1. Project Data

Project ID  
P107146

Project Name  
BR MST Acre Social Economic Inclusion

Country  
Brazil

Practice Area (Lead)  
Agriculture and Food

L/C/TF Number(s)  
IBRD-76250, IBRD-84420

Closing Date (Original)  
31-Mar-2015

Total Project Cost (USD)  
191,280,070.18

Bank Approval Date  
18-Dec-2008

Closing Date (Actual)  
31-Dec-2021

IBRD/IDA (USD)  

Grants (USD)  

Original Commitment  
120,000,000.00  
0.00

Revised Commitment  
206,534,688.51  
0.00

Actual  
192,390,904.52  
0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) of the Acre Social and Economic Inclusion and Sustainable Development Project (PROACRE) as articulated in the Loan Agreement (L.A. page 5) aimed to:

"contribute to the Borrower's efforts to promote social and economic inclusion of its rural and urban poor, including its poorest and most disadvantaged population living in isolated areas in the Borrower's territory."
The PDO as articulated in the Project Appraisal Document (PAD, paragraph 26) aimed to:

"assist GoAc in its efforts to improve outcomes in economic opportunity, health and education for target populations in urban and rural areas."

**Parsing the PDO.** The PDO in the LA will be used in this review and for the purpose of assessing the extent to which the objective has been achieved it will be parsed based into the following two objectives:

1. To promote social inclusion of: the rural poor; the urban poor; and, the poorest and most disadvantaged population living in isolated areas (rural and urban).

2. To promote economic inclusion of: the rural poor; the urban poor; and, the poorest and most disadvantaged population living in isolated areas (rural and urban).

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

Yes

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

Yes

**Date of Board Approval**

29-Dec-2021

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

No

**d. Components**

The PDO was supported by the following five components:

1. **Basic services for isolated communities (appraisal cost: US$15.50 million, actual cost: US$46.90 million).** This component would support the provision of basic services in health, education and agricultural extension services, including technical and financial assistance, to Acre’s dispersed and most isolated communities. In these communities, essential basic services were still mostly lacking and coverage was far behind more urbanized parts of the State. It would expand access to health and education services by using informal and non-traditional methods of reaching children, youth, young adults and ethnically diverse populations. Agricultural and food consumption activities in these communities would be supported by Community Development Agents. This component would be implemented through the following 3 sub-components:

   1.1. Expansion of access to basic education services.

   1.2. Improvement and expansion of basic health services.

   1.3. Implementation of sustainable agro-forestry production systems.
2. Social and Economic Inclusion in Rural Areas (appraisal cost: US$40.60 million, actual cost: US$44.40 million). This component would develop activities in Pole Communities (COPs), the type of community targeted by the project that has relatively higher level of existing infrastructure and better access to markets. The more developed nature of COPs allows the project to offer a more complete set of health, education and technical assistance services, including support for the preparation and execution of Community Development Plans (CDPs). The CDPs would support the identification, definition and selection of specific productive activities that would be implemented by each target community. This component would also support professional training for workers of the agricultural and industrial sectors. This component would be implemented through the following 4 sub-components:

2.1. Expansion and improvement of quality of basic education services.

2.2. Extending and improving the quality of health services in COPs.

2.3. Strengthening of value chains for selected agricultural and forestry products.

2.4. Sustainable Agro-forestry Development in Indigenous Lands.

3. Socioeconomic development in prioritized urban areas (appraisal cost: US$37.40 million, actual cost: US$39.30 million). This component aimed to promote social inclusion of urban communities in areas of high socioeconomic and environmental vulnerability. These urban communities were located in the bottoms of valleys, close to rivers and in urban marginal areas. In addition, the component would seek to foster entrepreneurship and promote economic empowerment through the promotion of community enterprises, and the expansion of vocational training for professionals and community members. This component would be implemented through the following 3 sub-components:

3.1. Education activities for social inclusion of the most disadvantaged groups living in urban Priority Services Zones (ZAPS).

3.2. Health Activities for Social Inclusion.

3.3. Development of Entrepreneurship in Urban ZAP Communities.

4. Public Policy and Institutional Strengthening (appraisal cost: US$21.30 million, actual cost: US$44.00 million). This component aimed to (i) modernize State agencies with emphasis on those involved in Project implementation; (ii) foster decentralization of basic services in health and education, which were part of the responsibilities assigned to municipalities by the Brazilian Constitution; and (iii) introduce results-based management strategies in selected sectors. This component would be implemented through the following 2 sub-components:

4.1. Public Sector Management Interventions.

4.2. Institutional Strengthening of Indigenous Organizations.

5. Project Management and Information Dissemination (appraisal cost: US$5.20 million, actual cost: US$17.70 million). This component would support overall project coordination and supervision and would help strengthen the effectiveness and quality of all project operations. The component would finance the incremental operating costs of the Project Coordination Unit.
Revised Components

With the additional financing (AF Paper, 2014) the following sub-component was added:

Subcomponent 1.4. Carrying out of integrated urban infrastructure and water supply activities (US$68.2 million, of which US$ 54.6 million IBRD financing). This would be done in small and isolated towns in the Borrower’s west region, and included new improvements in water supply, sanitation, drainage, solid waste and all seasons’ urban roads. The investments were intended to increase the coverage and efficiency of water supply services, increase the coverage of sanitation (which was almost non-existent), implement micro-drainage, promote integrated solid waste management, expand all-season urban roads, and improve access to river docks in small and isolated towns.

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

Project Cost. The total cost of the original project was estimated at US$180.00 million. This amount was revised upwards to US$300.00 million after the project received US$150.00 million additional financing and additional borrower contribution (see below for details). The actual total project cost according to the ICR Data Sheet (page 2) was US$240.63 million.

Financing. The project was financed through a US$120.00 million IBRD Flexible Loan with Fixed Spread, final maturity of 28 years and grace period of seven years. In 2014, the Board approved US$150.00 million IBRD additional financing (AF). The total Bank financing amount was therefore US$270.00 million. The actual disbursed amounts totaled US$192.50 million including US$106.63 from the original IBRD Loan and US$85.87 million from the additional financing (ICR, Data Sheet, page 2). The lower than expected disbursed amount was due to the cancellation of US$13.47 million of original loan and US$50.00 million (33%) of the AF funding. It was not clear whether the remaining US$14.14 million of the AF funds were disbursed in full by project closing.

Borrower Contribution. The Borrower was expected to contribute US$30.00 million of counterpart funds under the original project. To complement the AF the borrower was expected to contribute US$37.60 million. The total counterpart funding committed was therefore US$67.60 million. The actual amount contributed was US$48.24 million (ICR, Data Sheet, page 2).

Dates. The project was approved on December 18, 2008 and became effective on January 30, 2009. The Mid-Term Review (MTR) was conducted on September 24, 2012, nine months beyond the timing of December 2011 proposed in the PAD. The ICR (paragraph 32) noted that a second MTR was conducted in 2018. The project closed on December 31, 2021 which was five years and nine months beyond the original closing date on March 31, 2015. The ICR did not explain the detailed reason(s) behind the delay, but stated that it was "a direct result of the significant delay in the signing of the AF loan agreement" (paragraph 25).

Restructuring

The project was restructured seven times, all of which were level 2 restructurings; the project also received an Additional Financing as noted below:
1. On May 31, 2013, when the amount disbursed was US$89.45 million, in order to reallocate funds between disbursement categories.

2. On March 27, 2015, when the amount disbursed was US$116.55 million, in order to extend the loan closing date for a period of twelve months from March, 2015 to March, 2016.

3. On April 4, 2016, when the amount disbursed was US$116.55 million, in order to extend the closing date for nine months from March 2016 to December, 2016, to allow for full disbursement of loan proceeds, completion of activities and transition to the Additional Financing (AF) of US$150 million.

