



## 1. Project Data

<b>Project ID</b> P126452	<b>Project Name</b> BR MST Rio Grande do Norte Regional Dev	
<b>Country</b> Brazil	<b>Practice Area(Lead)</b> Agriculture and Food	
<b>L/C/TF Number(s)</b> IBRD-82760	<b>Closing Date (Original)</b> 31-May-2019	<b>Total Project Cost (USD)</b> 359,854,443.32
<b>Bank Approval Date</b> 25-Jun-2013	<b>Closing Date (Actual)</b> 31-Dec-2023	
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	360,000,000.00	0.00
Revised Commitment	359,854,443.32	0.00
Actual	359,854,443.32	0.00

<b>Prepared by</b> Hassan Maher Amin Waly	<b>Reviewed by</b> Peter Nigel Freeman	<b>ICR Review Coordinator</b> Avjeet Singh	<b>Group</b> IEGSD (Unit 4)
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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective (PDO) of Brazil's Rio Grande Do Norte: Regional Development and Governance as articulated in the Loan Agreement (LA, page 5) was identical to the one stated in the Project Appraisal Document (PAD, paragraph 15) and aimed to:

- "(i) increase food security and access to productive infrastructure and markets for family agriculture; (ii) improve the quality of, and access to, health, education and public security services; and (iii)***



***improve systems for public expenditure, human resources and physical asset management in the context of a results-based management approach."***

**Parsing the PDO.** The PDO will be parsed based on the following nine objectives:

1. To increase food security for family agriculture.
2. To increase access to productive infrastructure for family agriculture.
3. To increase access to markets for family agriculture.
4. To improve the quality of and access to health services.
5. To improve the quality of and access to education services.
6. To improve the quality of and access to security services.
7. To improve systems for public expenditure in the context of a results-based management approach.
8. To improve systems for human resources in the context of a results-based management approach.
9. To improve systems for physical asset management in the context of a results-based management approach.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

No

**c. Will a split evaluation be undertaken?**

Yes

**d. Components**

The PDO was supported by the following three components:

**1. Sustainable Regional Development (appraisal cost: US\$200.54 million, actual cost: US\$162.90 million).** This Component aimed to reduce regional inequalities and increase productive inclusion through the following two sub-components:

**1.1. Strategic Investments and Local Governance Strengthening (appraisal cost: US\$109.78 million, actual cost: US\$131.27 million).** This aimed to strengthen the Borrower's capacity to implement its Sustainable Regional Development Strategy.

**1.2. Productive, Social and Environmental sub-projects (appraisal cost: US\$90.77 million, actual cost: US\$31.63 million).** This aimed to provide support to Producers Organizations (POs), Social



Organizations (SOs) and Network of Social Organizations (NSOs) for the carrying out of: (i) Productive sub-projects; (ii) Socio-Economic Infrastructures sub-projects; and (iii) Social and Environmental sub-projects.

**2. Improving Public Services (appraisal cost: US\$130.07 million, actual cost: US\$158.45 million).** This component aimed to support the human development and citizen security pillars of the State's Poverty Reduction Strategy by improving the quality of, and access to, basic public services. It was comprised of three sub-components:

**2.1. Health (appraisal cost: US\$44.97 million, actual cost: US\$57.56 million).** This sub-component aimed to provide support to the State Secretariat of Health (SESAP) in the implementation of strategic priorities in the health sector.

**2.2. Education (appraisal cost: US\$68.81 million, actual cost: US\$71.96 million).** This sub-component aimed to promote basic education quality improvement and regional development for the education sector in the Borrower's territory.

**2.3. Public Security (appraisal cost: US\$16.28 million, actual cost: US\$28.92 million).** This sub-component aimed to provide support to the State Secretariat of Security and Social Defense (SESED) for the integration of its management processes.

**3. Public Sector Management (appraisal cost: US\$65.53 million, actual cost: US\$97.02 million).** This component would provide support for the modernization of the State's public sector management in strategic sectors in order to strengthen the efficiency and effectiveness of central budget, finance and planning processes and management, as well as in service delivery in health, education and public security sectors. It was comprised of the following three sub-components:

**3.1. Integrated and Results-oriented Planning, Budgeting and Finance Management (appraisal cost: US\$22.26 million, actual cost: US\$38.08 million).** This sub-component would support strategic priorities for strengthening planning capacity, monitoring, evaluation and policy making, through the provision of support to the State Secretariat of Planning (SEPLAN).

**3.2. Modernization of State Institutions and Administrative Systems (appraisal cost: US\$17.13 million, actual cost: US\$46.62 million).** This sub-component would provide support to SEPLAN for, inter alia: (i) the identification and revision of procedures for the State Secretariat of Education (SEEC), SESAP and SESED; (ii) the carrying out of a diagnosis of the Borrower's secretariats and public agencies to identify possible dysfunctional activities and proposing corrective measures; and (iii) the preparation of a non-Project package of sectoral investments aimed at improving key infrastructure and management systems and mechanisms.

**3.3. Efficient Human Resources and Asset Management (appraisal cost: US\$22.13 million, actual cost: US\$12.30 million).** This sub-component would provide support to the State Secretariat of Administration and Human Resources (SEARH) for the strengthening of the Borrower's workforce by focusing on attracting and retaining professional personnel, through: (i) the implementation of management and payroll auditing modules, including the planning of human resources and the design of a result-oriented management model; (ii) implementation of an integrated assets management system; (iii) modernization of the Borrower's archives; (iv) improvement of the Borrower's ICT INFOVIA to address deficiencies in territorial connectivity; and (v) the provision of training for public servants, consultants and project managers



directly involved in targeting strategic project implementation, including project management, financial management, procurement, IT, and monitoring and evaluation methodology and systems.

### **Revised Components.**

Component 1 was scaled up by the addition/expansion of activities post-Mid-Term Review (MTR, April 2016): water infrastructure (dam recuperation, irrigation), additional road rehabilitation, a Technology Park, upgraded Citizen Service Centers, and renovation of the State Administrative Center. Planned rehabilitation of the Pataxó Dam (sub-component 1.2) was dropped in 2022 and passed to other relevant authorities.

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

**Project Cost.** The total project cost was US\$ 400.00 million. The actual cost according to the ICR Data Sheet (page ii) was US\$419.30 million.

**Financing.** The project was financed through an Investment Project Financing (IPF) in the amount of US\$ 360.00 million. The actual amount disbursed was US\$359.85 million (ICR Data Sheet, page ii).

**Borrower Contribution.** The borrower was expected to contribute US\$40.00 million of counterpart financing. The actual amount contributed was US\$59.44 million (ICR Data Sheet, page ii).

**Dates.** The project was approved on June 25, 2013 and became effective four months later on October 29, 2013. The Mid-Term Review (MTR) was conducted on April 25, 2016 which was five months earlier than the planned date on September 26, 2016. The project closed on December 31, 2023 which was four years and seven months beyond the planned closing date on May 31, 2019. According to the ICR (paragraph 33) the 55 months extension "permitted completion of all planned and ongoing project activities, particularly large, strategic investments with important, projected social and economic benefits in the health, education and basic infrastructure sectors. Failure to complete those works entailed significant and specific reputational risks for the Borrower and the Bank."

The project was restructured four times, all of which were Level 2 restructuring as follows:

1. On June 1, 2017, when the amount disbursed was US\$83.79 million, in order to revise results and disbursement estimates.
2. On May 10, 2019, when the amount disbursed was US\$194.43 million, in order to revise: components, results, disbursement estimates, reallocate funds between disbursement categories, implementation schedule, and extend the Loan closing date by 22 months from May 31, 2019, to March 31, 2021.
3. On April 1, 2021, when the amount disbursed was US\$274 million, in order to revise: results, disbursement estimates, reallocate funds between disbursement categories, implementation schedule, and extend the Loan closing date by 21 months from March 31, 2021 to December 31, 2022.
4. On December 26, 2022, when the amount disbursed was US\$347.80 million, in order to revise: results, disbursement estimates, implementation schedule, and extend the Loan closing date by 12 months from December 31, 2022 to December 31, 2023.



A double split assessment of the project Outcome will be applied because targets for two PDO outcome indicators were reduced as follows:

(a) The second restructuring on May 10, 2019 reduced the target for “productive investments for market access with sanitary compliance” from 100 to 60, and reduced the target for “direct project beneficiaries” from 400,000 to 180,000 and female beneficiaries from 60% to 50%.

(b) The third restructuring on April 1, 2021, reduced the direct beneficiary target again from 180,000 to 100,000 (the percentage of female beneficiaries did not change).

While the target for “Increase the provision of health services related to prioritized health care networks at the regional level (maternal and infant, urgency and emergency, and oncological health care networks” was reduced from 88% to 82% with the 2017 restructuring, it was increased by the 2021 Restructuring to 84% and kept stable at 84% through closing. This indicator was not used as a third split point in the split assessment exercise given the complexity of fine-tuning the Health indicator baseline and target and the latter’s increase following initial reduction.

### 3. Relevance of Objectives

#### Rationale

**Context at Appraisal.** The State of Rio Grande do Norte (RN) had high poverty rates, unacceptable levels of violence, limited fiscal capacity and a lack of financing options. It scored 0.71 on a Human Development Index (IDH (2013) and ranked 15th among all states nationally. Gender disparities were pervasive, but most severe in lagging regions and within vulnerable groups. Agriculture was and remains the primary source of livelihoods and food security for the rural poor, accounting for 7% of state employment at appraisal. However, agriculture faced productivity constraints and intensifying environmental and climatic challenges. Rio Grande do Norte has continued to be drought prone with 75% of its territory considered to be semi-arid. Some 88% of municipalities are located in semi-arid zones with a high demand for water, and advancing desertification affects much of the State. The state road network supported the transport and logistics of the entire state economy but just 26% of roads were judged to be very good or excellent by the National Transit Confederation. RN also suffered from inefficient health monitoring and referral services, incomplete coverage, and poor quality of health infrastructure and services. Also, the State had high urban/rural school dropout rate. Further, security institutions lacked effective management, mobility, and information systems to monitor extremely high indices of criminality and lethal violence and their social contexts. Finally, the State’s outdated and inefficient public sector administration was unable to support the Government’s ambitious development agenda and responses. This project thus featured a multi-faceted approach reflecting the intersectionality of RN’s development challenges through promoting the productive inclusion of women, the poor, and vulnerable groups intended to reduce inequality, and reduce dependence on government transfers; while at the same time supporting public-private partnerships to build equity between value chain actors, fostering market solutions, and increasing competitiveness. The project also was to support health, education and security services in terms of improving quality and access. Finally, the project supported improving public expenditures, human resources, and physical infrastructure management.



