Report Number: ICRR0021986

1. Project Data

Project ID	Project Name
P120830	BR Rio Grande do Sul SWAp (SIL)
Country	**Practice Area(Lead)**
Brazil	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-81550	30-Jun-2017	475,607,299.49
Bank Approval Date	**Closing Date (Actual)**	
01-May-2012	31-May-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	480,000,000.00	0.00
Revised Commitment	480,000,000.00	0.00
Actual	476,264,677.42	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The objective of the project is "to support and improve the planning and implementation of public investments by strengthening the capacity of the Borrower's planning agency and selected sector secretariats of the Borrower [Loan Agreement (LA), p.6)]". The statement of the project's objective in the Project Appraisal Document (PAD) on page 4 is identical, and it remained unchanged during the entire period of project implementation.

Because of the compound nature of the above project development objective (PDO), and the ICR's approach in assessing the project performance focusing on the results areas, this review will align with the core element of the PDO (to support and improve the planning and implementation of public investments), but will unpack the latter objective into the results areas that will be assessed as sub-objectives (see Section 4 for the sub-objectives). The overall project efficacy will be based on the sub-ratings for the results achieved in the four areas of project support or sub-objectives.

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?

No

d. Components

Component 1: Technical Assistance on Public Sector Management (Cost at appraisal of US$55.3 million, with unknown actual cost)

The project was to provide technical assistance aimed to strengthen the Borrower's capacity to design, implement, monitor and evaluate public investment. The two main activities under this componet consisted in (i) the support to investment and human resource planning, contract and public asset management, and (ii) the support to monitoring and impact assessment. Specific activities were as follows: (i) the setting up of a multi-channel system for public service evaluation; (ii) the provision of training in firm-level benchmarking methodology, (iii) the provision of expertise to oversee environmental and disaster risk management, (iv) the support to conduct public-private consultation, and finally (v) the support to other diverse technical assistance (see more detail in the LA on p.6-7)

Component 2: Eligible Expenditure Program (EEP), (cost at appraisal of US$423.5 million, with unknown actual cost)

Under this component, the project intended to support the implementation of the Eligible Expenditure Programs (EEP) through investments in public sector management, transport, education, and private sector development for small and medium-sized enterprises (see for detail in the PAD on p.6, and in the LA on p.7)

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

Cost: Total cost at appraisal was estimated at US$847.1 million, with IBRD contribution set at US$480.0 million. Total actual cost was not provided by the ICR team, but the total IBRD disbursement amounted to US$476.3 million or 99.2 percent of the approved amount.

Financing: The project was financed by an IBRD loan in the amount of US$480.0 million, with other contributions totaling US$367.1 million, including the Borrower contribution.

Borrower Contribution: The ICR team did not provide the detail related to budgeted and actual contribution of the Borrower.

Dates: The project was approved on May 01, 2012, and made effective on October 01, 2012. The project was restructured three times : (i) on January 18, 2016 to make changes in one of the implementing agencies, in the results framework, in the loan closing date, and in the procurement system of the project; (ii) on November 23, 2017 to make further changes in the results framework, and finally (iii) on February 26, 2019, to extend the loan closing date until May 31, 2019. The project was closed on May 31, 2019, after closing date extensions totaling almost two yeras.

3. Relevance of Objectives

Rationale

The project's objectives were in line with the Borrower's priorities.The ICR reported on page 14 that all project's activities and result areas were consistent with the priorities established by the Government within the Multiyear Plan 2012–2015, which aimed to strengthen the State's capacity in planning and executing public investment projects in the selected sectors. The chief goal of the Rio Grande de Sul (RGS) Government was to stimulate the resumption of economic growth in a tight fiscal environment and to improve the quality of public services. The Government's strategy had four objectives: "(i) to raise the rate of growth of investment, incomes and employment; (ii) to promote regional development; (iii) to eliminate extreme poverty; and (iv) to strengthen civic participation" (PAD, p.2). All the project's areas of focus and activities were derived from the above key national priorities.

The project's objectives were consistent with the World Bank Group's strategies at appraisal and at closing. The World Bank Group's Country Partnership Strategy 2012-2015 (Report #63731-BR) approved in November, 2011 emphasized four strategic objectives: (i) to increase the volume and productivity of public and private investments; (ii) to improve the quality and expand the provision of public services for low income households; (iii) to promote regional economic development; and (iv) to improve natural resource management and climate resilience. The World Bank's CPF at the closing date (2018–2023) centers on the following three pillars, all of which were reflected in the project: (a) fiscal sustainability and improved service delivery, (b) productivity growth and investments by the private sector, and (c) inclusive and sustainable development. In addition to these objectives, the TA component intended to strengthen the quality of service delivery by building technical capacity for informed decision and policy making.