4. On December 22, 2016, when the amount disbursed was US$132.83, in order to extend the closing date for a period of three months from December 30, 2016, to March 29, 2017 to allow for completion of activities financed under the original loan.

5. On February 1, 2017, when the amount disbursed was US$132.83 million, in order to formalize the reallocation of funds between disbursement categories and authorize partial cancellation of funds from the original loan.

6. On March 31, 2020, when the amount disbursed was US$173.22 million, in order to revise the Results Framework, extend the Loan Closing Date for a period of 21 months, from March 31, 2020, to December 31, 2021, there were changes in disbursements arrangements, institutional arrangements, and the implementation schedule.

7. On December 20, 2021, when the amount disbursed was US$191.72 million, in order to authorize significant retroactive revisions in the Results Framework, project components and their cost, reallocate funds between disbursement categories, change legal covenants, and change institutional arrangements. This restructuring also authorized partial cancellation of the AF approved in 2016. The changes associated with the project’s restructuring in December 2021 were so extensive that the ICR devoted a whole annex to listing them (Annex 10).

Split Rating

The third restructuring in September 2015 which included an AF of US$150 million introduced significant changes, mainly the inclusion of sub-component 1.4 (US$54.6 million IBRD financing). This additional sub-component financed activities to improve infrastructure and water supplies. The AF did not trigger the need to undertake a split rating of outcomes because the PDO was not changed; the project’s level of ambition was raised commensurate with the additional funding.

During seventh restructuring in December 2021 the PDO was also not changed, but the project’s level of ambition was reduced substantially because of the cancellation of US$50 million of the AF approved in 2016 amounting to US$30.2 million for sub-component 1, US$12.2 million for sub-component 2.3, and some other items, as well as many changes in indicators, targets and institutions. This restructuring occurred only two days before the project was to be formally closed and, as the Restructuring Paper stated, the substantial changes leading to a reduction in the project’s level of ambition were made “retroactive” to 2017 although (as acknowledged in the ICR, Annex 1D) target reductions for activities associated with the restructuring could not be ascertained. However, while the retroactive financing in December 2021 was presumably applied to eligible expenditures paid by the government, it was executed without a legal agreement for retroactive financing. As Annex 10 in the ICR states "Making the restructuring retroactive will ensure coverage of the full cost of these activities which are consistent with the Project PDO but were not
detailed in the original PAD nor in the AF” (para 7). The Amendment and Restatement of the Loan Agreement which authorized the implementation of the project’s restructuring in December 2021 did not mention retroactive financing.

This project’s scope was substantially reduced and PDO targets were revised (according to the ICR) by the December 2021 restructuring. Irrespective of questions about the authorization for the retrospective financing that took place, this Review will not assess the project’s overall outcome based on a split rating for the following reasons; (a) the unavailability of information in the ICR on the reduced targets established by the restructuring; (b) the extremely short, and therefore irrelevant, time frame (two days) for a conventional split rating of outcomes.

3. Relevance of Objectives

Rationale

Context at Appraisal. The Brazilian State of Acre was and still is the most remote and least developed of the Amazon states. Acre’s government had developed and launched its own development paradigm which placed the rainforest at the center of a careful yet pragmatic development strategy. PROACRE aimed to support Acre’s State government to deliver basic services to vulnerable populations and at the same time promote its strategy of robust, sustainable economic development based on Acre’s rich natural resource base (PAD, paragraph 1).

Previous Bank Experience. The Bank continues to be a partner on regional development policies in Brazil and in the Amazon region since the late 1980’s, and was expected to apply this depth of experience to PROACRE. The State of Acre benefited from several grants managed partially or entirely by the Bank, including the Rain Forest Trust Fund (RFT) and GEF Amazon Region Protected Areas (ARPA). Also, the Bank’s experience with the Brazilian Government’s Rainforest Pilot Program and its support to the demarcation of indigenous lands, extractive reserves and the preparation of the State’s zoning (under the NRPP project) gave the Bank deep expertise with which to support the state of Acre (PAD, paragraph 16). Finally, the Bank has had successful state-level and international experience that was directly relevant to PROACRE, including the innovative programs with the Brazilian states of Ceara and Minas Gerais that focused on improving the quality of state-level public sector management, and would inform the implementation of PROACRE (PAD, paragraph 18).

Consistency with Bank Strategies. At appraisal, the PDO was in line with the Bank’s Country Partnership Strategy for Brazil (CPS, FY2008-FY2011). Specifically the project contributed to five focus areas: (i) extending health and education coverage and systems, and improving quality of these services; (ii) reducing poverty through community development; (iii) urban development focused on excluded communities; (iv) engagement in the Amazon; and (v) improving public sector management. The PDO was also in line with the CPS - Poverty Reduction and Economic Management. This project focused on ensuring food safety of small and isolated communities and improving social and economic inclusion of rural and urban communities, and on institutional development of State agencies for improved public management and provision of services. The PDO was
also in line with the Bank’s Amazon Partnership Framework, particularly by supporting an Amazonian state which innovates by promoting sustainable forest-based development built on the underlying principle of Florestania.

At completion, the PDO continued to be in line with the Bank's current Country Partnership Framework for Brazil (CPF, FY18-FY23). Specifically the project contributed to the CPF’s Focus Area 3 “Inclusive and Sustainable Development”, intended to consolidate gains in social inclusion and sustainability. The project also supported activities explicitly linked to two of the three Focus Areas as follows: Focus Area 1 - Fiscal Consolidation and Government Effectiveness (increase effectiveness in service delivery in education and, increase effectiveness in service delivery in health); Focus Area 3 - Inclusive and Sustainable Development (promote social development of small rural producers and vulnerable groups).

**Consistency with Government Strategies.** At appraisal, the PDO was in line with the State of Acre’s unique Florestania initiative which envisioned a development strategy based on the sustainable use of the state's forest resources. At completion, the PDO continued to be in line with Government of Acre Pluriannual Plan 2020 – 2023. The project would contribute to the priority focus of the Plan to support the rural and urban poor through: (a) improved access and quality of education and health; (b) increased, sustainable agroforestry production; and (c) water and sanitation services. However, the Plan also stated that the overall Florestania initiative (key to the government’s strategy in 2008) was no longer supported (ICR, paragraph 29).

**Summary of Relevance of Objectives Assessment.** The PDO was in line with the Bank strategy at completion. However, it was less so vis a vis the Government Strategy since the overall Florestania initiative (key to the government’s strategy in 2008) was no longer supported. While the Bank had extensive experience in Brazil as noted above, the PDO of promoting social and economic inclusion, while not defined, was arguably ambitious and pitched at a high level of outcomes. Overall, the PDO statement, though not defined, was arguably complex, ambitious, and pitched at high level outcomes that were difficult to attribute to the project activities (ICR, paragraph 32). Therefore, Relevance of Objectives is rated Modest.