**Previous Bank experience.** The World Bank has had a long-standing partnership with the Northeast Region and the State of Rio Grande do Norte, with regular dialogue concerning the overall lending program, State sector strategies and specific operations. However, IBRD support to the State of Rio Grande do Norte has been limited to investment projects in poverty reduction, and water infrastructure and management. This project represented a shift away from modestly scaled and funded CDD operations that financed basic infrastructure and small-scale production towards more multi-sectoral, regionally integrated and market-oriented approaches aimed at sustainable development and poverty reduction in Rio Grande do Norte. The project design benefited from Bank-funded projects previously implemented in the state, namely, the Rio Grande do Norte Rural Poverty Reduction Project (P066170) as well as lessons from World Bank evaluations and studies including: Rural Poverty Reduction in Northeast Brazil Vol. 1: Achieving Results through Community Driven Development (World Bank, 2009); Rural Poverty Reduction in Northeast Brazil Vol. 2: An Evaluation of Community Driven Development (World Bank, 2009); and CDD Initiatives in Mainstreaming Gender in Northeast Brazil: An Exploratory Case Study (World Bank, 2011). Overall, the project was ambitious and complex and was the first Bank-funded project in the State at this scale aiming to tackle multiple challenges among different sectors.

**Consistency with Bank Strategies.** At appraisal, the PDO was in line with the World Bank Group's Country Partnership Strategy for Brazil (CPS, FY2012-FY2015). Specifically, the project supported two pillars of the CPS by contributing to an Equitable Brazil by targeting rural productive inclusion, poverty reduction and services for human capital development, and to a Sustainable Brazil through the promotion of sustainable production systems. The PDO was also in line with key focus areas of the World Bank's Action Plan (FY2013-FY2015) including: green and inclusive growth, gender and human development, agriculture and rural development/nutrition, governance and public sector, knowledge transfer, ICT and transparency.

At project completion, the PDO continued to be in line with the World Bank Group's Country Partnership Framework for Brazil (CPF, FY2018-FY2023). The CPF emphasized that agriculture continued to be the rural poor's single most important income source. The PDO was also in line with the CPF's Focus Area 1: Fiscal Consolidation and Government Effectiveness precisely the effectiveness of service delivery in Education and Health. The CPF sought a stronger institutional framework for public financial management, and improved efficiency and targeting of health and education programs without reducing service level. The PDO was also in line with the CPF's Objective 1.3 seeking improved education service delivery by applying results-based management techniques, and committing to sub-national curricular reforms, teacher training and related actions. Moreover, the project contributed to Objective 1.4, where the CPF focused on health spending supporting the shift towards treatment of non-communicable diseases. The project additionally contributed to the CPF's Focus Area 2: Private Sector Development and Productivity Growth, under Objective 2.3, where CPF sought to mobilize investment in infrastructure including roads to improve services, reduce logistics costs and improve connectivity. The project also contributed to CPF's Focus Area 3: Inclusive and Sustainable Development, targeted urban services, and socio-economic development of small rural producers and vulnerable groups. Finally, the project contributed to the CPF's Objective 3.2, since the Bank would continue to invest in WSS to build resilience to water scarcity/variability.

**Consistency with the Government Strategies/Priorities.** At appraisal, the PDO was in line with the development strategies of the GoRN as well as the Federal Government's goal of eradicating extreme poverty by promoting greater regional integration, productive inclusion and access to public services. The State's Strategic Development Plan (PPA, 2012-2015) and its Poverty Reduction Strategy (2012-2015) were both aligned with the national Brazil Poverty Reduction Strategy that reflected the goals of equitable,





inclusive and efficient growth, by focusing, in particular, on sustainable and integrated regional development, the elimination of extreme poverty, and modernization of public sector management.

At completion, the PDO continued to be in line with the State's Plano Plurianual Participativo (PPA, 2020-2023) as well as with the new PPA (2024-2027). Specifically, the PPA included a number of targets and priorities that were in line with the project activities including: territorialization of investment; public security through police recruitment, training and equipment, education, and violence reduction; improved Public Sector Management; in family agriculture, food safety and nutrition, and strengthening and expanding public TA and Rural Extension Services for vulnerable farmer/producer groups in productive chains and food security; in health, increased investment in primary care, and the supply of hospitals and referral units; in education, massive focus on literacy training and family farmers, professional qualification, middle school supply, and primary level teaching quality. Also, improvement of the state road network remained a priority, including for regional integration, as does universalizing water supply and sanitation services (WSS). The project also was in line with relevant transversal themes in the PPA, namely, inclusion, gender equity, environmental sustainability, and lagging regions.

**Summary of Relevance of Objectives Assessment.** The PDO statement was complex and when unbundled it included nine different objectives that reflected the multi-sectoral approach of the project. The PDO was pitched at an ambitious level relative to the capacity on the ground and the targets to be achieved within the original project timeframe. At completion, the PDO remained in line with the Bank strategy and the state and national government priorities as discussed above. Overall, the Relevance of the PDO is rated Substantial given the overly ambitious and complex PDO relative to conditions on the ground.

## Rating

Substantial

## 4. Achievement of Objectives (Efficacy)

### OBJECTIVE 1

#### Objective

To increase food security for family agriculture.

#### Rationale

**Theory of Change (ToC).** To achieve the stated objective, the project would support the rehabilitation of irrigation/drainage systems and dams. The project would also finance market oriented (PINS), socioeconomic solidarity (PES) and social and environmental (PSA) sub-projects. This objective would also benefit from activities under Objective 2.

The expected outputs/intermediate results included: PINS, PES and PSA sub-projects implemented, family farmers adopt sustainable social, productive and environmental technologies and practices, TA and training delivered, irrigation/drainage systems and dams rehabilitated.



Expected outcome: agricultural production is promoted and vulnerable groups are more food secure.

Anticipated long-term outcome: poverty/extreme poverty reduced and food security increased.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. The State Secretariat of Planning (SEPLAN) effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, 3. Involved sector institutions build capacity to implement and manage their respective activities, 4. Organized producers willing to accept and adopt project technologies and practices, and 5. Project reaches and benefits the poor and women.

The ToC reflected relevant activities that were directly connected to the stated outputs/intermediate outcomes and the PDO in a plausible causal chain. However, the ToC lacked a direct measure of improved food security. Also, the thematic connection between water fee collection and increasing food security was unclear. The critical assumptions were logical and realistic.

## **Outputs/Intermediate Results**

### **1. Food Security:**

- 90% of productive investments supported by the project adopted sustainable social, crop production, and/or environmental practices exceeding the target of 50% (target exceeded). This indicator measured the number of producer beneficiaries with productive sub-projects who adopted sustainable social, agricultural production or environmental practices recommended by the project.
- 95% of community organizations established fee collection arrangements for the management and maintenance of the water supply sub-projects financed by the project exceeding the target of 80% (target exceeded).

### **2. Adoption of Sustainable Practices:**

- 1,845 people benefited from simplified water supply systems integrated to their productive plots (no target provided).
- 9,766 members of Producers' Organizations (POs) and Social Organizations (SOs) benefited by PSA investments (no target provided).

### **3. Fee Collection for Water Supply: (no targets were provided for these outputs)**

- 90% of project beneficiaries were paying for water supply in their residence.
- 3,139 people benefited from simplified water supply systems.
- 569 people had access to water from cisterns.
- 70% of water supply beneficiaries affirmed improved water quality.
- 80% of beneficiaries were using potable water for human consumption.
- 100% of beneficiaries participated in planning their water sub-project.

## **Outcomes**





- Food security investments benefited 3,441 families or 11,700 people, representing 56% of the total persons who benefited by sub-projects linked by design to promoting food security and exceeding the target of 50% (PDO outcome indicator). Relevant investments included irrigated fruit farming, milk and dairy products, cashew nut, honey, anti-desertification practices, market access, construction/operation of underground dams, recovery of water sources (dam, tubular/artesian well) and other sources.
- According to the ICR (paragraph 42) PES and PSA increased food security, whilst PINS increased income with insignificant impact on food security. To gauge the impact of the PINS, PES and PSA on levels of food security, the impact evaluation (IE) applied the Brazilian Food Insecurity Scale (EBIA): (a) PINS' impact was insignificant, attributed to its activities emphasizing productive aspects for market insertion; (b) PES resulted in almost 10% of families avoiding a situation of eating less due to lack of money to buy food; and (c) PSA had a statistically significant impact, improving food security by 0.269 on a scale of 1 to 4 where 1 represents grave insecurity and 4 means full security. The IE explained that PSA focused explicitly on sustainability, food security and access to water, and was more effective in increasing access to food. Further, the food security situation of the study sample (256 members of 49 PINS/PES and PSA organizations) pre-participation (2019) was concerning, with over 38% worried that food would run out before they could purchase more. Importantly, PINS inability to increase food security implied that beneficiaries' food problems were beyond economics, possibly involving local supply and infrastructure issues needing government attention.

**Summary of Efficacy Assessment.** To reduce inequality, promote food security, and increase incomes, the project aimed to combine essential productive and social infrastructure with direct investments in the livelihoods and wellbeing of rural populations, including the most vulnerable, in lagging regions of the State. While the project exceeded its PDO outcome indicator, the results showed that PES and PSA increased food security, whilst PINS increased income with insignificant impact on food security. The project also met and/or exceeded most of its output/intermediate outcome targets. Therefore, the efficacy of the project in achieving this objective is rated Substantial.

**Rating**  
Substantial

### **OBJECTIVE 1 REVISION 1**

#### **Revised Objective**

To increase food security for family agriculture.

#### **Revised Rationale**

PDO and targets were not revised.

**Revised Rating**  
Substantial

### **OBJECTIVE 1 REVISION 2**



### **Revised Objective**

To increase food security for family agriculture.

### **Revised Rationale**

PDO and targets were not revised.

### **Revised Rating**

Substantial

## **OBJECTIVE 2**

### **Objective**

To increase access to productive infrastructure for family agriculture.

### **Rationale**

**Theory of Change (ToC).** To achieved the stated objective, the project supported small-scale, community-managed systems/facilities under the PSA model for very poor and vulnerable communities, larger-scale WSS systems which were designed to serve Productive Inclusion beneficiaries and emerging regional tourism centers, the recuperation of the Lucrecia Dam, the renovation and expansion of canal infrastructure for the Osvaldo Amorim Irrigation Perimeter, renovation and construction of 18 major tourist structures, and the improvement of rural roads, which enabled more efficient movement of family farm products and general commerce, of local populations to public services, of tourists to emerging attractions, and through local enterprises and for residents attracted by upgraded infrastructure.