In hindsight, the statement of the PDO lacked a clear scope and delimitation, and ended up being too complex and partially incongruent with certain activities selected under the project. More specifically, it was not possible to sustainably achieve the economic development and fiscal responsibility goals without having specific activities that would contribute to those goals in the short to medium terms. Also, some of the activities and their accomplishments were not properly covered in the results framework. For instance, many improvements in data management and governance were accomplished, but were not reflected in the PDO. Overall, the PDO was both overambitious, yet partially unclear.

Relevance of objectives and assessment of the project efficacy: Because of the complexity of this project both regarding the statement of the PDO and the presentation of the achieved results in the ICR, the review of the project efficacy will use the advice provided by both IEG and OPCS regarding the assessment of the performance of broad or unclearly worded objectives. While this review will maintain the core wording of the PDO (to support and improve the planning and implementation of public investments) as the overarching objective, the efficacy assessment will unpack the PDO in key areas of project support that will be treated as sub-objectives, imitating in this the ICR's approach. This approach allows (i) the discussion of the theory of change that is relevant and specific to each sector of project intervention, and (ii) the assessment and rating of achieved results in each area of project intervention or sub-objective.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To Support and Improve the Planning And Implementation of Public Investments in The Infrastructure Sector (Transport)

Rationale

Theory of Change

There was no theory of change in the PAD, but the ICR constructed a theory of change presented on pages 8-9 and summarized in this review prior to the presentation of efficacy achieved under each sub-objective. Under the first sub-objective, the constructed theory of change was that improving public investment planning and implementation through strengthening capacity in the transport sector and in the respective implementing agency would result in enhanced capacity of the Government to plan and execute public investments in infrastructure (primarily transport), while preserving fiscal discipline. Increased and diversified efficient investments in the critical sector of transport and infrastructure would finally lead to sustainable and equitable socio-economic development of RGS. Overall, the constructed theory of change in the transport sector was sound, as the activities of supporting the State's paved highway rehabilitation and maintenance triggered the creation of a road pavement management system, which led to improved infrastructure through road repair, the latter contributing in the long-run to private sector competitiveness and economic and social development.

Efficacy

Results achieved under the first objective related to the infrastructure sector (transport) are detailed below:

- The technical assistance (TA) component supported capacity development through trainings on works and quality maintenance involving over 100 engineers and fiscal authorities;
- The IT system financed by the project to modernize and upgrade the pavement management system of the Rio Grande do Sul (RGS) road agency was adopted by the project's closing date and laid the groundwork for substantial productivity gains, road quality improvements, and capacity building through more efficient contract management;
- The use of CREMAs (five-year management contracts) and the software purchased under the project included measures for a more objective assessment of road projects replacing the politicized process that had previously driven program selection;
- Almost 1,200 km of the state's paved roads were managed under CREMAs by the end of the project; and
- The project financed the rehabilitation of 1,557 km of pavement, surpassing the revised target of 1,500 km, and the management system has now been adopted, enhancing both the quality and productivity of road management.

Rating
Substantial

OBJECTIVE 2

Objective
To Support and Improve the Planning and Implementation of Public Investments in the Education Sector

Rationale
Theory of Change

Under this objective, the constructed theory of change was that improving public investment planning and implementation in the education sector and in the respective implementing agency would result in increased capacity of the Government to plan and execute public investments in education, while preserving fiscal discipline. Increased and diversified efficient investments in the education sector would finally lead to higher socio-economic development. The constructed theory of change was sound, as the key activity under this objective was to modernize and expand the use of information and communication technology (ICT) in education. Expected output consisted in implementing a system for assessing learning at primary and secondary levels, toward the outcome of increasing the technical capacity of selected state agencies for planning and investment, and enhancing the efficiency of related public investments. The long-term goal was a contribution to the reduction of poverty and inequality.

Efficacy

Achievements completed under the second sub-objective aimed at supporting the education sector are listed below:

- Enhanced governance and informed policy-making allowed the State Department of Education (SEDUC) to analyze and prioritize policy based on expected results;
- Improved participatory evaluation helped instituting an evaluation system and a systematic data collection;
- Technical assistance in the form of third-party consultancies was provided to SEDUC to conduct a human resources (HR) diagnostic to improve information flows and automatization of inefficient and manual processes;
- The project contributed to creating a virtual continued-education platform, made possible with the technological advances, improved staff capacity, and new equipment supported by the project;
- The school and IT modernization focused on acquisition of equipment, including computer lab improvements, increasing Internet access, as well as a one-computer-per-child program pilot;
- Rehabilitation of 65 schools that were a priority and included some indigenous schools;
- Socially vulnerable schools were given priority through the creation of 30 nuclei with teacher capacity building and the purchase of 2,300 tablets and other digital equipment, such as routers and projectors in over 300 schools, and over 60,000 students benefited from the program;
- Improvements in data processing led to improvements in governance and the quality of results in learning, with a 3.9 percent increase in Portuguese ratings and 3.2 percent in Math in Grade 6, as well as 7.8 percent in Portuguese and 5.2 percent in Math in the first year of high school, results that surpassed the revised goal by 10 percent;
- The project contributed to the repair of some of the most vulnerable schools, enhancing their security and contributing to improved quality and governance with a new decree for governance since 2017. These repairs and the improvements in evaluation scores resulted in important improvements in the quality of educational infrastructure. There was a 67 percent reduction in schools' self-rating as 1 in quality (1 being the worst rating on a scale of 1–5). This result surpassed the revised goal of 40 percent improvement, which was at 20 percent before restructuring;
- The cumulative number of constructed and refurbished schools projects undertaken showed a marked progress with 387 projects being completed, 27 percent higher than the revised target;
- However, contracts in this sector were poorly managed with an exaggerated number of schools per contract, leading to poor quality and delays in the completion of works, as most of the works under this category were launched with delay and not procured as originally planned, leading to a reallocation of over US$50 million to other sectors. Similarly, systematic and institutional improvements in areas such as human resources and contract management were delayed.

Rating
Substantial

OBJECTIVE 3

Objective
To Support and Improve the Planning and Implementation of Public Investments in the Science and Technology Sector

Rationale

Theory of change

The constructed theory of change assumed that improving public investment planning and implementation for the State through strengthening capacity in the specific sector of the science and technology, and in the respective implementing agency would result in increased capacity of the Government to plan and execute public investments supporting the private sector, while preserving fiscal discipline and improving environmental and natural resource management. Increased and diversified efficient investments in the critical sector of science and technology would finally lead to the expansion of the private sector, and to its contribution to equitable socio-economic development. Overall, the constructed theory of change was sound, as the activity of supporting the building and maintenance of science and technological parks and innovation networks, allowed the launching of (a) economic cluster programs, (b) industrial extension services, and (c) expansion of science parks and innovation networks. Expected outcomes included (i) the improvement of governance mechanisms for productive sector development policy, and (ii) the enhancement of private sector competitiveness.

Efficacy

Achievements completed under the third sub-objective aimed at supporting the private sector are listed below:

- The project focused on the responsiveness of services offered to meet private sector demands, strengthening internal management and external monitoring of cluster programs, and improving cooperation between the private and public sectors;
- The program enabled the construction of several technological parks, along with strengthening 3 innovation networks and supporting the creation of 15 incubators with both enterprise and individual beneficiaries (detailed in table 3 of the ICR);
- The impact evaluation unit that carried out the evaluation was finally set up and contributed to the institutionalization of an M&E culture, and the unit produced an evaluation of results of this program area from the second half of project implementation;
- The project financed three new technology parks and supported several others in strengthening their competitive advantage. Almost 20,000 new jobs were generated as a result of the three consolidated parks. This was 30 percent more than the target of 15,000, even after the upward revision from the original target of 10,000 and more than double the baseline of 8,200;
- The program also supported improved governance and monitoring of economic clusters. Five pilot clusters were selected, and for each cluster, the program supported a strategic plan to address necessary improvements in governance, capacity building, technology and innovation, sustainability, and market development. The program targets were met with 20 agreements signed with the Local Production Arrangements, and a 56 percent increase in the number of collective actions among cluster participants;
- The program conducted over 7,000 consultations with a renewed methodology across 380 municipalities on benchmarking, strategic planning, loss reduction, and innovation and sustainable production. After being revised downward from the original goal of 20, the program surpassed the goal

to sign and renew at least nine agreements with extension services by signing 10 agreements. The quality of services offered, measured by percentage of firms subsequently contracting other upgrading services was partially achieved with a 21 percent increase, falling short of the revised goal of a 30 percent increase. The impact evaluation for this activity showed a 5 percent increase in income, 70 percent increase in firm survival, and 4 percent increase in links for participating companies, along with the creation of almost 4,000 new jobs.

Rating
Substantial

OBJECTIVE 4
Objective
To Support and Improve the Planning and Implementation of Public Investments in the Public Sector, Fiscal and Economic Management

Rationale
Theory of change

The constructed theory of change was that improving the planning and implementation of public investment in the fiscal and economic management through strengthening capacity of the State would result in increased capacity of the Government to promote development in general, while preserving fiscal discipline. Diversified and efficient investments in the public sector and fiscal management in general would finally lead to equitable socio-economic development. Overall, the constructed theory of change was unclear under this objective. There was room for refining the theory of change under this sub-objective and ensure that there are specific activities leading to corresponding outcomes. Although there were significant achievements related to economic and public sector-wide management in general, the results chain linking those results to project activities was unclear.

