

Document of  
The World Bank

Report No: ICR2793

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IBRD-81280)

ON A LOAN

IN THE AMOUNT OF US\$350 MILLION

TO THE

STATE OF PIAUÍ, BRAZIL

WITH THE GUARANTEE OF THE

FEDERATIVE REPLUBIC OF BRAZIL

FOR A

PIAUÍ GREEN GROWTH AND INCLUSION DEVELOPMENT POLICY LOAN

September 19, 2013

Sustainable Development Department  
Brazil Country Management  
Latin America and the Caribbean Region

## CURRENCY EQUIVALENTS

### **BRAZIL – GOVERNMENTAL FISCAL YEAR**

*January 1 – December 31*

(Exchange Rate Effective as of December 19, 2011)

Currency Unit  
Brazilian Real (BRL)

BRL R\$1.00 = US\$0.538  
US\$1.00 = BRL R\$1.860

## ABBREVIATIONS AND ACRONYMS

CAR	<i>Cadastro Ambiental Rural</i> (Rural Environmental Cadastre)
CNI	<i>Confederação Nacional da Indústria</i> (National Industry Confederation)
CPS	Country Partnership Strategy
DPL	Development Policy Loan
FPE	<i>Fundo de Participação dos Estados e do Distrito Federal</i> (State and Federal District Participation Fund)
GDP	Gross Domestic Product
GoB	Government of Brazil
GoP	Government of Piauí
ha	hectares
IBRD	International Bank for Reconstruction and Development
ICMS	<i>Imposto sobre Circulação de Mercadorias e Serviços</i> (Brazilian State Value-Added Tax)
IDEB	<i>Índice de Desenvolvimento da Educação Básica</i> (Basic Education Development Index)
INTERPI	<i>Instituto das Terras do Piauí</i> (Piauí State Land Institute)
IPI	<i>Imposto Sobre Produtos Industrializados</i> (Tax on Industrialized Products)
NE	Northeast
PCPR	<i>Programa de Combate à Pobreza Rural</i> (Rural Poverty Reduction Program)
POLONORDESTE	<i>Programa de Desenvolvimento de Áreas Integradas do Nordeste</i> (Program for Integrated Rural Development of the Northeast)

PPA	<i>Plano Plurianual</i> (Multi-Year Plan)
PROGERE	<i>Programa Estadual de Geração de Emprego e Renda no Meio Rural</i> (Piauí State Program for the Elimination of Rural Poverty)
PRONAF	<i>Programa Nacional para o Fortalecimento da Agricultura Familiar</i> (Program for the Strengthening of Family Farming)
PSIA	Poverty and Social Impact Assessment
SDR	<i>Secretaria do Desenvolvimento Rural do Estado do Piauí</i> (State Secretariat of Rural Development)
SEDUC	<i>Secretaria da Educação e Cultura do Piauí</i> (State Secretariat of Education and Culture)
SEFAZ	<i>Secretaria da Fazenda do Piauí</i> (State Secretariat of Finance)
SEMAR	<i>Secretaria do Meio Ambiente e Recursos Hídricos do Estado do Piauí</i> (State Secretariat of Environment and Water Resources)
SEPLAN	<i>Secretaria do Planejamento do Estado do Piauí</i> (State Secretariat of Planning)
SIMO	<i>Sistema de Monitoramento e Acompanhamento de Ações Estratégicas</i> (Strategic Actions Monitoring System)
SWAp	Sector-wide Approach
UK	United Kingdom
WB	World Bank

Vice President:	Hasan Tuluy
Country Director:	Deborah Wetzel
Sector Manager:	Emilia Battaglini
Task Team Leader:	Garo Batmanian
ICR Team Leader	Garo Batmanian