The expected outputs: Water supply systems implemented, sanitation/sewage systems implemented, dam rehabilitation, Osvaldo Amorim Irrigation Perimeter (DIBA - canal and common use infrastructure recuperation), number of women-led productive investment organizations, number of women-led Socio-Environmental organizations, number of road stretches improved, number of state territories with project-financed improved roads, number of studies to evaluate feasibility of proposed road investments, number of studies and diagnostic documents, number of training and skills-building courses in tourism development, and number of dissemination and marketing events sponsored.

Intermediate outcomes: Number of people in rural areas provided with access to improved water sources under the project, percentage of productive and socio-environmental investment organizations/groups led by women, extension of State roads improved by the project, and tourism and cultural infrastructure created/improved by the project. (Target 16/Actual 18)

The expected outcome: the number of regional socioeconomic infrastructure implemented. All this was expected to contribute to achieving increased access to productive infrastructure for family agriculture (PDO).

Anticipated long-term outcome: poverty/extreme poverty reduced.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, 3. Involved sector institutions build capacity to implement and manage



their respective activities, 4. Organized producers willing to accept and adopt project technologies and practices, and 5. Project reaches and benefits the poor and women.

The ToC reflected relevant activities that were directly connected to the stated outputs/intermediate outcomes and the PDO in a plausible causal chain. However, the thematic connection between tourism and productive infrastructure for family agriculture was not clear. The critical assumptions were logical and realistic.

## **Outputs/Intermediate Results**

### **Water Resource Investments:**

- 15,837 people in rural areas were provided with access to improved water sources under the project exceeding the target of 15,300 (target exceeded).
- 5 water supply systems were implemented.
- 2 sanitation/sewage systems were implemented.
- One dam rehabilitation (Lucrécia) was completed. The dam was an important SEMARH-managed water resource with storage capacity of 24.7 million m<sup>3</sup> serving about 3,500 people.
- The Osvaldo Amorim Irrigation Perimeter canal and common use infrastructure recuperation were fully completed. Its area of influence was about 90 km<sup>2</sup>, or 9,000 hectares. Cultivated area was divided into lots: 8 hectares for micro-ventures and family farmers; 16 ha for agricultural technicians and engineers; and 100 ha lots for agribusiness ventures. Irrigated fruits accounted for 60% of total production.

### **Women's leadership of POs and SOs:**

- 47% of productive and socio-environmental investment organizations/groups were led by women exceeding the target of 35% (target exceeded).

### **Road Improvements:**

- 274 km of state roads were improved by the project exceeding the target of 200 km (target exceeded).
- 10 additional road stretches were improved.
- 5 state territories had project-financed improved roads.
- 10 studies to evaluate feasibility of proposed road investments were completed.

### **Tourism Infrastructure:**

- 18 tourism and cultural infrastructure sub-projects were established/improved by the project exceeding the target of 16 (target exceeded).
- 35 studies and diagnostic documents were completed.
- 55 training and skills-building courses in tourism development were conducted.
- 311 dissemination and marketing events were organized.

## **Outcome**



- The project renovated, constructed, and/or equipped 317 diverse structures across nine sectors. Of those 174 were considered productive significantly exceeding the target of 50 (PDO outcome indicator).
- Direct project beneficiaries reached 105,681 which was about 26% of the original target of 400,000.

**Summary of Efficacy Assessment.** The project exceeded all its intermediate results targets as well as one PDO outcome target. However, the project achieved only 26% of its original target for direct project beneficiaries. Based on the reported results combined with information stated in the ICR, this Review concludes that the efficacy of achieving the stated objective is rated Substantial with moderate shortcomings.

### Rating

Substantial

## OBJECTIVE 2 REVISION 1

### Revised Objective

To increase access to productive infrastructure for family agriculture.

### Revised Rationale

**Theory of Change (ToC).** The PDO was not change but the target for direct project beneficiaries was reduced from 400,000 to 180,000.

### Outputs/Intermediate Results

The same information under the original objective applies.

### Outcome

- The project renovated, constructed, and/or equipped 317 diverse structures across nine sectors. Of those 174 were considered productive significantly exceeding the target of 50 (PDO outcome indicator).
- Direct project beneficiaries reached 105,681 which was about 58% of the revised target of 180,000.

**Summary of Efficacy Assessment.** The project exceeded all its intermediate results targets as well as one PDO outcome target. However, the project achieved only 58% of its revised target for direct project beneficiaries. Based on the reported results combined with information stated in the ICR, this Review concludes that the efficacy of achieving the stated objective is rated Substantial with moderate shortcomings.

### Revised Rating

Substantial

## OBJECTIVE 2 REVISION 2



### Revised Objective

To increase access to productive infrastructure for family agriculture.

### Revised Rationale

**Theory of Change (ToC).** The PDO was not change but the target for direct project beneficiaries was reduced from 400,000 to 180,000.

### Outputs/Intermediate Results

The same information under the original objective applies.

### Outcome

- The project renovated, constructed, and/or equipped 317 diverse structures across nine sectors. Of those 174 were considered productive significantly exceeding the target of 50 (PDO outcome indicator).
- Direct project beneficiaries reached 105,681 which exceeded the revised target of 100,000 (PDO outcome indicator).

**Summary of Efficacy Assessment.** The project exceeded all its intermediate results targets as well as its two PDO outcome targets. Based on the reported results combined with information stated in the ICR, this Review concludes that the efficacy of achieving the stated objective is rated Substantial.

### Revised Rating

Substantial

## OBJECTIVE 3

### Objective

To increase access to markets for family agriculture.

### Rationale

**Theory of Change (ToC).** To achieve the stated objective, the project supported improving the sanitary quality of food products for consumption, which was expected to result in better quality products with better marketability. This achievement of this objective would also benefit from road improvements under Objective 2.

Expected outputs: number of PINS investment sub-projects with sanitary certification under the Project, by type of agricultural activity, number of PINS receiving specialized technical support to obtain sanitary certification for markets.

Outcome: number of productive investments for market access with sanitary compliance. The supported activities were expected to increase access to markets for family agriculture (PDO).

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains



committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, 3. Involved sector institutions build capacity to implement and manage their respective activities, 4. Organized producers willing to accept and adopt project technologies and practices, and 5. Project reaches and benefits the poor and women.

The ToC reflected relevant activities that were directly connected to the stated outputs/intermediate outcomes and the PDO in a plausible causal chain. The critical assumptions were logical and realistic.

### **Outputs/Intermediate Results**

Notable achievements not captured by the RF: 1. Specialized TA had a positive influence on producers' capacity to increase production and provided important guidance on certification, marketing, access to credit, and professional management, 2. The transfer to and adoption by producers of sustainable practices was axiomatic in the Project's approach to improving their productivity, climate resilience and food security, 3. The Anti-Desertification pilot in the Seridó Region was strategically vital for the State, opening doors to dialogue on environmental sustainability of the State's natural resources and potential to influence public policy,

### **Outcome**

- 74 productive investments for market access had sanitary compliance exceeding the revised target of 60 but less than the original target of 100, and baseline was 5 (PDO outcome indicator). The ICR (paragraph 46) explained that the certification process faced bureaucratic difficulties which were compounded by the disruption to regular field activities caused by drought and the outbreak of COVID-19. Also, the overall target for SPs financed was reduced due to protracted drought and delayed start-up of investments.

**Summary of Efficacy Assessment.** The project fell short of achieving its original PDO outcome target. While the outcome did not qualify markets, the IE found that only 8% by quantity and 23% by value were marketed in formal/institutional markets, mostly these were products of agro-industrial fruit production and dairy products (ICR, paragraph 47). This review, finds that without qualifying access to markets it is difficult to comprehensively assess the achievement of this objective. That said, it is plausible to assume that the certification supported by the project would positively contribute to increasing market access in combination with investments in improving rural roads. Overall, the efficacy of the project in achieving this objective is Modest due to the underachievement of the original PDO outcome target and the absence of indicators to measure market access.

### **Rating**

Modest

## **OBJECTIVE 3 REVISION 1**

### **Revised Objective**

To increase access to markets for family agriculture.

### **Revised Rationale**





**Theory of Change (ToC).** The PDO did not change. The target for the productive investments for market access had sanitary compliance was reduced from 100 to 60.

### **Outputs/Intermediate Results**

Same as the original objective.

### **Outcome**

- 74 productive investments for market access had sanitary compliance exceeding the revised target of 60 but less than the original target of 100, and baseline was 5 (PDO outcome indicator). The ICR (paragraph 46) explained that the certification process faced bureaucratic difficulties which were compounded by the disruption to regular field activities caused by drought and the outbreak of COVID-19. Also, the overall target for SPs financed was reduced due to protracted drought and delayed start-up of investments.

**Summary of Efficacy Assessment.** The project exceeded its revised PDO outcome target and substantially achieved its original target. While the outcome did not qualify markets, the IE found that only 8% by quantity and 23% by value were marketed in formal/institutional markets, mostly these were products of agro-industrial fruit production and dairy products (ICR, paragraph 47). This review, finds that without qualifying access to markets it is difficult to comprehensively assess the achievement of this objective. That said, it is plausible to assume that the certification supported by the project would positively contribute to increasing market access in combination with investments in improving rural roads. Overall, the efficacy of the project in achieving this objective is rated Modest due to the absence of indicators to measure market access.

### **Revised Rating**

Modest

## **OBJECTIVE 3 REVISION 2**

### **Revised Objective**

To increase access to markets for family agriculture.

### **Revised Rationale**

PDO and targets were not revised.

### **Revised Rating**

Modest

## **OBJECTIVE 4**

### **Objective**

To improve the quality of and access to health services.



## Rationale

**Theory of Change (ToC).** To achieve the stated objective, the project supported building and improving health infrastructure, upgrade emergency care facilities, support early cancer detection through biopsies, mammography, pap smears, and cytopathology tests.

Expected outputs: health infrastructure built/improved, emergency care facilities upgraded, and early cancer detection tests available.

Outcome: supply of modernized hospitals, clinics, and diagnostic infrastructure and services improves quality and access to maternal/infants, cancer and emergency care. All this would contribute to improving the quality of and access to health services. Anticipated long-term outcome: reduced mortality rates in three priority networks (Maternal/Infant, Oncology, and Emergency/Urgency) by increasing the supply of modern, regionally distributed medical facilities equipped to deliver high quality services.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, 3. Involved sector institutions build capacity to implement and manage their respective activities, and 4. Project reaches and benefits the poor and women.