Efficacy

Results achieved under this objective are also indirectly linked to the three objectives discussed above and are summarized below:

- Overall, the project provided TA investments to achieve results in capacity building and HR planning, asset, contract, risk, data and environment management, as well as fiscal and economic management;

- **Capacity Building**: The project addressed the goal of strengthening investment planning and HR management through the organization of 80 hours of in-company trainings in HR management, high impact leadership, and public project and process management. The project also supported exchanges and educational trips to improve benchmarking, built a project database, created a methodology for investments, and developed the ability to analyze the socio-economic viability of future projects. Finally, the project financed the purchase of strategic equipment to improve planning capacity, reduce inefficiencies, and allow for effective acquisition;

- **Public Contract Management**: The project funded activities to improve public contract management, including (i) the acquisition of the management data system which is now fully operational and has resulted in improvements in data processing, increased productivity of acquisitions, and allowed for cross-data analysis and reducing irregularities, and (ii) the organization of six capacity-building training sessions for staff, along with the construction of a dedicated training room.

- **Public Asset Management**: Achievements aimed to yield gradual long-term improvements in economic development, such as (i) strengthened asset management and capacity building for public investment; (ii) improvements in planning and implementation of public investments aimed to improve the management of public assets through a new system for managing and disposing of public real and non-real estate assets; and the purchase of a software and contracting of an IT company to analyze and cross-check the inventory. The above achievements resulted in the cumulative number of real estate assets in inventory reaching 5,844 assets, just short of the revised 8,000 goal. The project improved efficiency in the purchase and sale of assets, communication between state agencies, and gains in productivity and time savings. An updated database is fully operational and institutionalized with the successful submission of a draft public asset management law to the legislative assembly. The sustainability of this process was strengthened by the creation of the Sub-Secretary of Patrimony within the Department of Planning and Management (SEPLAG), with capacity-building training sessions completed for over 100 staff;

- **Improved Administration of Pensions**: This operation supported the strengthening of the State administration of pensions, the largest state expenditure, while improving investment capacity within SEPLAG. Key reforms included the reduction of the number of administrative staff, and automating the processes related to pension administration. These automations led to the digitalization and the purchase of equipment. Legislative changes to facilitate investments in the private market helped improve the overall administration of funds. Finally, TA helped to turn PROGESTÂO into the largest investment fund in the state, now considered a best practice in the country due to efficiency gains in investment management;

- **Public sector coordination**: Intersectoral coordination across and within each sector was in large part successfully implemented with the supervision of the Project Implementation Unit (PIU). Adherence to the SWAp instrument strengthened governance and communication between government agencies, creating incentives for results-based informed policy making and strengthening data management;

- **Environment and Disaster Risk Management**: Key achievements were as follows: (i) setting up an environmental licensing and public communication system, which contributed to reducing the average time for the request for environmental regulation from 826 days to 421 days, almost double the target of 620 days, (ii) automating previously manual processes for the purchase of equipment, along with increased process digitalization, resulted in gains in productivity and transparency;(iii) developing an ecological-economic zoning system and completing a survey of environmental, socioeconomic, and institutional data as part of a diagnostic study led to strategic guidelines for influencing policy making and corporate actions that have a potential impact on the specific environmental zone, (iv) the information obtained was used to feed rich data into the new software that is currently available online and has already influenced policy making, such as in mapping out new indigenous and family fishery areas, and (v) toward creating a disaster risk monitoring system and situation room, the project supported improvements in disaster risk management, which was in a large part accomplished with the formulation of a disaster risk policy. At the same time, communication and joint decision making between the actors have improved and the state's environmental policy and response to disaster have permitted better risk prevention and effective management.

- **Data Management**: The project enhanced effectiveness of data management and contributed to informed policy making and transparency. In partnership with the army, the proejct supported systematic updates to imaging and cartography, which were then fed to an online system that currently integrates geopolitical, social, health, education, transport, and environmental data. This database and software allow for inputting raw data from all the participating secretaries and cross-referencing it with large amounts of data, creating a visually appealing dashboard, providing transparency, and strengthening communication and policy making across agencies. Over 100 people from across the state and different sectors were trained in the use of the software. The recently inaugurated system already had access from around the world with more than 7,000 users per month.