## Brazil

### Piauí Green Growth and Inclusion Development Policy Loan

#### CONTENTS

A. Basic Information.....	i
B. Key Dates.....	i
C. Ratings Summary.....	i
D. Sector and Theme Codes.....	ii
E. Bank Staff.....	ii
F. Results Framework Analysis.....	ii
G. Ratings of Program Performance in ISRs.....	v
H. Restructuring (if any).....	v
1. Program Context, Development Objectives and Design.....	1
2. Key Factors Affecting Implementation and Outcomes.....	6
3. Assessment of Outcomes.....	10
4. Assessment of Risk to Development Outcome.....	19
5. Assessment of Bank and Borrower Performance.....	19
6. Lessons Learned.....	23
7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners.....	24
Annex 1 Bank Lending and Implementation Support/Supervision Processes.....	25
Annex 2. Piauí DPL Actions and Policy Development Matrix.....	26
Annex 3. Beneficiary Survey Results.....	28
Annex 4. Stakeholder Workshop Report and Results.....	28
Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR.....	29
Annex 6. Comments of Cofinanciers and Other Partners/Stakeholders.....	30
Annex 7. List of Supporting Documents.....	31
MAP.....	33



## A. Basic Information

Country:	Brazil	Program Name:	Piauí Green Growth and Inclusion DPL
Program ID:	P126449	L/C/TF Number(s):	IBRD-81280
ICR Date:	09/27/2013	ICR Type:	Core ICR
Lending Instrument:	DPL	Borrower:	STATE OF PIAUI-BRAZIL
Original Total Commitment:	USD 350.00M	Disbursed Amount:	USD 350.00M
Revised Amount:	USD 350.00M		
<b>Implementing Agencies:</b> Piauí State Secretariat of Planning			
<b>Cofinanciers and Other External Partners:</b>			

## B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/28/2011	Effectiveness:	06/15/2012	05/31/2012
Appraisal:	12/12/2011	Restructuring(s):		
Approval:	03/06/2012	Mid-term Review:		
		Closing:	03/30/2013	03/30/2013

## C. Ratings Summary

### C.1 Performance Rating by ICR

Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

### C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
<b>Overall Bank Performance:</b>	Satisfactory	<b>Overall Borrower Performance:</b>	Moderately Satisfactory

### C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Program at	No	Quality at Entry (QEA):	None

any time (Yes/No):			
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

#### D. Sector and Theme Codes

	Original	Actual
<b>Sector Code (as % of total Bank financing)</b>		
Central government administration	11	11
General agriculture, fishing and forestry sector	44	44
Other social services	15	15
Primary education	20	20
Secondary education	10	10
<b>Theme Code (as % of total Bank financing)</b>		
Education for all	30	30
Land administration and management	30	30
Other rural development	14	14
Public expenditure, financial management and procurement	11	11
Social Inclusion	15	15

#### E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Hasan A. Tuluy	Hasan A. Tuluy
Country Director:	Deborah L. Wetzel	Makhtar Diop
Sector Manager:	Emilia Battaglini	Karin Erika Kemper
Program Team Leader:	Garos J. Batmanian	Garos J. Batmanian
ICR Team Leader:	Garos J. Batmanian	
ICR Primary Author:	Garos J. Batmanian	

#### F. Results Framework Analysis

##### Program Development Objectives (from Project Appraisal Document)

The objective of the operation was to support the GoP in the implementation of its efforts to achieve higher rates of green, inclusive growth. In particular, it supports the government's strategy to develop policy reforms and programs which could:

(i) promote statewide rural green inclusive growth by: (a) improving land tenure security, (b) promoting sustainable agricultural practices, and (c) ensuring environmental sustainability;



(ii) promote inclusive growth through improved statewide public education and a strengthened role for youth in the labor market; and

(iii) promote fiscal sustainability through a strengthened institutional framework for efficient public service delivery through the creation and implementation of a results-based management tool within the public sector.

**Revised Program Development Objectives (if any, as approved by original approving authority)**

Not applied

**(a) PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	100% increase in the number of applications for rural land tenure regularization submitted to the Piauí State Land Institute (Instituto das Terras do Piauí, INTERPI).			
Value (quantitative or Qualitative)	826	1652		3247
Date achieved	12/30/2010	06/30/2013		06/30/2013
Comments (incl. % achievement)	Exceeds the target as it represents an increase of 390% for this action.			
<b>Indicator 2 :</b>	PROGERE operating in 112 municipalities			
Value (quantitative or Qualitative)	Zero	112		150
Date achieved	12/30/2010	06/30/2013		06/30/2013
Comments (incl. % achievement)	The indicator was fully achieved. Most importantly, PROGERE has already benefitted nearly 5,000 small farmers.			
<b>Indicator 3 :</b>	130,000 ha of land registered in the CAR in the Cerrado region			
Value (quantitative or Qualitative)	Zero	130,000		Zero
Date achieved	12/30/2010	06/30/2013		06/30/2013
Comments (incl. % achievement)	The achievement of this indicator was affected by the approval of a new federal law which mandates the CAR for all rural properties in the country. This strengthened the state policy but required adjustments in the state law, and thus affected implementat			
<b>Indicator 4 :</b>	Decrease, by at least 1 percentage point annually, from 38.1 in 2010 to 36 by June 2013, in the percentage of children more than two years behind grade level in grades 1 to 4 in state public schools			
Value (quantitative or Qualitative)	38.10	36		36
Date achieved	12/30/2010	06/30/2013		06/30/2013
Comments	The indicator was successfully achieved. This number actually refers to the entire			