The ToC reflected relevant activities that were directly connected to the stated outputs, outcomes and the PDO in a plausible causal chain. The critical assumptions were logical and realistic.

## Outputs/Intermediate Results

- The percentage of women whose births were performed in the region where they live, in relation to the total number of births performed in the State reached 66.85% which was below the target of 85% (target not achieved).
- The percentage of hospitalizations due to clinical complications during gestation and post-partum, in relation to total hospitalizations for obstetric procedures reached 20.6% which meant that the lower target of 8% was not achieved (target not achieved).
- 2 referral centers for early detection of cancer, renovated, equipped and operational fully achieving the target of 2 (target achieved).
- 0.91% of biopsies were done after the cervical cancer screening (pap smear) which was below the target of 2.15% (target not achieved).
- 1% of biopsies were done after mammography which was below the target of 5% (target not achieved).
- 6 hospital emergency rooms were renovated, equipped, and concluded by the project substantially achieving the target of 7 (target substantially achieved).
- The state coverage of cytopathology exams in women aged 25-64 years reached 0.26% which was below the target of 0.44% (target not achieved).
- The state coverage of mammography exams in women reached 0.1% which was below the target of 0.5% (target not achieved).

## Outcome



- By project completion, the increase in the provision of health services related to prioritized health care networks at the regional level (maternal and infant, urgency and emergency, and oncological health care networks) reached 78% from a baseline of 76.64%, which was below the target of 84% (PDO, outcome indicator, target not achieved).

**Summary of Efficacy Assessment.** The project delivered notable progress in the health services supply chain and established the foundation for medium- to longer-term improvements in targeted networks. However, the project fell short of achieving both its PDO outcome targets and several intermediate results indicators targets. The ICR (paragraph 56) noted that the "project preparation under-estimated the lead time needed to show attributable results of complex health investments within a wider health system." Therefore, the efficacy of the project in achieving this objective is rated Modest.

**Rating**  
Modest

### **OBJECTIVE 4 REVISION 1**

#### **Revised Objective**

To improve the quality of and access to health services.

#### **Revised Rationale**

PDO and targets were not revised.

**Revised Rating**  
Modest

### **OBJECTIVE 4 REVISION 2**

#### **Revised Objective**

To improve the quality of and access to health services.

#### **Revised Rationale**

PDO and targets were not revised.

**Revised Rating**  
Modest

### **OBJECTIVE 5**

#### **Objective**

To improve the quality of and access to education services.



## Rationale

**Theory of Change (ToC).** To achieve the stated objective, the project supported construction/renovation of schools and provision of relevant educational equipment. The project also supported the modernization of teaching/learning approaches including: curricula, literacy, with a technical-vocational-rural focus.

The expected outputs/intermediate outcomes: schools reconstructed/renovated and equipped, development and dissemination of guidelines and curricular matrices, Pedagogical Innovation Projects (PIPs) implemented, improvement of operational standards improved, literacy classes for farmers/women applied, and computer labs fully utilized.

Outcome: high school drop-out rates decline as school infrastructure and pedagogical quality improves. This was expected to improve the quality of and access to education services.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, and 3. Involved sector institutions build capacity to implement and manage their respective activities.

The ToC reflected relevant activities that were directly connected to the stated outputs, outcomes and the PDO in a plausible causal chain. The critical assumptions were logical and realistic.

## Outputs/Intermediate Outcomes

- 89% of guidelines and curricular matrices disseminated in State Schools exceeding the target of 60% (target exceeded).
- 84% of schools of Pedagogical Innovation Projects (PIP) have satisfactorily implemented sub-projects substantially achieving the target of 90% (target substantially achieved).
- 76% of schools had computer Labs with adequate use exceeding the target of 70% (target exceeded).
- 98.6% of schools financed by the project were constructed, reformed, and/or expanded, and met the main requirements of minimum operational physical standards exceeding the target of 70%.

## Outcome

- By project completion, the decrease in drop-out rates of the State's secondary schools benefiting from the project reached 10.2% against a baseline of 12.45%, which did not meet the target of 8% drop out rate (PDO outcome indicator, target not achieved).

**Summary of Efficacy Assessment.** To achieve the stated objective, the project applied an inclusive, multi-pronged approach addressing physical infrastructure, pedagogical and standards-based deficiencies simultaneously to increase impact, and catering to the needs of different age, gender, and cultural groups, with aim to reduce the exceptionally high dropout rate at high school level in the State. The project fell short of achieving its PDO outcome target, but successfully met/exceeded targets for several intermediate outcome indicators as noted above. The ICR (paragraph 61) also noted that "the 2023 result confirmed a sustained downward trend in the dropout rate emerging in 2022 data after two years of severe pandemic effects on school attendance." Also, the State's dropout rate in 2019 reached 9.4% down from 13.8% in 2015, which was significantly better than Brazil's national average of 10.8%. Therefore, with the project supported



interventions, it is plausible to assume that the high school drop-out rate in the State would continue to decline. Therefore, the efficacy of the project in achieving this objective is rated Substantial with moderate shortcomings.

**Rating**

Substantial

**OBJECTIVE 5 REVISION 1**

**Revised Objective**

To improve the quality of and access to education services.

**Revised Rationale**

PDO and targets were not revised.

**Revised Rating**

Substantial

**OBJECTIVE 5 REVISION 2**

**Revised Objective**

To improve the quality of and access to education services.

**Revised Rationale**

PDO and targets were not revised.

**Revised Rating**

Substantial

**OBJECTIVE 6**

**Objective**

To improve the quality of and access to public security services.

**Rationale**

**Theory of Change (ToC).** To achieve the stated objective, the project supported integrated management, information systems, violence prevention, education, and victim support.

The expected outputs/intermediate outcomes: improved information systems and crime data processing, and improved municipal surveillance.



Outcome: localities have access to better security service and feel safer.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, and 3. Involved sector institutions build capacity to implement and manage their respective activities.

The ToC reflected relevant activities that were directly connected to the stated outputs, outcome and the PDO in a plausible causal chain. The critical assumptions were logical and realistic.

### **Outputs/Intermediate Outcomes**

- Preventive activities financed: IT equipment and systems, radio-communications systems, vans, video-monitoring equipment
- Structural activities financed: Biometric equipment/systems, vehicles, motorcycles, inflatable rafts, trail bikes, micro-computers, printers, IT terminals and scanners.
- Training courses delivered in humane treatment of victims of violence: women, ethnic groups, and LGBTQ+.

### **Outcome**

- By project completion, the people assisted locally (municipal level) by preventive public security activities financed by the Project reached 85.4% exceeding the target of 65% against a baseline of 45.4%. The calculation of the result considered the population assisted by preventive activities, classified as total population which received some or all activities, as a percentage of total state population (ICR, paragraph 70).

**Summary of Efficacy Assessment.** The project aimed to establish better equipped and qualified security agencies. This was expected to enhance their capacity to prevent and control illicit events through improved intelligence, monitoring of areas of risk, and criminal investigative skills. Also, stronger security management capacity would permit a concentration of forces on longer-term planning of public security policies, founded on integrated approaches and scientific evidence. While the project exceeded its PDO outcome target, there was no evidence provided to support that better equipped and qualified security agencies was achieved. The ICR (paragraph 73) reported that the Intentional Violent Lethal Conduct indicator showed a statistically significant reduction in municipalities with project activities compared to control municipalities (62% vs 44%). It is also worth noting that the project activities did not seek to directly reduce the indices of criminality and thus attribution of direct effects to the project was not possible (ICR, paragraph 71). Therefore, the efficacy of the project in achieving this objective is rated Substantial with moderate shortcomings due to the lack of evidence that the project activities resulted in better equipped and qualified security agencies.

### **Rating**

Substantial





## **OBJECTIVE 6 REVISION 1**

### **Revised Objective**

To improve the quality of and access to public security services.

### **Revised Rationale**

PDO and targets were not revised.

### **Revised Rating**

Substantial

## **OBJECTIVE 6 REVISION 2**

### **Revised Objective**

To improve the quality of and access to public security services.

### **Revised Rationale**

PDO and targets were not revised.

### **Revised Rating**

Substantial

## **OBJECTIVE 7**

### **Objective**

To improve systems for public expenditure in the context of a results-based management approach.

### **Rationale**

**Theory of Change (ToC).** To achieve the stated objective, the project supported: the provision of TA to diagnose, modernize structures, procedures and processes, provision of TA for integrated assets management system, provision of TA for HR management revision of the state assets, with a focused support to the State's public health, security and security institutions.

Outputs/intermediate outcomes: secretariats (State Secretariat of Health, State Secretariat of Education and State Secretariat of Security and Social Defense) establish second level contraction (results-based management) and priority macro-process identified and revised, higher proportion of critical audits recommendations being implemented, public assets regularized, surveyed, and registered in the State's computerized data system, community service centers constructed/renovated and fully operational.

Outcome: administrative structures, procedures, and processes (budget, planning, finance, and asset management) function more efficiently and aligned with the State's new integrated results-based management system. This was expected to improve systems for public expenditure in the context of a results-based management approach (PDO).



Anticipated long-term outcome: the state's socio-economic development interiorized and becomes regionally and territorially more integrated, equitable and connected, The State's administration is managed more efficiently and effectively.

The achievement of the stated objective was underpinned by the following critical assumptions: 1. SEPLAN effectively coordinates a complex 9 sector project that involves multiple institutions, 2. GoRN remains committed to the project objectives and sustains political/budgetary support including during project implementation and post completion, 3. Involved sector institutions build capacity to implement and manage their respective activities.

The ToC reflected relevant activities that were directly connected to the stated outputs, outcome and the PDO in a plausible causal chain. However, the RF lacked dedicated indicators for the Citizen Services Centers and tax collection and administration. The critical assumptions were logical and realistic.

### **Outputs/Intermediate Results**

- 5 secretariats had second level contracting fully achieving the target of 5 (target achieved)
- 59% of the critical audit recommendations were implemented exceeding the target of 50% (target exceeded).
- 48 Government agencies had Management Contracts formalizing commitments to annual results targets.
- Audit (of the Government Payroll – Folha de Pagamento) recommendations discussed and agreed in target sector institutions.

### **Outcome**

- By project completion, two systems were improved and operational fully achieving the target (PDO outcome indicator, achieved). The two systems tracked by the PDO indicator were: (a) State Integrated Planning and Fiscal Management System used by all state institutions to administer the State's budget and finances, and as the State's primary planning and management system; and (b) the Integrated Solution for Analytical Information and Mining of Data for the State Administration, a project-financed, primarily tax-related system/software which permits extraction and cross-referencing of data, and hence detection of fraud, evasion and gaps in tax collection. According to the ICR (paragraph 76) "State authorities confirmed that both systems were improved and fully operational at closing."