**Rating**

Modest

4. Achievement of Objectives (Efficacy)

**OBJECTIVE 1**

**Objective**

To promote social inclusion of: the rural poor; the urban poor; and, the poorest and most disadvantaged population living in isolated areas (rural and urban).
Rationale

**Theory of Change (ToC).** To achieve the stated objective, the project would support three main activities: 1. Supporting rural poor communities through: improving the quality and expanding basic education services, extending and improving the quality of health services, strengthening the value chains of selected agricultural and forestry products, and develop and implement sustainable agroforestry activities on indigenous lands. Outputs included: improving basic education, improving the quality of health services, strengthening agriculture and forestry activities, and improvement of sustainable agroforestry on indigenous lands. 2. Supporting disadvantaged groups in urban areas through: implementing social inclusion education activities, providing health activities for social inclusion, and supporting the development of entrepreneurship in urban communities. The outputs of these activities included: improved access to basic education, promoting health inclusion, and implementing social and economic inclusion of the urban poor. 3. Supporting the most disadvantaged population living in isolated areas through the provision of basic services for isolated communities including: expanding access to basic education, improving and expanding basic health services, implementing sustainable agroforestry production systems, and financing urban infrastructure and water supply and sanitation in isolated towns. The outputs of these activities included: improving basic education, expansion of primary healthcare system, improving agroforest production systems, and improving water supply and sanitation service, improving solid waste collection and disposal. The expected outcome of these activities combined was to contribute to the borrower's efforts to promote social inclusion of the urban poor, the rural poor, and poorest and most disadvantaged population in isolated areas.

The achievement of the PDO was underpinned by the following three critical assumptions: 1. Tailored and timely technical support and inputs provided to beneficiaries; 2. Community Development Plans integrating education, health and agricultural production support in rural areas; and 3. Beneficiaries engaging in sub-projects implementation.

Overall, the ToC lacked strong causal links between the stated activities and the PDO. Specifically, the PDO themes and the PDO indicators were not aligned which hindered the establishment of strong causal links between the PDO themes and project activities (ICR, paragraph 11).

**Outputs and Intermediate Results**

**Education:**

1. 276 children received preschool care (4-5 years) compared to an original target of 2,000 and a revised target: 1,000 (target not achieved).
2. 4,273 per year students attended schooling (1st to 5th grade) in the Pathways of Field Education Program (Multigrade Classes) compared to an original target of: 5,000, achievement rate: 85%).
3. Net enrollment (students/year for 6th to 9th grade) reached 34,290 students compared to an original target of: 5,000 (target exceeded).
4. Net enrollment for high school students per year reached 4,108 students compared to a target of 6,000 students (target not achieved, achievement rate 68%).
5. 22,698 students participated in the Quero Ler Program exceeding the original target of 20,000 students.
6. 839 rural schools benefited from the implementation of school subprojects exceeding the original target of 200 and the revised target of 259.
7. 104,643 new children age 4 and 5 were enrolled in ECD programs in rural areas exceeding the target of 45,000.
8. 25,915 new students in fundamental schools (grades 1-4) received basic education through Escola Ativa Program compared to a target of 30,000, achievement rate: 86%.
9. 25,915 new students in fundamental schools (grades 5-8) exceeding the original target of 24,000.
10. 9,600 new students were enrolled in secondary education received basic education through Asas da Florestania Program achieving the original target of 9,600.
11. 11,868 youth and adult ages 15 to 35 living in rural areas attended literacy programs exceeding the original target of 9,500.
12. 5,000 youth and adult benefited from the provision of EJA 1st and 2nd segment programs achieving the original target of: 5,000.
13. 3,346 teachers and coordinators of 6th to 9th grade in urban state schools received training exceeding the target of: 1,500.
14. 1,150 high school teachers and coordinators in urban State schools received training exceeding the target of 800.
15. 800 of EJA (teaching youth and adults’ program) teachers and coordinators in elementary schools and high schools receiving training achieving the original target of 800.
16. 19,725 students served in urban areas with the Quero Ler read program substantially achieving the original target of: 20,000.
17. 4,036 high school students benefited from full-time school studies exceeding the original target of 2,800.
18. 12,254 new children age 4 and 5 were enrolled in ECD program in urban ZAPs exceeding the original target of 7,200.
19. 69,120 total students of fundamental cycle (grades 1-4), and students of fundamental cycle (grades 5-8) exceeding the target of: 66,800.
20. 289,274 total students of fundamental cycle (grades 1-4), of fundamental cycle (grades 5-8) and of secondary cycle benefited from the implementation of a quality improvement significantly exceeding the target of 119,550.
21. 25,798 youth and adults ages 15 - 35 attended literacy programs and benefited from the provision of EJA 1st and 2nd segment programs in urban priority services zones (ZAPs) exceeding the original target of 20,700.
22. 27,226 students of fundamental cycle (grades 1-4), fundamental cycle (grades 5-8) and 10,000 students of secondary cycle regularized in terms of age-grade distortion substantially achieving the original target of 28,200 (achievement rate: 96.5%).
24. 8,400 students of secondary cycle were regularized in urban ZAPs by age-grade distortion compared to an original target of 10,000 (achievement rate: 84%).

Health

1. The proportion of live births of mothers with seven or more prenatal consultations increased from 42.98% in 2015 to 65% in 2021 (Target: 46%, exceeded).
2. The percentage of medical consultations for pregnant women from excluded populations (CAU, CAP) per year increased from 5% to 50% (Target: 50%, achieved).
3. The percentage of people registered by community health agents increased from 0 to 80% (Target: 80%, achieved).
4. 17,000 water filters with chlorine treatment were distributed (Target: 17,000, achieved).
5. Maintain at least 95% satisfactory samples of PCCU collections, carried out by Itinerant Health Program team. (Target: 95%, achieved).
6. The registered families in the Family Health Program (mobile PSF) increased from 15% to 90% (Target: 90%, achieved).
7. The percentage of pregnant women having at least 4 or more prenatal consultations in Rio Branco, Cruzeiro do Sul, and Sena Madureira increased from 40% in 2007 to 70% in the last year of the project (Target: 70%, achieved).
8. The percentage of PSF coverage in Rio Branco, Cruzeiro do Sul and Sena Madureira increased from 42% in 2007 to 66% in 2014 (Target: 66%, achieved).

Outcome

Assessing the outcome(s) was challenging for several reasons outlined in the ICR (paragraph 32). In summary: 1. The PDO was set at a high level outcome and "no direct causal link could be established by the ICR between the project activities and the PDO"; 2. The PDO outcomes were not aligned with the PDO indicators; 3. The terms social and economic inclusion were not defined within the project context (despite being an integral part of the PDO) and lacked way(s) to measure; 4. The outcome indicators and the project activities lacked a strong causal link specifically a direct causal link between project activities and the outcome indicators for the education and health activities, since other activities and funds significantly larger than those financed by this project influenced the reported outcomes; 5. Lack of evaluation studies and incomplete data; and 6. Uneven information on the targeted population as this project did not produce any information regarding the population groups targeted during implementation.

Also, providing a comprehensive assessment of what actually was achieved on the ground was not possible given the lack of information beyond the achievement of the RF targets. According to the ICR (paragraph 33) the Intermediate Results Indicators (IRI) constituted the only evidence available to document the project achievements. Since the number of IRI reached 68 (final Restructuring Paper) and their quality varied, the ICR selectively used a number of IRIs to document the project achievements (ICR, paragraph 33).

For the purposes of this assessment, social inclusion was measured through indicators linked to education and health activities as follows using data reported in the ICR:

1. Education. The contribution of the project activities to improvements in education was assessed through two PDO indicators: PDO indicator 1: Improvements in the Basic Education Index (IDEB) of State schools for early fundamental education increased from 5.5 in 2015 to 6.20 in 2019 (original target: 5.40, formally revised target: 6.40, 96% achievement); and PDO Indicator 2: Improvement of the IDEB of State schools for final fundamental education from 4.7 in 2015 to 4.80 in 2019 (original target: 4.70, formally revised target: 5.30, target not achieved). However, the ICR (paragraph 34) noted that "results reported under this outcome indicator was influenced by activities financed by other sources significantly larger than the project, mainly the state budget." Hence, without any impact evaluations, it is impossible to determine the extent to which improvements in education performance were attributable to this project.