- **Fiscal Management and Economic Development**: The key DPO indicators in this area of support - the primary fiscal balance, the investment expenditure evolution, and the revenue from Tax on Circulation of Goods and Services- were defined during a period of strong economic growth, but could not reach their initial goals and were directly influenced by the 2015 deep recession. The first indicator had to be reduced, anchoring the goals into the Action Plan negotiated with the Federal Government. The project redefined the targets for the latter two indicators and adjusted their calculation to became cumulative during the FY2017 restructuring. These adjustments allowed for the completion of both goals: R$4,862 million in investment from the R$1,047 million baseline, and R$150,138 million in revenues in tax on circulation of goods and services (ICMS tax) from the R$22,500 million baseline.

- The performance in the area of fiscal management and economic development was negligible, because there were neither specific activities devoted toward the achieved outcome nor some discussion of the attribution the outcome achieved in this sub-area. Given that no specific activities were identified in the project to directly address de achieve outcome in the fiscal and economic developments, the above achievements cannot be attributed only to this project. Because of the importance of this sub-area of results, it impacted negatively on the efficacy under this sub-objective.

Rating
Modest

OVERALL EFFICACY

Rationale
Project's efficacy can be summarized as follows:

- In support to the infrastructure sector (transport), the project surpassed targets in rehabilitating the State's paved roads, improved the sector management systems, and enhanced both the quality and productivity of road management.
- Results arising from improved planning and implementation of public investments in the education sector were: (i) rehabilitated schools, including some indigenous schools and socially vulnerable schools, which resulted in an increase of the cumulative number of constructed and refurbished schools, and in important improvements in the quality of educational infrastructure, and (ii) improved data processing leading to enhanced governance and quality of results in learning.
- In support to the planning and implementation in the science and technology in favor of the private sector, the following results were achieved: the project (i) enabled the construction of several technological parks and the creation of incubators with both enterprise and individual beneficiaries, and strengthened their competitive advantage; (ii) contributed in the institutionalization of an M&E culture; (iii) contributed to the creation of new jobs; (iv) improved governance and monitoring of economic clusters; and (v) supported improvements in governance, capacity building, technology and innovation, sustainability, and market development.
- Toward improving the planning and implementation of public investment in the fiscal and economic management, results were achieved in the areas of capacity building, public contract and asset management, public sector coordination, environment and disaster risk management, and data management. Some limited results were achieved in the fiscal management and monitoring, but they cannot be attributed to this project, as there were no specific activities devoted to their achievement.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic efficiency: At appraisal, an economic and financial analysis was conducted and covered the following: (i) the economic analysis was run only for the transport sector, and the results of the internal rate of return and the net present value (NPV) for transport investments were estimated at 36% and US$260 million respectively, (ii) the PAD made fiscal projections during the period of project implementation as follows: (a) current revenues were expected to be affected by proposed changes to the sharing rule determining State specific transfers, and those related to the allocation formula for royalties that could offset potential revenue losses from transfers and tax reform. Overall, any reforms contemplated during the project implementation would be gradual, minimizing the total net effects on revenue collection and allowing for adjustment in the meantime. The projections in the PAD indicated that the sustainability of the fiscal and debt trajectories over 2010-20 was to remain robust despite the changes expected to occur during project implementation.

The ICR's economic analysis was limited to transport investments, and the NPV was estimated at US$254.6 million at a 15 percent discount rate with an Economic Rate of Return (ERR) of 33 percent for the full program implementation period. This analysis is based on improved road access for populations along rehabilitated roads and cost savings due to CREMAs. The ICR collected limited details on the impact of the project areas of education and private sector development, and it was not possible to estimate the ERR for these project areas. The program design was not focused on short-term economic return, but was centered on public sector efficiency gains in terms of improved planning and greater efficiency in administering public investments. Such investments are likely to have considerable long-term impacts but are difficult to quantify in the short term. Finally, while performance indicators related to fiscal developments were provided, there was no assessment or evidence regarding the program impact on the public finance developments in RGS at closure, as was the case at appraisal.

Administrative and Operational Efficiency: The ICR did not discuss this aspect of project implementation under this heading. At project's effectiveness, there was limited institutional capacity across all implementing agencies, and this had serious implications on the project's launch and implementation performance during the first years. Furthermore, there were disagreements and dysfunctional channels of communication among many of the government implementation agencies. Some secretariats went through more than three restructurings, while other secretariats and departments were incorporated into its a larger structure, leading to shifts in teams, and strategy, budget and process changes. Moreover, many of the implementing teams were not formed at the onset of the project and changed on several occasions, creating a lack of ownership, continuity, and changes in the direction of activities. Despite these challenges, the World Bank team was actively engaged with a highly proactive PIU, offsetting some of the exogenous factors and contributing to the successful implementation of most of the project activities.