**Summary of Efficacy Assessment.** The project aimed to improve government systems, structure and professional manpower to enable the State to provide better quality services to the public, more efficiently, mainly in health, education, and public security. Upgrading the State Integrated Planning and Fiscal Management System and improving tax collection and administration were both expected to contribute to improved public expenditure. The project fully achieved its PDO outcome target and met/exceeded its intermediate outcome targets. Therefore, the efficacy of the project in achieving this objective is rated Substantial.

### **Rating**



Substantial

### **OBJECTIVE 7 REVISION 1**

#### **Revised Objective**

To improve systems for public expenditure in the context of a results-based management approach.

#### **Revised Rationale**

PDO and targets were not revised.

#### **Revised Rating**

Substantial

### **OBJECTIVE 7 REVISION 2**

#### **Revised Objective**

To improve systems for public expenditure in the context of a results-based management approach.

#### **Revised Rationale**

PDO and targets were not revised.

#### **Revised Rating**

Substantial

### **OBJECTIVE 8**

#### **Objective**

To improve systems for human resources in the context of a results-based management approach.

#### **Rationale**

**Theory of Change (ToC).** The same ToC under objective 7 applies.

#### **Outputs/Intermediate Results**

- 100% of the priority macro-processes were refurbished in the priority government institutions supported by the project exceeding the target of 60%.
- 5 secretariats had second level contracting fully achieving the target of 5 (target achieved). This refers to the State Secretariats and agencies required to have Results Management Contracts – with targets and indicators for their respective institutions - under Decree #26.090 of May 17, 2016, which controlled these contracts through the State Executive.
- 4,304 public servants in priority agencies (State Secretariat of Health-SESAP, State Secretariat of Education-SEEC, State Secretariat of Planning-SEPLAN, SEAD, Tourism, Public Security and State



Secretariat of Labor, Housing and Social Assistance-SETHAS) were trained by the government school (no target provided). The public employees were trained in planning, budget and financial execution, human resources, government purchasing, assets management, information technology, public security, governance, and risk management (ICR, paragraph 83). The ICR (paragraph 83) also noted that "a follow-up study by the Government School showed that 66% of attendees at project-financed courses were applying their learning fully to their work and another 22% were doing so partially; and 80% of attendees said the quality and effectiveness of their work had improved."

### **Outcome**

- This objective did not have a dedicated PDO-level indicator and the ICR used the same indicator under objective 7 to assess its achievement. The project team explained that the PDO indicator for Objective 7 applied to this objective as well since it was pitched at high level.

**Summary of Efficacy Assessment.** The project financed and delivered training courses for public servants in selected priority secretariats/agencies, focused on results-based management. Despite that causal connection of the PDO Indicator "Systems improved and operational" to this objective outcome is not explicit, the link is more clear through the IRI indicators: "Number of secretariats with second level contracting" (fully achieved); and "Percentage of priority macro-processes refurbished in priority institutions of the Project" (target exceeded). The two indicators measured improved efficiency and relevance of government functions expected from a better-trained public workforce. It is plausible to assume that the project positively contributed to improving systems for human resources in the context of a results-based management approach. Therefore, the efficacy of the project in achieving this objective is rated Substantial.

### **Rating**

Substantial

## **OBJECTIVE 8 REVISION 1**

### **Revised Objective**

To improve systems for human resources in the context of a results-based management approach.

### **Revised Rationale**

PDO and targets were not revised.

### **Revised Rating**

Substantial

## **OBJECTIVE 8 REVISION 2**

### **Revised Objective**

To improve systems for human resources in the context of a results-based management approach.

### **Revised Rationale**



PDO and targets were not revised.

### Revised Rating

Substantial

## OBJECTIVE 9

### Objective

To improve systems for physical asset management in the context of a results-based management approach.

### Rationale

**Theory of Change (ToC).** The same ToC under objective 7 applies.

### Outputs/Intermediate Results

- 76% of the properties surveyed were regularized and registered in the State's computerized system exceeding the target of 70% (target exceeded).
- 3,451 Government properties out of 4,538 (76%) were registered and regularized and controlled under the new Computerized System. The project could not achieve a 100% registration due to the COVID-19 restrictions.
- 2,217 properties had full documentation including descriptive opinions of property, maps, and property valuations.
- Notable achievements not directly captured by the RF: A Special control software was developed, the SIPAT (Assets System), including a phone-accessible version permitting the public to identify a property on a map. Also, Government teams and contractors developed the SGP (Assets Management System) accessible to State employees responsible for assets control, which unifies all documents for each property.

### Outcome

- This objective did not have a dedicated PDO-level indicator and the ICR used the same indicator under objective 7 to assess its achievement. The project team explained that the PDO indicator for Objective 7 applied to this objective as well since it was pitched at high level.

**Summary of Efficacy Assessment.** The project supported the State to understand, formally register, and systematize its property holdings. The State could not invest in hospitals and schools using borrowed resources unless its properties were regularized, a requirement of the Bank and other Financial Institutions. Through upgrading the State Integrated Planning and Fiscal Management System with capacity to store, organize and retrieve timely, updated information on the State's property holdings, the Project contributed to improved and systematized the State's physical assets management capacity. Therefore, the efficacy of the project in achieving this objective is rated Substantial.

### Rating



Substantial

### **OBJECTIVE 9 REVISION 1**

#### **Revised Objective**

To improve systems for physical asset management in the context of a results-based management approach.

#### **Revised Rationale**

PDO and targets were not revised.

#### **Revised Rating**

Substantial

### **OBJECTIVE 9 REVISION 2**

#### **Revised Objective**

To improve systems for physical asset management in the context of a results-based management approach.

#### **Revised Rationale**

PDO and targets were not revised.

#### **Revised Rating**

Substantial

## **OVERALL EFFICACY**

### **Rationale**

Overall Efficacy at first restructuring is rated Substantial with moderate shortcomings. The project successfully increased food security for family agriculture (Objective 1). However, achievements towards increasing access to productive infrastructure for family agriculture (Objective 2) were mixed as the project only achieved 26% of its target for direct beneficiaries. Also, for increasing access to markets for family agriculture (Objective 3), the project fell short of achieving its outcome target and access to markets by itself was not measured. The project fell short of achieving its outcome targets for improving the quality of and access to health services (Objective 4). While the project fell short of achieving its outcome target for improving the quality of and access to education services (Objective 5), it met or exceeded several intermediate outcome targets pertaining to this objective. The project also contributed to improving access to public security service, but there was no evidence that project activities resulted in better equipped and qualified security agencies (Objective 6). The project successfully contributed to improving systems for public expenditure in the context of a results-based management approach (Objective 7), improving systems for human resources in the context of a results-based management approach (objective 8), and





improving systems for physical asset management in the context of a results-based management approach (Objective 9) fully achieving its outcome target pertaining to the afore-mentioned objectives.

### **Overall Efficacy Rating**

Substantial

## **OVERALL EFFICACY REVISION 1**

### **Overall Efficacy Revision 1 Rationale**

Overall Efficacy at second restructuring is rated Substantial with moderate shortcomings. The project successfully increased food security for family agriculture (Objective 1). However, achievements towards increasing access to productive infrastructure for family agriculture (Objective 2) were mixed as the project only achieved 58% of its target for direct beneficiaries. For increasing access to markets for family agriculture (Objective 3), the project exceeded its revised outcome target, however, access to markets by itself was not measured. The project fell short of achieving its outcome targets for improving the quality of and access to health services (Objective 4). While the project fell short of achieving its outcome target for improving the quality of and access to education services (Objective 5), it met or exceeded several intermediate outcome targets pertaining to this objective. The project also contributed to improving access to public security service, but there was no evidence that the project activities resulted in better equipped and qualified security agencies (Objective 6). The project successfully contributed to improving systems for public expenditure in the context of a results-based management approach (Objective 7), improving systems for human resources in the context of a results-based management approach (objective 8), and improving systems for physical asset management in the context of a results-based management approach (Objective 9) fully achieving its outcome target pertaining to the afore-mentioned objectives.

### **Overall Efficacy Revision 1 Rating**

Substantial

## **OVERALL EFFICACY REVISION 2**

### **Overall Efficacy Revision 2 Rationale**

Overall Efficacy at completion is rated Substantial with moderate shortcomings. The project successfully increased food security for family agriculture (Objective 1). The project also exceeded its to PDO outcome targets pertaining to increasing access to productive infrastructure for family agriculture (Objective 2). For increasing access to markets for family agriculture (Objective 3), the project exceeded its revised outcome target, however, access to markets by itself was not measured. The project fell short of achieving its outcome targets for improving the quality of and access to health services (Objective 4). While the project fell short of achieving its outcome target for improving the quality of and access to education services (Objective 5), it met or exceeded several intermediate outcome targets pertaining to this objective. The project also contributed to improving access to public security service, but there was no evidence that project activities resulted in better equipped and qualified security agencies (Objective 6). The project successfully contributed to improving systems for public expenditure in the context of a results-based management approach



(Objective 7), improving systems for human resources in the context of a results-based management approach (objective 8), and improving systems for physical asset management in the context of a results-based management approach (Objective 9) fully achieving its outcome target pertaining to the aforementioned objectives.

### **Overall Efficacy Revision 2 Rating**

Substantial

## **5. Efficiency**

### **Economic and Financial Analysis (EFA)**

#### ***Ex-ante***

The project aimed to support activities in different sectors with very different approaches, and the methodology for the Economic and Financial analysis differed for each type of programmed intervention. The ex-ante EFA did not provide an overall economic rate of the return (ERR) for the whole project.

- Component 1 supported productive sub-projects embedded in strategic value chains as well as social and environmental sub-projects. Indicative production models from different value chains were constructed. These model sub-projects generated Financial Internal Rates of Return (IRR) greater than 18% in all cases and demonstrated significant incremental incomes in rural producer families (R\$360/month on average).
- Sub-component 2.1 aimed to reduce the incidence of deaths related to birth, cervical and breast cancer, as well as injury (e.g. traffic accidents, homicides, etc.). The analysis aimed solely at providing a conservative estimate of the quantifiable benefits that are expected from such intervention. Social benefits and indirect economic benefits were not accounted for through this approach. Using a minimal proxy, an IRR of 20% was estimated under the assumption that 30% of the expected targets would still be achieved in a situation without project intervention.
- Sub-component 2.2 aimed to address the issue of underperformance of the primary and secondary education systems in Rio Grande do Norte. In the analysis, the benefits were estimated based on an increase in earnings brought by a larger number of years of education and/or earlier incorporation in the job market (lower repetition rates). The analysis resulted in an IRR of 15% even assuming that only 50% of the expected improvements in repetition and dropout rates were attributable to the project's intervention.
- For component 3 (Public sector management), it was difficult to attribute the benefits of improvements in public sector management to specific activities or investments as by their nature these would be dispersed throughout improved service delivery in all areas of government activity.