(incl. % achievement)	fundamental education cycle because these were the data available at appraisal. New data for grades 1 to 4 indicate a 34% decrease in distortion from 2010 to 2013.		
<b>Indicator 5 :</b>	60% of state projects or programs included in the results-based management system		
Value (quantitative or Qualitative)	Zero	60%	60%
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	The indicator target was successfully achieved. The state implemented the integration of databases from the State Secretariats of Planning and Finance, thus enabling the joint monitoring of financial and physical processes of the investments.		
<b>Indicator 6 :</b>	15% increase in the number of eligible Common PRONAF (excluding PRONAF A and B) credit applications received		
Value (quantitative or Qualitative)	1177	1353	1530
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	The indicator target was successfully achieved, a 30% increase from the baseline reference target. This increase could be partially attributed to the State's regularization of land tenure for 1,300 small farmers, which enabled them to apply to PRONAF.		
<b>Indicator 7 :</b>	20% increase in the number of enrollments in secondary education through the use of the Piauí Digital Program and other technologies		
Value (quantitative or Qualitative)	170,922	205,106	179,601
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	Target not achieved. Implementation was affected by short-term financial issues beyond the State's control.		
<b>Indicator 8 :</b>	Selection of all the regional managers through the new selection process		
Value (quantitative or Qualitative)	20	21	21
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	The indicator target was fully achieved. All regional managers were selected through the new selection process		
<b>Indicator 9 :</b>	50% increase in number of Municipal Youth Councils created by portaria from 8 Municipal Councils in 2010		
Value (quantitative or Qualitative)	8	12	31
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	The indicator was successfully achieved, a 287.5% increase from the baseline reference target.		
<b>Indicator 10 :</b>	At least 80% of school principals selected according to Decree 14,607		
Value (quantitative or Qualitative)	0	395	338

Qualitative)			
Date achieved	12/30/2010	06/30/2013	06/30/2013
Comments (incl. % achievement)	Target achieved with 86% school principals selected, instead of the expected 80%.		

**(b) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	N/A			
Value (quantitative or Qualitative)				
Date achieved				
Comments (incl. % achievement)				

**G. Ratings of Program Performance in ISRs**

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	04/27/2012	Satisfactory	Satisfactory	0.00

**H. Restructuring (if any)**

Not Applicable



# 1. Program Context, Development Objectives and Design

## 1.1 Context at Appraisal

### Macroeconomic

1. Brazil's relative resilience to the global financial crisis reflected good macroeconomic management and a solid financial system. Following the global crisis in September 2008, Brazil experienced a sudden reduction in external and domestic credit, and marked currency depreciation. Rapidly falling external demand and a sharp decline in investment led to a 4.2 percent contraction in the gross domestic product (GDP) in the fourth quarter of 2008 followed by a 2 percent decline in the first quarter of 2009. This caused contagion in domestic financial markets, a drop in commodity prices, a curtailment of external and domestic credit, a decline in exports, a decrease in industrial production, and an increase in unemployment, among other effects. However, Brazil's fiscal framework provided the Government with the flexibility to successfully respond to the global financial crisis with an array of fiscal, monetary and external measures to stimulate domestic demand.

2. Piauí represents a 1.6 percent share of the national population, with 3,118,360 inhabitants. At 25.1 million hectares, Piauí is slightly larger than the UK or about the size of the US state of Oregon. Its population density is the lowest of Brazil's northeastern states (about 12.4 inhabitants per km<sup>2</sup>).