The ICR (paragraph 40) highlighted the following education achievements with regards to the three target groups:

- Isolated rural and urban areas: Access to basic education was expanded through the Early Childhood Development Programs (ECD) programs, as well as basic and secondary education programs focusing on the youth and adults; illiteracy primarily in the 15-35 age cohort was reduced by the provision of formal and non-formal education programs; and youth and adult drop-outs from the education system were mitigated by tailored education programs.
• Rural areas: Access and quality of basic education were improved for regular students, and for youth and adults enrolled in education programs through: improved quality of ECD programs offered to children age 4 – 5; improved quality of early years of fundamental education (grades 1 to 4); improved quality of the final years of fundamental education; improved quality and access to secondary education; increased availability of literacy programs for youth and adults; and through rehabilitating and equipping schools.

• Urban areas: Quality of and access to basic education services improved through: improving and expanding ECD programs; as well as improving the quality of fundamental education grades 1 to 4; improving access to and quality of fundamental education (grades 5 – 8); improving quality of secondary education program; improving access to literacy programs; increasing education programs for youth and adults; and increasing access to accelerated programs.

2. Health. The contribution of the project activities to improvements in Acre State health services was assessed through PDO indicator 3: Reduction in the infant mortality rate (IMR) from 17.29 in 2015 to 12.85 in 2021, target was not achieved. Target was to achieve a 10.6% reduction in the IMR, but achievement was a 3.4% increase in the IMR (from 17.29 in 2015 to 17.89 in 2021 deaths among every 1,000 children below one year old born alive). Also, through PDO indicator 4: Increase the percentage of surviving newborns with low weight at birth in Acre’s hospitals from 90 to 96%, target was exceeded as the hospitals achieved 100% during the project implementation period. Finally, through PDO indicator 5: Increase the general ambulatory consultancies in the excluded target population reached 70%. The project exceeded the target of 67% by a margin of 4%. However, regardless of these outcomes, the project did not conduct impact evaluation studies to assess the attribution of project-financed activities such as reducing the IMR, the percent of surviving newborns with low birth weight, or the increase of general ambulatory consultancies.

The ICR (paragraph 40) highlighted the following health achievements with regards to the three target groups:

• Isolated rural and urban areas: Access and quality of basic health services were improved through the increased capacity of the primary care network leveraged by increased numbers of health care agents provided with training and social communication tools.

• Rural areas: Primary and secondary health services were expanded through increasing the numbers of community health agents provided with training and social communication tools.

• Urban areas: Quality of and access to primarily and secondary health services increased through rehabilitating and equipping family health units; and developing and implementing outreach programs.

Summary of Efficacy Assessment: The project achieved mixed results with regards to the output/intermediate results indicators, falling short on some, achieving some and exceeding others. For education the project achieved one outcome indicator, but fell short of achieving the other. The same was the case with improving health services as the project achieved one outcome indicator, but fell short of achieving the other. In addition to the main challenge noted above, namely the attribution of the achievements to the project was undocumented because according to the ICR (paragraph 34) the state also provided funding to activities in the project area that influenced the results. Therefore, the efficacy with which this objective was achieved is rated Modest.

Rating
Modest
OBJECTIVE 2

Objective
To promote economic inclusion of: the rural poor; the urban poor; and, the poorest and most disadvantaged population living in isolated areas (rural and urban).

Rationale
Theory of Change (ToC). To achieve the stated objective, the project would support isolated communities through the development and implementation of sustainable agroforestry production systems. The expected output of this activity would be the improvement of agroforest production systems. To support poor communities in rural areas, the project would support development and implementation of sustainable agroforestry production systems. The expected output of this activity would be strengthening agricultural and forestry systems. To support the urban poor the project would promote entrepreneurship in urban communities. The expected output of this activity would be the implementation of social and economic inclusion for the urban poor. The combined outcome of all the afore-mentioned activities would be contributing to the borrower’s efforts to promote economic inclusion of employment of the urban poor, the rural poor, and poorest and most disadvantaged population in isolated areas.

The achievement of the PDO was underpinned by the following three critical assumptions: 1. Tailored and timely technical support and inputs provided to beneficiaries; 2. Community Development Plans integrating education, health and agricultural production support in rural areas; and 3. Beneficiaries engaging through employment in sub-projects implementation.

Overall, the ToC lacked strong causal links between the stated activities and the PDO. Specifically, the PDO themes and the PDO indicators were not aligned which hindered the establishment of strong causal links between the PDO themes and project activities (ICR, paragraph 11).

Outputs and Intermediate Results

1. 20,752 people benefited from river access which was below the original target of 38,500 but met the revised target of 20,752 (target achieved).
2. 34.22 Kilometers of public roads were paved with curbs constructed exceeding both the original target of 30.20 km and the revised target of 25.96 km.
3. 3,203 urban households were served with domestic connection for treated water which was below the original target of target: 4,503 (target not achieved).
4. 13,874 urban inhabitants (urban population from the four municipalities) benefited from improved micro-drainage services benefiting which was below the original target of 19,470 (target not achieved).
5. Refurbishment of two aerodrome runways meeting the standards of the National Civil Aviation Agency of Brazil (ANAC) in the municipalities of Marechal Thaumaturgo and Porto Walter was not achieved.
6. 66 indigenous households were served with domestic connection for water for human consumption which exceeded the original target of 59 (target achieved).
7. 1,937 urban households were served with domestic connections for treated water which was below the original target of 3,800 and the revised target of 4,503 (target not achieved).
8. None of the households received piped sanitation connections (target: 3,101, not achieved).
9. Only 5.24 km of extension of public roads had underground rainwater networks or channels (micro drainage) which was below the original target of 7.95 km (target not achieved).

10. 6,599 water filters (with chlorine treatment) were distributed which was below the original target of 17,000 and the revised target of 8,550 (target not achieved).

11. 209 demonstration units received project support operation substantially achieving the target of 250 (achievement rate: 93%).
12. 209 sustainable family farming demonstration units were operational exceeding the revised target of 200 (target exceeded).
13. Only 54 community development agents (CDAs) were trained and on duty compared to the target of 100 (target not achieved).
14. 176 sub-projects from Community Development Plans (PDCs) were prepared in execution exceeding the target of 140.

Outcome

The assessment of the outcome(s) was challenging for the same reasons noted above under Objective 1.

For the purposes of this assessment, economic inclusion was measured through the two outcome indicators linked to agricultural production activities, PDO Indicator 6: 83% of beneficiaries were satisfied with support and extension services for productive inclusion activities exceeding the target of 60%. This indicator was measured through interviewing the presidents of the 12 cooperatives that benefited from project-supported productive investments. Also, by project completion 16,401 people received at least one of the services related to drinking water, sanitation or micro-drainage (PDO Indicator 7) which was below the formally revised target of 19,470, but exceeded the original target of 13,300. The project financed road paving in the four towns and achieved most of the targets, followed by improvements in water supply. While execution of the sanitation works was advanced in three of the localities, it was not completed by the project closing date (ICR, paragraph 39). The project also financed activities to improve water supply systems in indigenous communities, benefitting 66 households in three communities. The project provided trucks and tractors to municipalities to improve solid waste collection, but disposal of solid waste was dropped from project activities due to operational difficulties.

Summary of Efficacy Assessment. Assessment of economic inclusion in the ICR was not comprehensive. While the target of the first indicator was exceeded, the evidence is questionable if based on the very limited sample of 12 people. The project fell short of achieving the target of the second indicator and there was no baseline nor a final impact evaluation to assess the impact of project activities on income generation for the target population. Therefore, the efficacy with which this objective was achieved is rated Modest.

Rating
Modest
OVERALL EFFICACY

Rationale
Overall Efficacy is rated Modest. While the project had some achievements as noted above, a comprehensive assessment of the achievement of the two objectives (promoting social and economic inclusion) was not possible. This was mainly due to the misalignment between the PDO outcomes/themes and PDO outcome indicators; and was exacerbated by the absence of any impact evaluation studies or evaluative studies that could have established the causal links between project investments and outcomes (ICR, paragraph 41).