Efficiency Rating

Modest

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	✓	36.00	46.00 ☐ Not Applicable
ICR Estimate	✓	33.00	46.00 ☐ Not Applicable

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

6. Outcome

The relevance of the project's objective was substantial. While all areas of focus were consistent with the borrower's priorities and in line with the World Bank's strategies until the project's closure, the project development objective was unclear on how to achieve some outcomes, and the project scope was overambitious. The project's efficacy was also substantial, reflecting the significant results in the sectors of transport, education, private sector support, and public sector management, despite the limited achievements in the area of fiscal and economic management. Efficiency was modest, resulting in an overall project outcome of Moderately Satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

This review concurs with the three areas of risks to the development outcome identified in the ICR on page 34, and summarized below:

(i) First, the dysfunctional political environment and the multiple institutional changes might constitute impediments to the sustainability of project achievements and investments. The lack of commitment to fiscal adjustments at the State assembly level might make it difficult for the Borrower to keep focus on fiscal sustainability objectives as pursued by the project;

(ii) Second, the macroeconomic instability of the country as a whole and the fiscal imbalances at the State level present a major challenge to the sustainability of the results achieved, especially as regards to the reliance of public investments maintenance on the Federal Government budget. In fact, during the operation itself, the State was forced to declare a fiscal calamity (bankruptcy), making it difficult for institutional improvements to continue in the long term; and

(iii) Finally, expected reshuffle in the Government and senior staff turnover could present risks to the governance improvements and informed decision-making changes made at the state level, and the technical capacity gains achieved through the TA component may wane over time. The State’s financial challenges might put the sustainability of the above achievements in jeopardy, indicating that less ambitious activities with longer-term financing possibilities might have generated more impactful results.

8. Assessment of Bank Performance

a. Quality-at-Entry

The preparation of the project drew on lessons learned from previous SWAps implemented by the World Bank in the region. The multisector operation was underpinned by thorough discussions with key stakeholders in all the respective sectors supported by the project and in close coordination with a dedicated PIU. Furthermore, the design of the project included a major TA component, aimed at building capacity in governance, M&E, and other more sector-specific skills.

However, the project faced the following key challenges at appraisal: (i) a rushed preparation due to pressure from both the Government and the World Bank, (ii) a limited technical capacity and insufficient time at the project launch, and (iii) a lack of experience in project design and of clear understanding of the World Bank’s contractual, procurement, and fiduciary rules and regulations. While the project supported capacity building during project implementation, this could not correct the impact of the limited capacity in the first two years, which affected all the sectors involved and resulted in restructurings, reallocations, cancellations and inability to reach some desired results. Finally, the selection of the SWAp as the financial instrument was not fully appropriate for the project, given the lack of clearly defined Eligible Expenditure Programs before project approval.

The project design and preparedness were weakened by (i) an unreasonably broad scope of the project, (ii) a lending instrument not sufficiently internalized by key local stakeholders, and (iii) a weak M&E framework, all of which did not align with the limited implementation capacity of the line agencies involved in the project. While the project responded to the State's needs and priorities, it was designed in record time across a multisector agenda with very ambitious goals. Time and budget constraints placed on the original task team resulted in the design of a project that lacked a clear scope, and sometimes the required ownership, as well as targets based on inaccurate estimates that were ultimately revised.

Although many of the risks were adequately identified, mitigation measures proved to be inadequate for resolving many of the implementation challenges, especially in the first two years. Additionally, country-level risks were underestimated and proved to exert the strongest negative impact on the operation.

With respect to social safeguards [Indigenous Peoples Plan (IPP) and Resettlement Policy Framework (RFP)], the instruments were prepared by the client, consulted with communities, approved by the World Bank, and published in 2012.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Project implementation was monitored and documented with limited but later improved consistency, after the first restructuring. Between 2012 and 2019, 13 Implementation Status and Results Reports (ISRs) were prepared and filed. However, the ISRs and Aide Memoires had some shortcomings in documenting the first half of project implementation. Similarly, recording of the restructurings had shortcomings as well, with limited detail or scattered documentation to account for all the reallocations and changes to the results framework.

Supervision missions comprised multidisciplinary supervision teams that were well involved throughout project implementation, including strong engagement with the PIU and implementing agencies. However, the TTLs turnover with four task team leaders managing the project, including changes in specialists throughout its lifetime, negatively affected the supervision performance. The changes in specialists responsible for financial management and procurement particularly affected progress in project implementation. For instance, funds devoted to rehabilitating schools -- for which related activities were delayed and lacked the adequate documentation that show on-the-ground accomplishments -- were reallocated. The ICR did not report on the project's performance as regards to fiduciary issues, including the status of the external audit of the project at the time of project closure.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The annex 1 of the PAD summarized the project's results framework, which was composed of 4 Project Development Objective (PDO) indicators, 8 disbursement-linked indicators (DLIs), and 12 performance indicators (PIs) to complement monitoring. Given the results-based approach under the SWAp, the M&E design was of considerable importance to stimulate the desired focus on results and M&E in the participating agencies. The responsibility for monitoring and reporting on the program was placed in a unit located within the State Secretariat of Planning and Management, which played an essential role in ensuring the timely monitoring of the 12 PIs that were identified to measure specific interventions in each of the four thematic areas.