#### ***Ex-post***

The ex-post EFA did not estimate an overall project rate of return due to the disparate sectors analyzed and methodologies applied. Economic and Financial Analyses were conducted for five project sectors totaling



around US\$250 million, or 63% of total project costs: Productive Inclusion, Water Supply, Roads, Health, and Education. Tourism, public security and public sector management were not analyzed due to data and methodological difficulties.

- **Productive Inclusion and Water Supply:** overall, productive inclusion and water supply achieved an IRR of 27% and an NPV of R\$287 million at 2023 prices for a discount rate of 10%. The investment in sewage and water supply yielded an internal rate of return (IRR) of 40% and NPV of R\$ 269 million. Matching grants for investments in agri-food and crafts (PINS): agri-food activities yielded an IRR of 13% and an NPV of R\$11 million at 2023 prices at a discount rate of 10%. Matching grants for water supply (PSA): the investments yield an IRR of 13% and an NPV of R\$ 6.2 million at 2023 prices at a discount rate of 10%.
- **Roads:** the analysis results showed that the overall performance of the roads investments yielded an IRR of 23.4% and an NPV of US\$38.5 million at a 12% discount rate, under a 20-year time horizon.
- **Health:** economic analysis results showed an overall performance of the health sub-component as an IRR of 9% with an NPV of US\$2.8 million at a 6% discount rate. In comparison, ex-ante evaluations calculated a weighted average IRR of 20%.
- **Education:** the economic analysis showed that the education sub-component yielded an IRR of 6.9% and an NPV of US\$7.5 million at a 6% discount rate. In comparison, ex-ante evaluations calculated a weighted average IRR of 15% for the whole education sub-component.

**Implementation Efficiency.** The project closing date was extended by 55 months beyond the planned closing date on May 31 2019. The design complexity and uneven capacity of sector institutions created multiple delays post effectiveness. Productive inclusion investments were similarly constrained due to inexperience and contextual factors. Also, social and environmental sub-projects experienced implementation delays. All 10 road segments financed by the project were implemented within six years - 2018 to 2023 - with the average segment taking 2-3 years for completion. Most road works proved less costly to implement than initially budgeted, with an average underrun of 13%. Also, the implementation of the education sub-component was efficient with cumulative disbursements exceeding 80% by 2021, and almost all activities were completed by 2022. The health sub-component in particular suffered delays to key investments and the concluded works lacked human, material and in some cases financial resources. For example, major delays affected the completion of civil works of the Mossoró Women's Hospital delaying benefits. The COVID-19 pandemic was a major source of delays that disrupted health administration in the state. Also, there were delays in project implementation of activities under component 1 with the investments in sub-projects starting in 2017 after a long delay.

**Summary of Efficiency Assessment.** The ex-post and ex-ante lacked an overall ERR for comparison. While the ex-post IRR for health and education financed activities were 9% and 6.9%, respectively, and above the 6% discount rate, both were lower than the ex-ante estimates at 20% and 15%, respectively. The overall IRR for productive inclusion and water supply, and roads achieved an IRR of 27% and 23.4%, respectively, well above the discount rate of 12%. Implementation efficiency was mixed, but the outbreak of COVID-19 had an overall negative effect on implementation of activities. The ICR (Annex 4) included a detailed EFA that provided a robust justification of the project investments. Therefore, efficiency is rated Substantial.

## Efficiency Rating

Substantial



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	63.00 <input type="checkbox"/> Not Applicable

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

## 6. Outcome

**At first Restructuring.** Relevance of Objectives was rated Substantial. The PDO was complex and pitched at an ambitious level relative to the capacity on the ground and the targets to be achieved within the original project timeframe. Overall Efficacy was rated Substantial with moderate shortcomings. Efficiency was rated Substantial since all the *ex-post* IRR estimates for project investments were above the discount rate. Based on the assigned ratings for the three Outcome criteria, the project Outcome is rated Moderately Satisfactory.

**At Second Restructuring.** Relevance of Objectives was rated Substantial. The PDO was complex and pitched at an ambitious level relative to the capacity on the ground and the targets to be achieved within the original project timeframe. Overall Efficacy was rated Substantial with moderate shortcomings. Efficiency was rated Substantial since all the *ex-post* IRR estimates for project investments were above the discount rate. Based on the assigned ratings for the three Outcome criteria, the project Outcome is rated Moderately Satisfactory.

**At completion.** Relevance of Objectives was rated Substantial. The PDO was complex and pitched at an ambitious level relative to the capacity on the ground and the targets to be achieved within the original project timeframe. Overall Efficacy was rated Substantial with moderate shortcomings. Efficiency was rated Substantial since all the *ex-post* IRR estimates for project investments were above the discount rate. Based on the assigned ratings for the three Outcome criteria, the project Outcome is rated Moderately Satisfactory.

Weighted outcome rating:

Objective Outcome Elements	Restructuring (May 10, 2019)	Restructuring (April 1, 2021)	Project Completion (December 31, 2023)
Relevance of Objectives	Substantial	Substantial	Substantial
Overall Efficacy	Substantial	Substantial	Substantial
Efficiency	Substantial	Substantial	Substantial
Outcome Ratings	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Numerical value of Outcome ratings	4	4	4



Disbursement (millions US\$)	194.40	79.60	86.00
Share of disbursement	.54 (54%)	0.22 (22.2%)	0.24 (23.8%)
Weighted value of the Outcome rating	4 x 0.54 = 2.16	4 x .22 =0.88	4 x 0.24 = 0.96
Final Outcome Rating	2.16 +0.88 +0.96 = 4		<b>Moderately Satisfactory</b>

**a. Outcome Rating**  
Moderately Satisfactory

**7. Risk to Development Outcome**

The following risks could potentially impact the Development Outcome:

**1. Technical risk.** A number of technical inspections at closing verified that project roads were well-maintained as evidenced by the good paving condition and pruned encroaching vegetation. A Road Maintenance Study was done for Mossoró District, similar studies are ongoing/planned for all state operational districts, and maintenance arrangements will be integrated in all future, major road works contracts. Performance-based, longer-term roads rehabilitation and maintenance contracts with private firms are proposed, including under the follow-on RN II operation. The State is analyzing future road maintenance needs, identifying regions where road issues are impeding product and human flows, and mapping economically significant roads. Under this more systematic strategy, the 2024 budget is R\$150 million.

**2. Financial risk.** This relates to several aspects of the project: (a) Education: Budget availability is crucial and an important incentive to education authorities and teachers who see tangible evidence that dropout rates are declining, and students who see that school facilities are in good shape. The sustainability of education outcomes is maintenance-dependent This includes maintenance of structures which covered under the Paying for Buildings Program permits RN schools to apply for resources to execute non-complex maintenance works. Regulated by Portaria SEI No. 885 of December 19, 2022, the program covers all state schools including those built or renovated by the Project. Also adequate maintenance would enable continuity of other macro actions including: further expansion of PIP, municipal dissemination of educational directives to achieve National Education Plan targets, deepening adoption of the new curricula, and expanding successful literacy and technical-professional training; (b) Water Supply and Sanitation Services (WSS): Financial risk also extends to WSS systems/facilities where adequate maintenance as part of a strategy and action plan are critical to ensure sustainability. Rural WSS are not sustainable without dedicated support, including community participation and payment for service, to ensure routine maintenance. BCR questionnaires in beneficiary communities revealed concerns about longer-term sustainability and adequate resources to maintain and/or expand systems. The Bank repeatedly highlighted Integrated Rural Water Supply and Sanitation System (SISAR) in Ceará and the CENTRAL system in Bahia, messages reinforced by state specialists and water authorities. The State was urged to study these experiences and others



emerging in RN such as the State Water and Sanitation Company (CAERN) concept, and to pilot a similar model; and (c) Public security: Future planning and execution of sustainable public security policies will benefit from an increase the State's public security budget increased 41% from 2016 to 2020; Federal resources expanded from R\$275,000 to R\$35.5 million in the same period; and the State created a State Security Fund. Alignment of public security policy with the State's Multi-year Plan is integrating the Single Public Security System (SUSP) with SESED, combining norms and directives with a longer-term vision. Improved corporate management systems, institutional practices, and capacity for data analysis and evidence-based decisions expanded SESED's policy planning and execution capacity. Public competitive recruitment is underway to renovate the Military and Civil Police, the Police Technical-Scientific Institute (ITEP), Penal System Police and Military Firemen.

**3. Stakeholders ownership risk.** The State Secretariat of Health (SESAP) update on health infrastructure utilization, plans for expansion of project-financed facilities, and the State's proactivity on training partnerships with specialized institutions, paints a more dynamic picture than existed at closing. The State is aware that interventions stressed hardware investments, and the focus is now on care coordination mechanisms, quality and strategy formulation. While there is exact model to orient the consolidation of care networks, the State and participating Municipalities are working to increase governance, technical and human capacity, shared management agreements and location-responsive recurrent costs planning.

**3. Environmental risk.** Environmental risk is reduced by the Socio-Environmental Project (PSA) core sustainability goals and producer/community organization and collaboration. This is reflected in high adoption rates for socio-environmental best practices; investments in the Recovery of Degraded Areas, notably the Anti-Desertification Pilot in the Seridó Region which can be disseminated and adopted in other state regions; and by socio-environmental best practices under the Sustainable Business Initiative Project (PINS): installation/maintenance of solar energy, proper disposal of productive waste, environmental quality controls for input production areas; and environmental and water licensing of 430 operations under Component 1, 98% of the total.

**4. Institutional risk.** Tourism investments have a mixed risk outlook. Tourism infrastructure was developed within a sustainable regional development framework and included strengthening of local productive capacity to supply the tourism "trade" and efforts to build a tourism-qualified labor force. The State Secretariat of Tourism (SETUR) grew institutionally in its engagement with tourism stakeholders, understanding of local realities, and advocacy of expansion beyond the Dune Coast. Primary producers' insertion in the tourism trade is still nascent but the coffee central cooperative (CECAFES) model demonstrated collective management and decision-making, and potential for organized, demand-based production for hotels and restaurants. SETUR needs to adopt an entrepreneurial approach to promote tourism as a lucrative, professionalized business.