<table>
<thead>
<tr>
<th>Overall Efficacy Rating</th>
<th>Primary Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modest</td>
<td>Insufficient evidence</td>
</tr>
</tbody>
</table>

5. Efficiency
Economic and Financial Analysis (EFA)

ex ante

The PAD did not include an overall economic rate of return (ERR), but provided individual returns for the three main project activities: 1. Community development: the economic and financial results of illustrative models indicated that the internal rate of return (IRR) was above 50% and that farmers could be expected to receive between a 40% and 100% increase in their on-farm incomes; 2. Improved education services: the results indicated that the present value of net benefit was in order of US$ 246 million, with a rate of return of investment of about 16.1%; and 3. Improved Health Services: the economic assessment of project-financed investment in health service indicated that the present value of net benefit was in order of US$131.7 million, with a rate of return of investment of about 25.5%.

ex post

- The economic analysis of the project investments estimated that the project IRR was 1% and a net present value (NPV) of -R$12 million (2013 prices). This analysis focused on targeting agricultural and forestry products value chains which represented 77% of total project investment (ICR, paragraph 43).
- The ICR followed the same methodology applied in the AF Project Paper (2014) to assess the efficiency of project activities under the agricultural production sub-components, and under the Urban and Water and Sanitation (WSS) sub-component. An assessment of efficiency of the project investments in education and health was not carried out because no data was produced during project implementation and, in consequence, no data was available to carry out such assessment (ICR, paragraph 42).
- Implementation efficiency. The agricultural activities experienced implementation challenges due to a poor implementation plan, delays in the provision of inputs and of extension services. Supporting isolated communities in Acre faced logistic constraints, which was one of the main factors disrupting effective implementation of project activities in these areas (ICR, paragraph 48). Overall, implementation efficiency was poor and the project experienced significant implementation delays that affected both the agricultural production and WSS investments.
Summary of Efficiency Assessment. The ex post IRR at 1% was substantially lower than the base scenario built for the AF ex-ante economic analysis in which the project was expected to yield an IRR of 23%. Furthermore, the very low IRR (which was mainly a reflection of the low agricultural production activities) implied that the envisioned economic inclusion did not happen. In addition, the project's implementation efficiency was poor since it experienced significant implementation delays affecting both the agricultural production and the water and sanitation investments. Finally, it was not possible to analyze efficiency of the education and health activities due to the lack of data on the households provided with sanitation services; and the lack of relevant data to analyze the education activities. Therefore, the efficiency with which this project was implemented is rated Negligible.

Efficiency Rating

Negligible

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

<table>
<thead>
<tr>
<th>Rate Available?</th>
<th>Point value (%)</th>
<th>*Coverage/Scope (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
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<td>0</td>
</tr>
<tr>
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<tr>
<td>ICR Estimate</td>
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<tr>
<td></td>
<td></td>
<td>77.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>□ Not Applicable</td>
</tr>
</tbody>
</table>

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

6. Outcome

The Relevance of Objectives and Overall Efficacy were rated Modest. While the project had some achievements, a comprehensive assessment of the achievement of the two objectives (promoting social inclusion and economic inclusion) was not possible. This was mainly due to the misalignment between the PDO outcomes/themes and PDO outcome indicators; and was exacerbated by the absence of any impact evaluation studies or evaluative studies that could have established the causal links between project investments and outcomes. Efficiency was rated Negligible as the ex post IRR for about 77% of the project's economic activities at 1% was substantially lower than the base scenario built for the AF ex-ante economic analysis in which the project was expected to yield an IRR of 23%. Also, the project's implementation efficiency was poor since the project experienced significant implementation delays affecting both the agricultural production and water and sanitation investments.

The assigned rating for three criteria (Relevance of Objectives, Efficacy and Efficiency) suggests that there were major shortcomings in the operation's achievement of its objectives, in its efficiency, and in its relevance. Therefore, Outcome is rated Unsatisfactory.
a. **Outcome Rating**

Unsatisfactory

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**7. Risk to Development Outcome**

Financial risk. The ICR, (paragraph 104) focused on one main risk (financial risk) in relation to the multiple activities supported by the project:

- **Education**: The project-supported activities laid the foundation for several important activities and strategies in the education sector including: school grants/sub-projects, tailored assistance to preschool children ages 4 and 5, programs for improving the quality of early fundamental education (grades 1-5) and final fundamental education (grades 6-9), and literacy programs for youth and adults. The sustainability of these activities is ensured by: (a) extension of the school grants/sub-projects to all five education regions, financed by the state budget dedicated to education; (b) continuing implementation of educational programs (fundamental, secondary, literacy, continued education to youth and adults) based on improved methodologies introduced with the project’s support. The continued financing of these activities has been assured through the state and municipal education budgets.

- **Health**: Project activities contributed to ongoing government activities and strategies in the health sector including: increasing and improving basic health care services in rural areas, strengthening specific programs such as those focused on neonatal and maternal health, and cancer diagnosis and treatment. The continuation of project support to primary health care was ensured by its inclusion under the Programa Previne Brasil (covered by the National Policy for Basic Health Care), formalized by State Decree No. 2,490, of October 21, 2011. The sustainability of programs focusing on neonatal and maternal health was ensured both by federal resources as well as through the state budget. The continuity of the eligible surgery program as well as of activities focusing on non-transmissible chronic diseases was ensured through several state decrees and state budget resources.

- **Agriculture**: Despite the low ERR the ICR (paragraph 104) notes that agricultural production is expected to be sustained because of the priority actions supporting agricultural development that the project focused on during its final years continue to be implemented. These include support to: (a) integrated environmental management (approximately US$6 million allocated from the state budget); (b) the Forest Business Program (approximately US$33 million allocated from the state budget); (c) the program promoting indigenous peoples (approximately US$5 million allocated from the state budget); (d) support to community production (through the state budget); (e) the environmental regularization program for 580 hectares (through the Program Global REDD + Early Movers – REM Acre Fase II, financed by the KFW Development Bank) and the Programa Paisagens Sustentáveis (financed by the Global Environmental Facility, GEF); (f) continuation of preparation of the Indigenous Lands Management Plans (PGTIs) and productive sub-projects (financed through state budget); (g) forest burn control programs (financed by several different sources); (h) conclusion of productive sub-projects through cooperatives (3 out of a total of 9 such sub-projects were financed by the project, the other 6 are being financed exclusively by the Government of Acre).

- **Social assistance to the poor**: Sustainability of project activities promoting social assistance to poor urban populations is uncertain. There are no clear indications that this focus-area will continue to receive support from the state budget.

- **Urban infrastructure and water supply**: The outlook for sustainability of project-financed urban infrastructure and water supply is mixed. Operation of the water and sanitation investments financed
by the project in the four isolated towns falls under the responsibility of DEPASA. Even though the latter has commercial and technical procedures in place allowing for operating the infrastructure and providing services, further improvements in services efficiency are needed. The maintenance of the paving and micro drainage infrastructure financed by the project falls under the responsibility of the four municipalities involved. The existing capacity of these municipalities to maintain the project-supported investments in paving and micro drainage is considered adequate.

8. Assessment of Bank Performance

a. Quality-at-Entry

- **Strategic Relevance and Approach.** The PDO was in line with all five focus areas of the Bank's Country Partnership Strategy (CPS, FY2008-FY2011). The Bank was well-positioned to support social and economic inclusion of dispersed communities in Acre given its long-term partnership with the Brazilian Government to address rural and urban poverty issues in various regions. That said, the PDO was overly ambitious and set to a high-level outcome; and its specific outcomes were unclear and not formally defined in the PAD (ICR, paragraph 61).