3. Transfers from the Federal Government to the states through the State and Federal District Participation Fund (*Fundo de Participação dos Estados e do Distrito Federal*, FPE) constitute one of Piauí's main sources of revenue. Revenues from the FPE showed a strong growth of 56 percent between 2003 and 2010. The FPE's drop in 2009 was the result of the effects of the financial crisis.

4. Although Piauí is among Brazil's poorest states and thus depends in great part on the FPE, it is trying to change this situation. Piauí's GDP grew 6.2 percent in 2009, reaching R\$19 billion. This growth surpassed the growth rate of the Brazilian economy, which experienced a decline of 0.3 percent. This solid growth was driven mainly by industrial activities and services, which grew 12.9 percent and 5.4 percent, respectively. From 2002 to 2009, the State had the fourth fastest-growing GDP rate in the country and the largest growth in the Northeast region. As a result of this good growth performance, the State's unemployment rate remains at low levels.

### Green growth

5. Piauí faces a profound contradiction represented by the wealth of its natural resources on the one hand, and the low level of its social indicators on the other. The State encompasses 25.1 million hectares and is endowed with greater natural resources than its Northeastern neighbors. The State contains more than six million hectares of well-drained flat land viable for high-value agriculture (Cerrado region). In contrast to the rest of the Northeast (with the exception of Maranhão, which has certain characteristics similar to those of Piauí), most of the State receives adequate rainfall for rainfed agriculture. Piauí also possesses more than half of all the groundwater resources of the Brazilian Northeast. The southeastern portion of the State contains significant mineral resources, notably deposits of lime and phosphate that are important for agriculture. A major contributor to the sector's growth was the excellent performance of the cultivation of soybeans and other grains in the Cerrado region; these crops achieved high productivity levels and incorporated new areas of cultivation as part of process of productive occupation of the region known as MAPITOBA (parts of the States of Maranhão, Piauí, Tocantins and Bahia).

6. Piauí was the Brazilian state with the highest growth in real GDP in 2008 (8.8 percent), surpassing the national average (5.2 percent) and that of the Northeast (5.5 percent). The good results in 2008 were due to agriculture, which accounted for 7.3 percent of the State's economy compared to 4.5 percent in 2007. This represented 1.1 percent of national agriculture in 2008 compared to 0.6 percent in 2007, an increase of 62.1 percent in real terms.

7. The Cerrado region of Piauí, covering 37 percent of the State, is sparsely populated. Its occupation began 17 years ago by farmers and ranchers from southern Brazil who were attracted by the quality of the area for growing cash crops, especially soybeans. Soybean cultivation in Piauí yields the highest productivity in the country, totaling 3.3 tons/ha in 2008. As a result, soybean production in Piauí increased by 761 percent in the past decade, while corn, planted as a second crop on the same farms increased by 49 percent.

8. The rapid expansion of agriculture in the previously unoccupied Cerrado region led to a high deforestation rate in the past decade. By 2010, about 19,300 km<sup>2</sup>, or 21 percent of the original vegetation, had been cleared as a result of agricultural expansion in the Cerrado of Piauí, of which 5,193 km<sup>2</sup> (5.6 percent) were cleared between 2002 and 2010. Twenty-five municipalities in Piauí are designated by law as belonging to the Cerrado biome. These accounted for 71.5 percent of the production of annual crops in the State but also for 75.5 percent of Cerrado deforestation in the 2009–2010 period. Four municipalities (Baixa Grande do Ribeiro, Uruçuí, Palmeira do Piauí and Currais) were on the national list of 20 municipalities in the Cerrado with the largest deforested area in the country during the 2009–2010 period, ranking 1st, 2nd, 13th and 18th, respectively. They accounted for 39 percent of all Cerrado deforestation in Piauí in that period.

9. The challenge for the Government of Piauí is to further strengthen its presence and effectiveness in environmental management, and to be ahead of the moving frontier rather than following behind private sector trends. Piauí has made great strides in recent years in developing the legal and institutional bases for environmental management. These include the adoption of laws for a Piauí State Environmental Policy, a Water Resources Policy, a Forest Policy, and the creation of environmental licensing and law enforcement capacity. The State also took over the responsibility for forest management authorizations and forest law enforcement from the Federal Government, while also adopting, in its Cerrado region, stricter Legal Reserve requirements than those of the federal Forest Code. Piauí also created state-protected areas to promote ecological corridors. This is the case of the Chapada da Serra Branca Ecological Station (21,587 hectares), which links the Serra da Capivara and Serra das Confusões National Parks.