**5. Project specific risk.** Productive investments under the PINS model are at risk that their results will not be sustained. Greater beneficiary participation in decision-making strengthened a sense of identity and commitment, while increased managerial skills developed resilience and adaptive capacity. About 32% of beneficiary organizations showed sufficient management capacity to keep advancing in their businesses. Market insertion conditions and higher incomes can also drive sustainability: 38% of Producers' Organizations expressed optimism with their sanitary certification opening doors to institutional and other markets, and the Seal of Family Agriculture providing tax exemption. Continuing to build climate resilience is crucial because a single protracted drought can devastate a family farm business.





## 8. Assessment of Bank Performance

### a. Quality-at-Entry

- **Strategic relevance and approach.** The project was strategically relevant and in line with the State's priorities and with the Federal Government's goal of eradicating extreme poverty by promoting greater regional integration, productive inclusion and access to public services. The PDO was also in line with the Bank strategies (see Section 3 for details). The project was financed through a Specific Investment Loan (SIL) not a Sector-Wide Approach Program/Project (SWAP) because Borrower systems and capacity were not considered adequately developed.
- **Technical, financial and economic aspects.** The project was highly ambitious with a complex PDO that when unbundled included 9 different objectives. The project design was complicated and supported different activities that aimed to: (a) promoting regional development and inclusive growth through productive inclusion, entrepreneurship, infrastructure and logistics investments; (b) elimination of extreme poverty through enhanced food security and income-generation; (c) improvement of public services delivery, namely education, health and public security; and (d) modernization of public sector management through a results-oriented program that introduces integrated and results-based management methodology, as well as measures for strengthening public institutions. The Bank was aware that a relatively large loan was approved for a small state with weak capacity, as noted by the ICR (paragraph 106). It was also evident that there was a strong preference by the State for a single, large loan covering multiple sectors and processed rapidly for political reasons as the Governor facing re-election in October 2013 (ICR, paragraph 106). While the multidimensional project design was a response to interrelated challenges, it could have benefited from more time to plan and better sequence activities. The rushed preparation resulted in an "under-estimated execution time, unrealistic disbursement projections, innovative activities with which RN had no experience, and internally complex sub-components" further "tourism, roads, water and public security lacked contextual analysis in the PAD (ICR, paragraph 106)." Essential baseline analyses continued well after effectiveness, delaying the investment stage for several years, particularly for Productive Inclusion. Overall, the project was a complex multi-dimensional operation that was implemented against weak institutional capacity, under an unrealistic timeframe and disbursement projections.
- **Poverty, gender, and social development aspects.** The project design supported activities that were expected to reduce poverty and increase shared prosperity. The project also supported direct and indirect employment generation for under-served populations. The project design also included specific activities to prioritize gender and women participation. This included training opportunities for women and supporting women health and wellbeing. The project sought to achieve a high 60% female participation in total direct beneficiaries.
- **Environmental and Fiduciary aspects.** The project design underestimated the environmental and fiduciary challenges. The project experienced environmental related delays and procurement was challenging as well. According to the ICR (paragraph 121) procurement was challenging "requiring intensive support and training from Bank specialists to build procurement capacity."
- **Implementation arrangements.** The project was a multi-sector operation jointly implemented by nine State Secretariats/Departments. The State Secretariat of Planning and Finance (SEPLAN), through a dedicated Project Management Unit (PMU), was responsible for the overall management, coordination, planning, and monitoring and evaluation of project activities both at





central and regional levels. The project's implementation experience revealed that implementation capacity was uneven and repeated turnover of State Government sector counterparts was disruptive. Also, changes in technical and managerial teams, discontinuity of activities, and fragmentation of information affected the project implementation.

- **Risk assessment.** Seven risks were identified at appraisal of which six were rated Substantial. The overall risk rating was also rated Substantial. While all risk categories in the PAD and ORAF (Operational Risk Assessment Framework) were correctly rated Substantial, the Modest rating for Social and Environmental underestimated a number of challenges. Social and Environmental risk were rated moderate based on the small scale of productive and infrastructure investments; however, larger-scale road, WSS, irrigation, school and hospital infrastructure were not considered nor were the special needs of vulnerable groups. The proposed risk management/mitigation measures were rational and included dialogue and consultation, TA and training, strong internal controls, clear lines of responsibility, flexibility, and institutional and beneficiary capacity building.
- **M&E arrangements.** The Project was monitored and evaluated through the existing Management Information System (MIS) developed by SEPLAN which is integrated into GoRN monitoring systems. The Results Framework had shortcomings including the lack of an explicit social reference for the first part of the PDO despite supporting activities that had a strong social bias. Also, health and education measurement depended on state and federal indices that experienced shifting baselines. Further, some targets were over-estimated or formulated late as the case for Productive Inclusion. Finally, the late inclusion of activities and analytical gaps resulted in weak or in some cases, no indicators to track activities in some areas including: food security, roads, tourism, and beneficiary numbers (see Section 9a for more details).

**Summary of Quality at Entry (QAE) Assessment.** The project featured an overly ambitious PDO that relied on a complex design. The project design could have benefited from more time to better prepare such a complex multisectoral operation. The ICR noted that essential baseline analyses continued well after effectiveness, delaying the investment stage for several years, particularly for Productive Inclusion. The project design supported activities that were expected to reduce poverty and increase shared prosperity and included specific activities to prioritize gender and women participation. However, the project design underestimated the environmental and fiduciary challenges. Implementation arrangements were challenging given the need to coordinate between nine different sectors. While risk analysis correctly identified a number of risks, the risk related to Social and Environmental aspects was underestimated. M&E of the project involved nine sectors which imposed a massive challenge with regards to the quantity and diversity of data needed, produced, and processed. The RF had several shortcomings including objective outcomes and activities lacking relevant indicators, and certain targets were unrealistically high. Overall, the project was a complex multi-sectoral operation that was implemented against weak institutional capacity, under an unrealistic timeframe and disbursement projections. Therefore, Quality at Entry is rated Moderately Unsatisfactory due to significant shortcomings pertaining to the project design, M&E and to a lesser extent environmental and fiduciary aspects and risk assessment.

**Quality-at-Entry Rating**  
Moderately Unsatisfactory



## b. Quality of supervision

- The project experienced challenges during its implementation including electoral turnover, drought (2015-2018), economic and financial crises, and the COVID-19 pandemic. The Bank conducted 21 implementation support missions over the project implementation period, including some virtual missions during the COVID-19 restrictions.
- The project had stable leadership as the task Team Leader (TTL) who prepared the project also led its supervision until 2022. There were two TTLs from 2022 to closing with the co-TTL assuming leadership in the final year. Stable project leadership combined with a stable SEPLAN team fostered strong relationships essential to implement a complex project institutionally, technically, and operationally. Supervision focused on development impact and compliance. However, this was complicated by the project's magnitude and diversity of sectors.
- While Government change in 2014 and 2018 affected the leadership and technical teams in participating sector institutions, the Bank ensured continuity through outreach after each election. However, turnover in the health and public security secretariats was excessive and beyond resolution by the project.
- Bank management intervention with the State Governor and SEPLAN at critical points during implementation signaled urgency and induced more realistic, pragmatic decision-making. The Bank provided necessary guidance to support SEPLAN in managing fiduciary and progress monitoring.
- The Development Impact Group (DIME) at the Bank supported the preparation of evaluation Terms of Reference. While a formal impact evaluation was conducted, its scope was limited by late completion of investment activities and insufficient operational time to demonstrate measurable results.
- The Bank supervision was proactive promptly highlighting critical issues and candidly discussing their resolution with the project management and sector teams within the Bank. Project TTLs balanced and prioritized available budget and leveraged other support such as FAO for Component 1 and, to cover additional expenses of fielding specialists in dams, education, health and governance, pooled budget from other projects under supervision, and combined supervision missions in the Northeast region.
- While the Mid-Term Review was conducted in 2015, addressing design and M&E concerns started late in 2017 with the first restructuring. The multiple extensions of the project closing date enabled the completion of critical investments and achievement most of its objectives.
- Finally, maintaining a full range of Bank specialists needed to support a multisectoral project was challenging.

**Summary of Quality of Supervision Assessment.** The Bank provided guidance to the project under challenging conditions. The Bank understood the importance of the project to the State and leveraged its support to address implementation issues. The Bank also provided sustained supervision, that included direct involvement of Bank management at critical points, with rigorous technical, operational and fiduciary guidance designed to build state capacity and resolve problems, and enable the achievement of the project outcomes. That said, there were notable weaknesses related to supervision including the late action to restructure the project and revise the RF. While the design complexity and uneven capacity of sector institutions created multiple delays post effectiveness, there was little evidence available to suggest the team tried to assist in improving this situation. Further, productive inclusion investments were constrained due to inexperience and contextual factors suggesting more support was necessary. Also, the health sub-component in particular suffered delays to key investments and the concluded works lacked human, material and in some cases financial resources, which the team could have helped resolve. Finally,



safeguards were downgraded to MS in 2018, financial management in 2019 and procurement oversight had to be tightened. Overall, Bank Supervision is rated Moderately Satisfactory.

Based on the assigned ratings to QAE and Quality of Supervision, the Overall Bank Performance is rated Moderately Satisfactory.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Satisfactory

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

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

- The PAD did not include a Theory of Change (ToC) since it was not yet required by the Bank at the time of Appraisal. Nonetheless, the ICR included a ToC that reflected the relationship between the project activities, outputs, intermediate outcomes and outcomes. This Review reconstructed a ToC for each Objective based on the detailed project description in the PAD, the restructuring papers, and the ToC reported in the ICR.
- The achievement of the PDO was measured by five PDO outcome level indicators: (i) increased real revenue of beneficiary producers' organizations; (ii) increased provision of health services related to prioritized health care networks at the regional level (maternal and infant, urgency and emergency, and oncological health care networks); (iii) increased Development Index of Basic Secondary Education (IDEB); (iv) increased percentage of population locally benefited by the electronic police reporting system; and (v) increased budget percentage of State's strategic projects adopting results oriented approach/performance evaluation in planning and implementation.
- The PDO outcome indicators were relevant and connected to the stated objectives. However, there were several shortcomings: first, the outcome indicator measuring the productive infrastructure lacked a social dimension; second, food security lacked a PDO Indicator; third, there were no indicators to capture road improvements and tourism activities; fourth the RF relied on one outcome indicator to measure the improvement in public sector management, and fifth the target for direct project beneficiaries was initially over estimated.
- The RF was complex with 20 intermediate outcome results indicators to track the different project activities and assess the achievement towards realizing the PDO. Most IRIs were relevant, measurable and connected to the stated activities.
- M&E design sought to establish an information management system with multiple modules capable of tracking a nine-sector project. Sector institutions would collect data on their project activities and report to the UGP/SEPLAN which managed the MIS.