- **Technical, Financial, and Economic aspects.** The project design featured a spatial approach to integrate fundamental governmental sectors (health, education, agricultural production) to achieve social inclusion and development with environmental sustainability. The analytical foundation for project preparation was inadequate and unrealistic as the design featured multifaceted activities and an unclear targeting approach in an environment with institutional limitations and challenging geography (ICR, paragraph 63). The project was designed to finance a very large number of small activities mostly involving, on an annual basis, the acquisition of goods and financing of operational costs. The projects' financial and economic aspects were also unrealistic and could have benefited from a better analytical background analysis. The results reported above were undoubtedly undermined by production problems during implementation and the lack of solid data on realistic benefits; and hence incentives for agricultural production may in the future be stronger than the 1% ERR as the estimation at completion suggests.

- **Implementation Arrangements.** The project was designed to operate in an environment of robust partner activity, and expected to leverage capacities, systems and resources already in place in Acre. However, the project lacked a clear borderline between the project’s activities and the wider government development program. This had significant implications for the design of several elements of the project, in particular for the monitoring activities (ICR, paragraph 62). Also, Acre’s institutional limitations and challenging geography were underestimated. Finally, the implementation of the project activities was challenging as activities were overseen by twelve agencies in Acre’s 22 municipalities.

- **Poverty, Gender, and Social Development Aspects.** The project's social scope was expected to benefit indigenous and non-indigenous groups. Support to isolated rural communities and urban populations living in marginal areas was centered on education, health and environmentally-sound economic alternatives to promote social inclusion. Activities targeted for indigenous populations focused primarily on providing their communities with tools to conserve their traditional ways of life, protect their ancestral lands, strengthen their organizations, and
support their efforts to develop a sustainable autonomous fund, so that their economic security and financial independence was assured. However, the targeting methodology was not clearly explained in the PAD.

- **Environmental Aspects.** The project would support the enhancement of institutional capacity for environmental monitoring and enforcement. The project also would support public education and awareness concerning sustainability and environmental protection, recuperation of degraded areas, and technical assistance and training for sustainable production activities. However, implementation of environmental aspects and compliance with environmental safeguards was hindered by the project's limited capacity to monitor and ensure compliance. This was mainly due to the limited number of environmental specialists in the PMU, and the geographic dispersion of sub-projects in the borrower's territory (ICR, paragraph 89). This indicates that the arrangements to ensure safeguard compliance were inadequate at appraisal.

- **Fiduciary Aspects.** Financial management would be overseen by the PMU through two separate systems, one relied on the Government of Acre financial system and the other was project specific. Procurement for the project was centralized in Acre’s state Bidding and Contract sub-secretariat. Financial management and procurement were both challenging during implementation, suggesting that fiduciary aspects of the project may have been inadequate.

- **Adequacy of Risks and Mitigation Measures Identification.** The PAD identified 18 risks that were all operational specific. Also, relevant mitigation measures were included. The ICR (paragraph 100) noted that "most critical risks were identified, and mitigation measures were rational." However, the logistical constraints in the Amazon region were not flagged as an implementation risk nor explicitly taken into account during project preparation (ICR, paragraph 100). Overlooking this risk impacted implementation as consultants and contractors/service providers were unwilling to deal with regional working conditions.

- **M&E Design.** M&E design suffered from major shortcomings associated with the ambition of the PDO, the lack of causal links between the PDO and the outcome indicators, and a complex Results Framework with numerous intermediate results indicators (section 9 provides more details).

**Summary of Quality at Entry (QAE) Assessment.** QAE suffered from a range of significant shortcomings related to an overly ambitious PDO, complex project design that underestimated the challenges of the implementation environment, inadequate fiduciary and environmental aspects, failure to reflect the risk related to logistical constraints in the project design, and an M&E system that was poorly designed. Therefore, QAE is rated unsatisfactory.

**Quality-at-Entry Rating**
Unsatisfactory

b. **Quality of supervision**

- Over the 13 years of implementation, the Bank conducted 30 missions, including regular supervision and technical missions. The project had three Task Team Leaders (TTLs) from preparation to closing, with one TTL serving from preparation to the ninth implementation year. Supervision missions included an appropriate mix of subject matter and sector specialists (ICR, paragraph 102). However, the project experienced frequent turnover of specialists. The ICR
(paragraph 102) also noted that the participation of a public sector specialist was not recorded in the supervision archive, and changes in the project related to agricultural activities were not discussed in the supervision documents.

- The AF Project Paper was outdated by the time of AF effectiveness and was not updated (AF was approved on September 29, 2014 but did not become effective until March 24, 2016). The AF-financed activities were misaligned with the original project, and the government priorities/approach to development changed. In addition, the implementation of activities as originally designed faced difficulties that were not recognized and adequately addressed. This Review is in agreement with the ICR in questioning the appropriateness of preparing/approving an AF when the project was losing momentum. Changes in the political environment eroded the government commitment to the AF. Also, changes in the nature of the project itself under the AF suggested that a stand-alone operation might have been a better option. While the project had several restructurings, most of the changes in activities that occurred during the overall implementation period were not addressed under the restructuring. Finally, the lack of timely action on the final restructuring (two days before closing) is questionable.

- Fiduciary compliance benefited from the Bank's fiduciary specialists who addressed inadequate preparation of FM capacity issues and thereby supported procurement quality, as well as financial management and reporting.

- Despite the Bank's supervision missions, M&E continued to be problematic. The M&E problems stemmed from the project design which financed a large number of small, annual activities, implemented state-wide, including in remote locations with limited access. M&E weaknesses were exacerbated by the lack of impact evaluation studies despite that those were part of the M&E system design in the PAD. Finally, a notable shortcoming was the lack of any impact evaluation studies that could have helped in assessing the achievement of the project outcomes.

- Finally, the Bank team faced challenges to oversee implementation during the COVID-19 travel restrictions particularly in supporting indigenous communities in isolated areas.

Summary of Bank Performance Assessment. Bank performance suffered significant shortcomings related to poor documentation, failure to address M&E design and implementation weaknesses despite several restructurings, and supporting a questionable additional financing despite the challenges that the project experienced. Also, the lack of timely action on the final restructuring is questionable. Overall, the Quality of Supervision is rated Unsatisfactory.

Based on the assessment of Quality at Entry and Supervision, overall Bank Performance is rated Unsatisfactory. This rating reflects major shortcomings in both Quality at Entry and in Quality of Supervision.