While most PDOs and DLIs were designed to directly reflect the achievements linked to the program's activities, some of them were flawed, given their inability to measure the results of project activities directly or show causality. Too many PDO-level indicators depended on binary yes/no answers and failed to assess gradual progress toward the outcome. The PDO itself was broad and not well formulated or linked to clear PDO indicators with alignment to specific project subcomponents/activities. Moreover, some of the DLIs and intermediate indicators were neither measurable nor attributable. For example, the first three DLIs, focusing on fiscal sustainability, were inappropriate, given their inability to measure project actions directly. Finally, the design of the M&E framework was also inadequate to measure and quantify accomplishments of the TA components.

The selection of the DLIs was based on the history of fiscal imbalances identified during previous operations of the World Bank and their inclusion in the Results Framework was meant to incentivize fiscal responsibility within the operation. However, this did not produce the desired results, because the project was unable to directly influence the fiscal situation, but instead created challenges to properly assess the project accomplishments.

b. M&E Implementation

M&E implementation was done through the Aide-memoires prepared after each supervision mssion, and the filed semi-annual ISRs. In particular, the ISRs provided an update of the status of the PDOs, based on the information provided from implementation agencies on the ground. However, poor M&E and absence of data during the first half of project implementation reduced the M&E input to project supervision.

The definition and targets of the PDO, DLIs, and PIs were revised during the midterm review in December 2014, and in the first two restructurings to accommodate the project’s implementation needs. The two restructurings aimed to revise the results framework were implemented, largely offsetting the limitations and enabling the project to reach all its main objectives and their targets. Despite improved supervision, the World Bank team did not adequately reassess the results framework during the different restructurings, which would have addressed limitations arising from the project's design.

c. M&E Utilization

The ICR did not report on the M&E utilization to improve project implementation. However, it can be inferred that the restructuring operations were initiated based on the feedback received from the Aide-memoires prepared after supervision missions, and the ISRs filed in the project's tracking system of the project.

While the M&E framework ultimately made some important contributions in the strengthening of the results-based framework culture within the project implementation agencies and the State at large, it had shortcomings at design and throughout the life of the project. Improvements in monitoring, recording, and providing technical support throughout project implementation mitigated some of the challenges and inconsistencies described earlier, and contributed to the project's accomplishments. However, M&E for this project remained one of its weakest aspects throughout the project's lifetime. Based on the above considerations, the overall quality of M&E is rated Modest.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The operation was classified as a category B project and the following policies were triggered at project approval: (i) Environmental Assessment OP/BP 4.01, (ii) Natural Habitats OP/BP 4.04, (iii) Physical Cultural Resources OP/BP 4.11, (iv) Indigenous Peoples OP/BP 4.10, and (v) Involuntary Resettlement OP/BP 4.12. Environmental and indigenous safeguards initially created an implementation bottleneck given the State agencies' lack of familiarity with the World Bank's relevant processes. The initial idea for new highway construction was abandoned in part due to the World Bank's safeguards restrictions, which differed significantly from the local legislature by requiring provisions for displaced families to be placed in a similar or better situation. With the new focus on road restoration, the safeguards manual was prepared with participation from a number of affected indigenous communities. This accomplishment helped enable better project actions, including the selection of adequate bus stops, provisions for traffic security education within indigenous schools to help avoid accidents, and the initiation of a long-term communication channel not previously available to these communities.

In 2011, a social assessment was carried out within the program's geographic area and indicated the presence of 33,000 indigenous peoples, representing 0.3 percent of the population of RGS. The social safeguards instruments (IPP and RPF) were prepared by the client, consulted with communities, approved by the World Bank, and published in 2012. Semi-annual supervision missions included a social specialist who provided TA to strengthen the social development skills of the client institutions and integrated a social team that would oversee the implementation of the social safeguards of the project.

The project adopted extensive frameworks, policies and actions through its implementation of the activities under the fourth objective, for aspects related to improving the environment and disaster risk management. Despite good social safeguards performance by the client since 2013, the project was rated Moderately Unsatisfactory since September 2018, given that the construction works of the four indigenous schools and the maintenance and improvements of four roads in indigenous territories were not expected to be concluded by project closing.

b. Fiduciary Compliance

While the project provided TA supporting financial management and procurement in the implementing agencies, the ICR did not provide a review and discussion of the performance of the project's fiduciary function during the project implementation. However, the supervision missions and the ISRs did not report any special issues in the fiduciary areas. Procurement and financial management functions were rated either satisfactory or highly satisfactory throughout the period of project implementation.

c. Unintended impacts (Positive or Negative)

The ICR didn't identify any unintended impacts.

d. Other

The ICR did not mention any other issues.

