



1. Project Data :		Date Posted : 08/07/2000	
PROJ ID: P039197 OEDID: L4211		Appraisal	Actual
Project Name : Rio de Janeiro State Reform Privatization Project	Project Costs (US\$M)	5900	6304.1
Country: Brazil	Loan/Credit (US\$M)	250	199.6
Sector, Major Sect .: Public Sector Management Adjustment, Public Sector Management	Cofinancing (US\$M)	5650	6104.5
L/C Number: L4211			
	Board Approval (FY)		98
Partners involved :	Closing Date	12/31/1998	12/31/1998
Prepared by :	Reviewed by :	Group Manager :	Group:
Anwar M. Shah	Jorge Garcia-Garcia	Ruben Lamdany	OEDCR

2. Project Objectives and Components

a. Objectives
The project sought to support the timely completion of the state's privatization and concession program .

b. Components
The project financed (i) the costs of restructuring state enterprises in preparation for privatization and /or concession including the cost of rightsizing the government work force; (ii) payrolls of employees of the suburban rail company that was transferred from the federal government to the state; (iii) the cost of restructuring and privatizing BANERJ, the state bank.

c. Comments on Project Cost, Financing and Dates
The project financed 3.2% of the total costs of the above mentioned programs . It closed on time and the undisbursed balance of US\$50 million was cancelled.

3. Achievement of Relevant Objectives :
With the single exception of CEDAE, the water and sanitation agency, all planned privatization or concessions were completed by the project closing date. This included the sale, liquidation or concession of the state bank, the electricity utility, the gas distribution company and its subsidiary, the suburban railways, the subway, the state ferry service, two bus companies and the bus terminal management agency . A regulatory agency for the private provision of public services was also established .

4. Significant Outcomes /Impacts :
A leaner and more efficient state government sector was achieved and the enabling environment for private sector participation in the provision of public services was strengthened .

5. Significant Shortcomings (including non-compliance with safeguard policies):
The state water and sanitation agency, CEDAE could not be concessioned due to legal and political difficulties .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Substantial	The project helped focus the state public sector on its core mandate .
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

7. Lessons of Broad Applicability :

The ICR distills important lessons from this experience . These include (a) Splitting of the state bank into "good" and "bad" banks leaves the state a large fiscal, legal and administrative burden after privatization; (b) Independence of state regulatory agencies may be safeguarded through state constitution or the federal regulatory powers; and (c) Legal conflicts of competence must be resolved before including any public agency in a concession program .

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR is of exemplary quality. It provides a candid, thorough and thoughtful analysis of project achievements and shortcomings. It further distills important lessons from this experience . It should be on the must read list for those writing ICRs.