**Quality of Supervision Rating**
Unsatisfactory

**Overall Bank Performance Rating**
Unsatisfactory

9. M&E Design, Implementation, & Utilization
a. M&E Design

- The PAD did not include a Theory of Change (ToC) as it was not required at the time of project preparation. Nonetheless, the ICR included an ex-post ToC that was reconstructed based on the project description in the PAD. The ToC reflected the disaggregated PDO’s six expected outcomes or themes.
- The PDO was arguably pitched at high-level outcomes. The project also lacked a clear definition of the meaning of some elements in the PDO such as “contributing to the Borrower’s effort”, “promote social inclusion” and “promote economic inclusion”. Finally, the expected PDO outcomes and PDO outcome indicators were not aligned, which hindered the establishment of a strong causal link between the PDO themes and PDO indicators. These shortcomings undermined the assessment of the impact of the project.
- The achievement of the PDO was measured through three PDO outcome indicators. Those indicators were complex and measured by state or federal government entities and were often influenced by many other initiatives significantly larger than the project’s and beyond the project’s control (ICR, paragraph 83).
- The Results Framework (RF) included 40 intermediate results indicators to measure and track the different project activities. The RF as designed was detailed, but complex and cumbersome in view of the challenging isolated operational environment.
- Overall, M&E design suffered from significant shortcomings related to the PDO and the lack of strong causal links between the PDO themes and outcome indicators. Also, the RF included a relatively large number of intermediate indicators that added to the complexity of the M&E design.

b. M&E Implementation

- M&E implementation was poor and design shortcomings surfaced with the progress of the project. The project’s design complexity combined with most of the activities being small and numerous, planned and implemented during one fiscal year, and repeated in just two or three additional fiscal years, frequently changed or totally replaced, and scattered over a large territory, including remote areas facing significant logistic constraints, exacerbated M&E implementation challenges.
- The Project Management Unit (PMU) was responsible for data collection and analysis. However, it was poorly done and undermined by a number of factors reported by the ICR (paragraph 83). These included: (i) a poorly developed implementation methodology that was not sufficiently compatible with the nature of the project and required frequent changes; (ii) frequent changes in project activities were followed by changing monitoring procedures, but aligning new activities and monitoring procedures was in most cases only partially successful; (iii) data collection was often late and lost relevance because collection efforts relied mainly on the beneficiaries, a process that often faced delays and interruptions, resulting in loss of relevance of the data collected; (iv) the large number of intermediate results indicators (IRIs) further complicated data collection and analysis; (v) the monitoring of many indicators under the original project ceased once their targets were reached; (vi) the large majority of indicators reflected results from activities implemented over a relatively short period of time, and there were no activities that were continuously implemented during all of the project’s 13 implementation years.
- The project failed to use the Government of Acre’s monitoring system (SIM) as a platform for the project’s M&E system, and the agreement with Acre’s Federal University to carry out impact
evaluations did not materialize. As a result, no impact evaluation studies were carried out. Two MTRs (2012 and 2018) were conducted during the extended implementation period (ICR, paragraph 84).

- Multiple Restructurings. Through the several restructurings, RF indicators were deleted then reintroduced later. The AF included additional activities which necessitated new indicators. According to the final Restructuring Paper (2021) the RF had in total 68 intermediate results indicators, which added to the complexity of the M&E system.
- Overall, M&E implementation was poor and faced several challenges as noted above.

c. M&E Utilization

- M&E utilization was not detected in the implementation documentation and there was no information on the utilization of the M&E system (ICR, paragraph 85). There was no evidence that M&E data was used to support management decisions.

**Assessment of the Quality of M&E.** M&E quality is rated negligible. This rating reflected a poor design that was a significant shortcomings combined with poor implementation that failed to comprehensively track the project activities, and lack of any evidence on the utilization of information that had been collected.

**M&E Quality Rating**

Negligible

10. Other Issues

a. Safeguards

The project was classified as an environmental category A since some activities would be implemented in environmentally and socially sensitive forest areas, including areas with presence of indigenous communities. It triggered the following five safeguard policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Pest Management (OP 4.09), Indigenous Peoples (OP/BP 4.10), and Forests (OP/BP 4.36). The project's environmental impacts were expected to be positive with all planned project activities directed at promoting the sustainable development of Acre (PAD, paragraph 108). An Environmental Assessment and Indigenous Peoples Planning Framework were prepared and disclosed in country and at the Infoshop on August 1, 2008. Also, Environmental Management Plan (EMP) was prepared and would be implemented under the responsibility of the Acre’s State Secretariat for the Environment. The September 2014 AF added the financing of wastewater treatment plants and sanitary landfills, which triggered three additional safeguard policies: Involuntary Resettlement (OP/BP 4.12); Physical Cultural Resources (OP/BP 4.11); and International Waterways (OP/BP 7.50). For the AF, a draft revised version was made publicly available on August 17, 2013, and the final version was disclosed on the World Bank’s external website on December 30, 2013.

The ICR did not include an explicit statement on the compliance with the Bank's safeguard policies.
Compliance with Environmental Safeguards. The project suffered from limited capacity to monitor and ensure compliance with environmental safeguards. This was mainly due to the limited number of environmental specialists in the PMU, and the geographic dispersion of sub-projects in the borrower’s territory (ICR, paragraph 89). In addition, frequent changes in the PMU’s environmental team disrupted monitoring activities, and resulted in the complete absence of environmental specialists for some time, and a lack of coordination among the central and sectoral PMUs. Towards the end of the project, COVID-19 pandemic restrictions increased the difficulties in addressing environmental issues. Environmental compliance was rated satisfactory up to the fifth year of the project. By late 2013 compliance was downgraded to Moderately Satisfactory (MS), followed by Moderately Unsatisfactory (MU) due to deficient monitoring of environmental safeguards related to CDPs, in particular compliance with requirements of the Forests and Pest Management Policies (ICR, paragraph 88). While deficiencies were addressed in 2014 and rating was upgraded to MS, it was downgraded to MU again in June 2020. This downgrade was due to delays in addressing: "(a) implementation of urban and WSS investments in isolated areas, including road safety and erosion control, drainage, water supply and sanitation investments; (b) improvements related to water supply, sewage and accessibility issues in 95 small rural schools; (c) preparation of health management plans and provision of adequate waste management facilities for health care units in three isolated localities; and (d) planting of 32 hectares of managed forests for firewood production (ICR, paragraph 88)." Since several environmental safeguard issues could not be addressed before the closing date, a post-closing date Safeguards Action Plan was produced and agreed with the GoAc.

Compliance with Social Safeguards. The project had two types of social impacts: (a) limited, related to the acquisition of fractions of private land, which affected 27 families; and (b) significant (17 families) which included: (i) 11 family owners of private areas fully affected (but without any use or occupants); and (ii) 6 families living in areas they owned and that were at increased risk of floods and soil erosion along slopes which were fully affected. The 27 families partially affected, and the 17 families fully affected received financial compensation, which was properly handled and documented (ICR, paragraph 90). A Grievance Redress Mechanism (GRM) was developed and accessible through the project website, but did not receive complaints. With respect to compliance with the Indigenous Peoples Policy, the required safeguard instruments were properly prepared and implemented. These included those related to the support to sustainable agroforestry development and institutional strengthening of indigenous organizations, and those associated with the project’s intention to provide improved water supply systems to 34 indigenous communities. However, only three such systems were built, as the remaining 31 could not be constructed due to restrictions designed to protect indigenous communities against COVID-19 infection. Social safeguards compliance was downgraded to Moderately Unsatisfactory in June 2020, due to issues surrounding involuntary resettlement.
b. Fiduciary Compliance  

**Financial Management (FM).** FM suffered from deficient reporting, including inconsistencies in financial information concerning two of the implementation arrangements that included direct payments to beneficiaries, leading to the cancellation of these two arrangements. Also, there were inconsistent financial information for the health and agricultural production activities, which took several audits to correct. According to the ICR (paragraph 92) appropriate measures were taken to address auditors' concerns regarding insufficient monitoring of financial activities in the implementing agencies by the PMU. Unaudited Interim Financial Reports (IFRs) and audit reports were delivered on time. All IFRs were considered of acceptable quality. One audit report received Qualified Opinions, which were satisfactorily addressed. All the other audits expressed unqualified/unmodified opinions. Disbursement of the AF faced significant delays, including zero disbursement during the entire calendar year of 2019 (ICR, paragraph 94). Overall, the ICR assessed the project’s FM arrangements (staffing/personnel, budgeting, accounting, internal control, funds flow, financial reporting and auditing) as adequate (ICR, paragraph 92). FM performance was upgraded to MS by Year 7, downgraded to MU in Year 8 due to an overdue Audit Report, then fluctuated between MS and Satisfactory through to closing, affected inter alia, by: auditors’ Qualified Opinions in 2018 on the project’s financial statements and compliance with the loan agreement, for which appropriate measures were taken to ensure adequate audit arrangements; and insufficient monitoring of the implementing agencies by the PMU." In terms of implementation performance, the original project exceeded expectations regarding speed, disbursement, and early achievement of indicator targets. Starting around 2013 - 2014, the project suffered a gradual but steady decline in implementation progress, driven by a combination of unsuccessful implementation of project activities resulting in significant changes in the scope and/or methodology of activities, issues affecting procurement, disbursement, financial management, and M&E, and incoming governments .” Also, (paragraph 71) stated:  

"Implementation performance under the AF remained weak. The AF faced substantial challenges by Year 2 (2018), culminating in zero loan disbursement in 2019. There were persistent issues related to procurement, financial management and safeguards that needed close attention, affecting disbursement, and the M&E system remained a work in progress. Project supervision documents summarized the implementation difficulties as follows: “The project's inordinate complexity has been exposed by the enormous challenges of implementing different components in remote and isolated geographical areas, to benefit weak communities and under the responsibility of agencies with their own internal management and financial limitations”.