11. Ratings

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

12. Lessons

This review concurred with the key lessons identified in the ICR, which are summarized and rephrased below:

- **To maximize implementation readiness and results, Bank project teams need to be provided adequate time, and appropriate technical and financial resources.** Project implementation is facilitated or hindered by the quality at entry. The identification of project components and underlying sub-components need to be the primary focus of both the design and implementation phases of a project. Stringent deadlines for project approval, limited staff, and lack of sufficient mechanisms to offset the limits in capacity, are likely to compromise the project design and implementation. In the case of complex or innovative projects, additional time, financial and technical resources should be provided to the task team at preparation to ensure quality at entry that will determine smooth implementation. Implementation shortfalls in this project resulted from a task team with limited experience tasked to meet an unrealistic deadline for delivery.

- **Associating TA activities with investments can help achieve sustainable outcome across all result areas**. The provision of TA activities to the agencies engaged in carrying out the Eligible Expenditure Program investments significantly contributed to the progress toward the PDO targets. The TA activities also helped enhance the sustainability of achieved outcome by institutionalizing the underlying changes in public sector management and incorporating legal and technological tools.

- **An effective results framework needs to link activities to PDOs and effectively measure the TA performance .** Identification of indicators and their measurement methodologies need to be participatory using adequate expertise and experience to fully reflect priorities of key stakeholders and avoid indicators with limited measurability. All indicators should be clearly associated with the PDO to make sure that links between the project activities and outcomes are clearly drawn. The Results Framework for the program partially failed to account for and measure some important results and outcomes, especially those accomplished within the TA component. Incorporating TA-linked outcomes and outputs into the Results Framework would have enabled a clearer evaluation and better communication of important project achievements. In the future, incorporating more indicators to measure the performance of TA would enhance the design and achievement of the outcome sustainability.

- **While staff turnover in the World Bank team and in the Borrower agencies is unavoidable, implementation arrangements are needed to ensure the continuity of action toward the project outcome.** On the government side, key ingredients underpinning project performance included: (i) sustained government ownership and commitment; (b) strong leadership for project oversight and management; and (c) a functionally dedicated Project Management Unit, whether composed of government staff or consultants, with an explicit mandate to work on the project. Leadership changes associated with four different task team leaders over the seven-year life of the project also contributed to some difficulties in implementation. Both the WB and the Borrower needs to integrate mechanisms to ensure that rotation of staff doesn't affect the progress of project implementation.

- **The impact of a program or a project lies in large part in the way it incorporates activities supporting long-term sustainability.** A less ambitious project design that incorporated sustainability mechanisms such as continued funding schemes could produce more meaningful and long-lasting results and stronger impact. For instance, requiring a copayment could have produced a more sustainable project result, or focusing on larger scale technological changes could have made a stronger impact. Impact evaluation activities should be given a more central focus and included during the design stage. Design of an appropriate M&E system for the project as a whole along with each specific area could amplify the project's success, especially in the long term. Impact evaluations within each sector should be encouraged, while technical staff should receive training on how to better design and implement such evaluations. Additionally, a more rigorous independent midterm evaluation should be carried out within and across the different project areas. This would help ensure that the project properly identifies appropriate adjustments when activities are not achieving the desired results and impact.

13. Assessment Recommended?

Yes

Please Explain

The project supported a number of key sectors underpinning the future development of the RGS by providing investments and TA. The preparation of a PPAR a few years after the project closing would shed light on the impact of the project and allow the formulation of more lessons in the use of the SWAp instrument by the World Bank to support its clients.

14. Comments on Quality of ICR

The ICR provides a comprehensive account of the project design and implementation, with sufficient focus on the achieved results and the lessons learned from the project experience. The ICR provides a thorough description of the results achieved in the four areas of project intervention related to infrastructure (transport), education, support to the private sector, and public sector management as well as fiscal and economic management. In each area, key outputs and outcomes were identified and discussed in comparison with original and revised program targets. Lessons learned were identified in the ICR and they reflect the experience of project design and implementation. Aspects of the ICR that could have been improved include: (i) the operational and administrative efficiency of the project could have been discussed further, (ii) there was no discussion of attribution of the project results, and (iii) the information on the project costs in the Annex 3 needed to be updated. Overall, the quality of the ICR is substantial.

a. **Quality of ICR Rating**

Substantial