) It is necessary to have a clear and specific PDO and not align disconnected sectoral agenda under a broad and unclear PDO.** This project showed that lack of a clear PDO could undermine monitoring project performance.
- (3) A common rationale may be useful for addressing coordination problems in projects dealing with multi sectors.** In this project, there was not much of an incentive for effective cross-sector collaboration, at both the Bank and Borrower sides. This resulted in excessive coordination problems and inefficiencies, which affected implementation.
- (4) Restructuring should be processed early on to address implementation problems.** Even though restructuring processes are time-consuming and cumbersome and maybe even politically difficult, it would be useful to process restructuring, as soon as structural issues that need correction have been identified. This could help in countering the high cost of delays and unsatisfactory results at project closure. In this project, although restructuring was considered, it was not completed.
- (5) Clear Bank leadership is required for complex multi-sector projects.** One common communication and leadership problem during implementation of this project was due to the multiplicity of communication channels on the Bank side (and on the Borrower's side). Bank sector specialists had their own agendas with their respective state counterparts, including on the project scope.
- (6) Given that metropolitan management is an ambitious but critical agenda for the Bank, a programmatic engagement over a longer time frame may be required for such projects.** The experience of this project showed that since such projects require the Bank and the Borrower to address issues such as enabling environment for multi-jurisdictional coordination. The project time frame needs to be realistically considered at preparation.
- (7) Technical assistance loans should be timely attached to Development Policy Loans (DPLs) for enhanced institutional commitment and impact.** The experience of this project demonstrated that Technical assistance loans should focus on the areas of specific DPL operations that are currently under preparation.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



The ICR is concise and well-written. The ICR focuses on outcomes and results for this TA project, and is candid in its analysis and issues of attribution. It also candidly describes the issues encountered both at design (including shortcomings in preparation such as the complex design associated with the many implementing agencies and complementary of activities financed by this project and other projects financed by the Bank which in turn contributed to attributional issues). It is also candid in acknowledging the issues that could have been addressed during supervision and the delays associated with processing the restructuring the project, which finally contributed to non-restructuring of the project. The lessons drawn from the experience of implementing this project are based on evidence and analysis. The ICR could have been more clear and explicit in describing the actual TA activities implemented or initiated in the efficacy section, as the TA project cost amounted to about US\$10 million at closure.

a. Quality of ICR Rating

Substantial