- Overall, M&E design was complex and establishing an effective system to monitor a nine-sector project was challenging. The RF reflected the project complexity with 21 IRIs. However, there were several weaknesses relating to the design of PDO indicators as noted above.

## **b. M&E Implementation**

- Monitoring a nine-sector project was a huge challenge. The project's MIS evolved overtime, reflecting the project's complexity and enabling the tracking and reporting of all aspects of implementation. The MIS was integrated with key state and Bank systems: Electronic Information System, the State's Integrated Planning and Fiscal Management System, the Bank's STEP system.
- The MIS constructed reports and panels denoted, and combined visual, dynamic information in datasets delivered via web platforms. This system enabled the Grievance Response Mechanism for public comments and complaints about the project and its response history. The State's successful MIS experience was publicized and disseminated widely and became a model for the World Bank's projects in other states.
- Restructurings and revision of the RF. The RF was extensively modified in 2017 and adjusted again in 2019 and 2021. In 2017, a critical reassessment of the RF's improved its coverage and measurability. Also, new indicators were added in 2019 including for Health, and some targets were revised to align with contextual realities. While the RF quality improved after the revisions, the restructurings did not fully address shortcomings in the outcome orientation of some indicators as this remained a function of project complexity, technical capacity and measurement challenges.
- An Impact Evaluation included a secondary evaluation of 34 Productive Inclusion investments (PINS). This was conducted to assess the impact on individual value chains. Also, case studies analyzed the cheese makers, irrigation scheme, the Anti-Desertification Pilot, and the Indigenous Schools. Satisfaction surveys helped to gauge the project's effects. A formal impact evaluation was also conducted on the Pedagogical Innovation Program.

## **c. M&E Utilization**

- Utilization of the project data was effective as evidenced by progress monitoring and reporting; mission planning and reporting; supervision troubleshooting; project restructuring; fiduciary monitoring and reporting; evaluation and case study enrichment and analyses; project dissemination and publicity; sector planning; the project GRM; Business Plan preparation and supervision; the Borrower Completion Report (BCR) and the Bank's ICR; project EFAs; and preparation of the follow-on RN II operation.
- At completion, a thorough BCR was produced which helped the Bank's ICR to triangulate information in the absence of formal impact studies.

**Summary of M&E Quality Assessment.** M&E design was complex and establishing an effective system to monitor a nine-sector project proved challenging. The RF reflected the project complexity, but there were several weaknesses to the design of PDO indicators. An effective MIS system was established during implementation and an adequate amount of data was collected that enabled the monitoring of project activities and evaluations of the results. While the RF was revised as part of the



2019 and 2021 restructuring, the revisions did not fully address shortcomings. Despite M&E complexity, the Bank proactively worked with the borrower to refine and strengthen the M&E system. Utilization was effective and the project data informed various aspects of the project management process and informed the preparation of the follow-on RN II operation. Overall, M&E Quality is rated Substantial with moderate shortcomings due to continued weaknesses in the RF even after two restructurings.

## M&E Quality Rating

Substantial

## 10. Other Issues

### a. Safeguards

- **Environmental Category and Safeguards.** This project was classified as environmental category B - Partial Assessment since the project activities did not entail any potential large scale, significant and/or irreversible negative environmental impacts. Six environmental and two social safeguards were triggered: Environmental Assessment (OP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP 4.09), Physical Cultural Resources (OP 4.11), Safety of Dams (OP/BP 4.37), Indigenous Peoples (OP/BP 4.10) and Involuntary Resettlement (OP 4.12). An Environmental and Social Management Framework (ESMF), an Indigenous Peoples Planning Framework (IPPF), and a Resettlement Policy Framework (RPF) were prepared to address potential social and environmental safeguards issues in accordance with the World Bank requirements.
- **Compliance with Environmental and Social Safeguards.** According to the ICR (paragraph 116) "compliance under triggered environmental safeguards was consistently rated Satisfactory until 2017 when ratings slipped to MS reflecting the increasing numbers of construction works putting pressure on safeguards compliance." Environmental Licensing was complex and resulted in delays impacting educational and health facilities supported by the project. According to the ICR (paragraph 119) for involuntary resettlement "compliance was Satisfactory until 2018, downgraded to MS due to delayed resolution of social issues associated with the Lucrecia Dam, then upgraded to Satisfactory in the final year when safeguards requirements were fully met." A GRM system was established and became operational in June 2017. According to the ICR (paragraph 120) "all complaints were resolved."

### b. Fiduciary Compliance

- **Financial Management (FM).** The UGP's financial team was operational by effectiveness and met Bank standards. The Project adhered to World Bank FM standards across all criteria (ICR, paragraph 122). The Borrower delivered 11 project audit reports to the Bank, all of which were on time and of acceptable quality. Seven of the 11 audits entailed Qualified opinions. FM rating was downgraded in 2019 to MS due to deficient internal controls. By June 2021, FM arrangements were adhering to Bank standards, except that some key FM actions still lagged. Delayed implementation of an Action Plan to resolve issues and reduce fiduciary risk kept the rating at MS in 2022. By mid-



2023, the FM arrangements were fully compliant with Bank standards. FM performance was rated Satisfactory in the final ISR.

- Procurement.** Procurement execution was challenging, requiring intensive support and training from Bank specialists to build procurement capacity. With 360 contracts, UGP and UES were burdened trying to meet Bank procurement guidelines. The PINS business plans were of poor quality and many needed re-design, causing delays. The Bank trained suppliers of TA for business plan preparation to improve quality. To improve performance, all procurement was migrated into STEP, and procurement packages were bundled whenever possible. Procurement activities benefited from the Bank support on a number of issues including: bidding processes under the IT Framework Agreement, additives to contracts for school renovation and MWH construction, and ICB procedures for the State Court of Accounts. By 2020, defective engineering designs needing amendment increasing time and cost as the materials, equipment, and labor costs were rising. This resulted in contracts being disputed then re-negotiated at a higher price. Audit findings downgraded the procurement rating at end-2021 due to non-delivery of some contracted services, and amendments to otherwise regular contracts. This prompted the Bank to intensify procurement oversight of all contracting. This improved the management of multiple and technically complex processes. The Procurement performance was rated Satisfactory in the final ISR.

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

None.

**d. Other**

According to the ICR (paragraph 105): "Fiscal Diagnosis of the State in 2019 enabled the National Treasury to prioritize RN for fiscal adjustment. The project-financed diagnosis showed a sharply increased public payroll: while the number of active state workers was decreasing, average salaries had increased by 5 percent per year in real terms. The State also showed an exponential increase in expenditures for retired public employees, whose numbers had doubled in the previous five years. Even though the State's debt was low, its primary structural deficit was preventing it from securing federal guarantees for new investments."

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	





## 12. Lessons

The ICR included ten lessons. The following four are emphasized with some adaptation of language:

**1. Regional and territorial development projects seeking transformative impact require multi-sector operations, but their design must balance complexity, feasibility and realism.** Based on the experience of this project, multi-sectoral projects need to limit the number of sectors; ensure meticulous *ex-ante* planning of the intervention logic, sector complementarity, and institutional arrangements. Also, include a strategy/incentives for retaining essential staff and technical services; and foster the commitment and engagement of senior authorities to mitigate politically driven turnover of institutional leadership. Additionally, allocate sufficient budget for all needed sector specialists.

**2. Multi-sector operations require extensive monitoring and can benefit from non-standard technologies to complement M&E activities.** This includes satellite imaging, geo-referencing, and mobile applications. To comprehensively capture project achievements and monitor activities, the RF design needs to include SMART indicators capturing full project scope complimented with baselines and realistic targets reflecting sound sector analyses.

**3. To ensure the sustainability of roads, projects need to integrate maintenance so that it does not remain an unfulfilled goal at closing.** Roads require long lead times from design to operations, and effective, long-term maintenance arrangements. Government/State maintenance contracts need to be as long as possible to reduce costs, and have strong administrative oversight.

**4. Maintenance and sustainability need upstream focus to avoid uncertainties at closing and need be a major focus of project investment planning.** Maintenance goes beyond physical structures and equipment, extending into technical and managerial staffing, fiduciary and IT systems, governance, and cost planning. O&M needs and costs can be significant and need priority attention, especially if the government changes or an economic downturn reduces budgets. While the Loan Agreement General Conditions call for the client to prepare a plan for future operation of the project, this legal provision is often overlooked and needs more serious attention.

The following lesson is emphasized by IEG:

**5. Project design needed to include rigorous background studies and thorough understanding of implementation capacity to ensure timely and successful implementation of project activities.** The experience of this project demonstrated that project scope, complexity, and uniqueness, combined with inexperienced sector institutions and limited preparation time resulted in design weaknesses and implementation challenges. The analytical demands of a large, complex multi-sector investment need to be carefully assessed and timed. While it is helpful to accommodate the borrower's views/input on project design, the World Bank needs to strike a careful balance between the borrower's demands and what is feasible on the ground.

## 13. Assessment Recommended?





No

#### 14. Comments on Quality of ICR

- **Quality of Evidence.** The ICR reflected an evidence base that was adequate to assess most of the project's outcomes.
- **Results Orientation.** The ICR used the available data to the extent possible to discuss the achievement of the PDO.
- **Quality of Analysis.** The ICR assessment of outcomes was adequate. However, some relevant areas of the PDO were not comprehensively assessed due to M&E design shortcomings.
- **Internal Consistency.** Various parts of the ICR were internally consistent and logically linked and integrated.
- **Lessons.** Lessons reflected the project experience and were based on evidence and analysis.
- **Consistency with guidelines.** The ICR used the standard structure defined in the Guidelines and used available evidence to justify the assigned ratings. However, the ICR did not include an explicit statement on the compliance of the project with the World Bank Safeguard policies. Also, some abbreviations/acronyms used in the main text were not included in the Abbreviation and Acronyms section of the ICR.
- **Conciseness.** Overall, the ICR was well-written and provided a thorough coverage of a multi-sectoral project to the extent possible, and candidly reported on most shortcomings.

**Summary of the Quality of ICR Assessment.** The assessment of the achievement of the PDO was adequate but some areas were undermined by M&E shortcomings. The lessons drawn by the ICR were relevant. Most sections were thorough and reflected relevant information. Overall, the Quality of the ICR is rated Substantial.

**a. Quality of ICR Rating**  
Substantial