**Procurement.** Procurement was identified as a key implementation challenge and integrity risk for the project (ICR, paragraph 95). Procurement faced a number of difficulties including: lengthy procurement processing, which in some cases resulted in cancellations; inadequate contract management aggravated by high decentralization of activities; declining quality over time of technical specifications contributing to long procurement processes; unclear procedures including ineligible expenses in operational costs contracts; partial observance of established procedures for no-objection; and low competition and limited market interest under some procurement methods. After the 2014 AF, procurement faced a higher level of complexity because the AF financed relatively large works contracts that required procurement procedures and technical specifications beyond the capacity of the PMU (ICR, paragraph 96). In the final three years of the project, the number of successful procurement operations dropped to 17%. Despite improvement measures suggested by the project supervision, none of the suggested measures was implemented (ICR, paragraph 96). The ICR (paragraph 95) stated that “Procurement performance was rated Satisfactory during the first four years of project implementation (2009-2012). During the subsequent nine years of implementation, the rating for procurement oscillated between MS and MU.”
c. Unintended impacts (Positive or Negative)

None.

d. Other

None.

11. Ratings

<table>
<thead>
<tr>
<th>Ratings</th>
<th>ICR</th>
<th>IEG</th>
<th>Reason for Disagreements/Comment</th>
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</thead>
<tbody>
<tr>
<td>Outcome</td>
<td>Moderately Unsatisfactory</td>
<td>Unsatisfactory</td>
<td>There is no disagreement with the ICR’s outcome rating in the main text which is also “Unsatisfactory”. It is rated “Moderately Unsatisfactory” in the Data Sheet.</td>
</tr>
<tr>
<td>Bank Performance</td>
<td>Moderately Satisfactory</td>
<td>Unsatisfactory</td>
<td>Quality at Entry and Supervision both had major shortcomings according to IEG</td>
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<tr>
<td>Quality of M&amp;E</td>
<td>Modest</td>
<td>Negligible</td>
<td>M&amp;E had major design and implementation shortcoming. No evidence of utilization of the data collected in the ICR.</td>
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<tr>
<td>Quality of ICR</td>
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<td>Substantial</td>
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</table>

12. Lessons

The ICR included eight lessons. The following three lessons are emphasized with some adaptation of language:

1. An operation focused on key, well defined issues can help keep an implementation schedule on track despite shifting government priorities and/or weakened government commitment. This project’s experience demonstrated that a broad, poorly defined scope associated with a poorly delineated implementation timeline resulted in an extended implementation period that lasted 13 years.

2. Supporting agricultural development activities in remote areas can benefit from a realistic upstream analysis that serves as the foundation for the overall approach to productive activities and marketing. The main challenges in remote rainforest areas include high transport costs, weather-dependent logistics, and compromised access to technical assistance and credit. Hence, successful implementation of investments in agricultural production in such remote areas
requires sufficient value addition to render the activities competitive, as well as a well-organized value chain downstream with participants that are motivated to work with suppliers and buyers from remote areas because of a unique feature of the products. In this project the examples were anticipated to be Brazil nuts and other nuts and fruit, but enduring marketing partnerships were not developed.

3. The preparation of an Interim ICR for an original loan constitutes a critical input for the preparation of the final ICR when an AF extends the overall implementation period and/or creates two clearly distinct implementation phases. Non-observance of this provision can significantly complicate the preparation of the final ICR, in particular when the AF creates the conditions for two different phases in project implementation, and where the institutional memory of the first phase has largely disappeared.

13. Assessment Recommended?
No

14. Comments on Quality of ICR

Quality of Evidence. The ICR acknowledged candidly that M&E design, implementation and utilization were all poor. A comprehensive assessment of the achievement of the PDO was not possible due to the lack of strong causal links between the PDO themes and the outcome indicators. Also, none of the envisioned impact evaluation studies were carried out. Overall, therefore the quality of evidence was poor.

Quality of Analysis. The ICR attempted to provide clear linkages between evidence and findings to the extent possible and used the available evidence base to serve the arguments under the different sections. However, the poor quality of M&E undermined the quality of the analysis of outcomes.

Lessons. The substantial number of lessons reflected the project's experience and were mostly based on evidence from the project and analysis in the ICR.

Results Orientation. The ICR discussed the achievement of the PDO based on the available data to the extent possible. The discussion of results was solely focused on the achievement of outcome indicators.

Consistency with guidelines. The ICR used the available data to the extent possible to justify most of the assigned ratings. Discussion of outcomes was undermined due to the poor quality of M&E and absence of other sources of information. Also, reporting on safeguards did not include an explicit statement on compliance with the Bank's safeguard policies. Finally, the ICR apparently assumed that the Bank project team was correct in proposing a last ditch restructuring with retroactive financing which did not comply with standard Bank guidelines on retroactive financing. There were also some inconsistencies between the data reported in the main text and in Annex 1, for example, the ICR (paragraph 39) reported that 24 km of paved public roads with curbs were constructed, achieving 98% of target, but Annex 1 reported that 34.22 km of paved public roads with curbs were constructed exceeding both the revised target of 25.96 km and the original target of 30.20 km.
Conciseness. The ICR provided adequate coverage of the implementation experience and its shortcomings, on the other hand the main text is 29 pages and the total document is 141 pages - significantly longer than agreed standards.

Summary of ICR Quality Assessment. While the ICR provided a candid coverage on the project's shortcomings, the analytical efforts were undermined by the poor M&E in the project and hence the limited availability of data. Consequently, discussion of outcomes was focused mainly on the achievement of outcome indicators and lacked a comprehensive assessment of the extent to which the PDO was achieved. There are concerns on the quality of data provided because validation of data through triangulation was not possible due to the lack of external impact studies/evaluations. The coverage on the AF-funded activities was limited in the main text of the ICR, but this was compensated by providing more information in Annex 9. There were, however, some inconsistencies between the main text and the results reported in Annex 1.

Preparing this ICR was a challenge because of the minimal amount of data available from the project's M&E system, made even more difficult because there were really two phases in the project covering some 13 years. Nevertheless, considering the limited data available, the ICR provides a readable, interesting and clear quite analytical account of the project's problems and apparent minimal achievements. As one would want see in an ICR on an unsuccessful project, it draws a number of important lessons. Based on a perspective that the quality of an ICR is not determined solely by the quality of the data assembled, but by how constructively the ICR analyzes the available data as well as how candidly the ICR analyzes all aspects of a project's strengths and weaknesses, and how cogently the lessons learned from the project's achievements, or lack of achievements, are presented.

On this basis the ICR's Quality is rated Substantial.

a. Quality of ICR Rating
   Substantial