### Education

10. Piauí's performance in the education sector is poor. The State's illiteracy rate improved throughout the past decade but remained high, with 23.4 percent of people aged 15 or older in 2009 were illiterate, compared to the national illiteracy rate of 10 percent. This was the second-worst state rate in the country.

11. Access to basic education (grades 1 to 9) has improved. However, there is still a need to provide the most vulnerable and low-income groups, mainly those living in rural areas, with access to this level of education. The situation is even more severe in secondary education.

12. The quality of education is low, as measured by national evaluations. Students' performance, as measured by the Basic Education Development Index (*Índice de Desenvolvimento da Educação Básica* IDEB), has shown some progress in recent years. However, significant improvements are still needed, mainly in secondary education.

## Relationship to the Country Partnership Strategy

13. This Development Policy Loan (DPL) operation was fully consistent and closely aligned with the objectives of the Brazil Country Partnership Strategy (CPS) for 2012–2015 (Report 63731-BR, discussed by the Executive Directors on November 1, 2011), especially with the objective of developing new partnerships at subnational level and focusing on the country’s pending environmental and poverty reduction challenges. The aim of the policy framework supported under the DPL was to contribute to the State of Piauí’s efforts to promote green and inclusive growth by addressing the challenges of expanding sustainable agriculture while improving environmental compliance with land use and land tenure security; improving the coverage and quality of education for the poor; and increasing the efficiency of fiscal and public sector management.

14. Proactive local development strategies and policies were urgently needed to ensure that the envisioned growth for Piauí will lead to the emergence of a competitive and sustainable formation of human capital, agricultural expansion, natural resources conservation, and equitable access to opportunities and public services. Improvements in the education system are a prerequisite for sustained agricultural production, environmental preservation, poverty reduction, and economic development in the State.

### **1.2 Original Program Development Objectives (PDO) and Key Indicators (as approved)**

15. ***Program Development Objectives.*** The objective of the operation was to support the GoP in the implementation of its efforts to achieve higher rates of green, inclusive growth. In particular, it supported the Government’s strategy to develop policy reforms and programs that could:

- (i) promote statewide rural green, inclusive growth by: (a) improving land tenure security, (b) promoting sustainable agricultural practices, and (c) ensuring environmental sustainability;
- (ii) promote inclusive growth through improved statewide public education and a strengthened role for youth in the labor market; and
- (iii) promote fiscal sustainability through a strengthened institutional framework for efficient public service delivery through the creation and implementation of a results-based management tool within the public sector.

### ***Key indicators***

16. **Promote Green Growth in Rural Areas:** (i) a 100 percent increase in the number of applications for rural land tenure regularization submitted to INTERPI; (ii) a 15 percent increase in the number of eligible Common PRONAF credit applications received; (iii) PROGERE operating in 112 municipalities; and (iv) 130,000 ha of land in the CAR of the Cerrado region.

17. **Improve Access to and Quality of Education:** (i) a 20 percent increase in the number of secondary education enrollments through the use of the Piauí Digital Program and other technologies; (ii) a decrease, by at least 1 percent annually (from 38.1 in 2010 to 36), in the percentage of children more than two years behind grade level in grades 1 to 4 in state public schools; (iii) selection of all regional managers through the new selection process; (iv) at least 80 percent of school principals selected according to procedures in Decree 13,868; and (v) a 50 percent increase in the number of Municipal Youth Councils created by legal documentation, from eight Municipal Councils in 2010.

18. **Increase the State's Public Management Efficiency:** 60 percent of state projects or programs included in the results-based management system.

### **1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and Reasons/Justification**

19. Not applicable.

### **1.4 Original Policy Areas Supported by the Program (as approved)**

20. The policies supported by the DPL were part of the GoP's Strategic Plan and vision of promoting the State's development through the expansion of sustainable agriculture with social inclusion. This operation supported state policies and programs that promote: (i) green, inclusive growth in rural areas through the improvement of land tenure security, sustainable agriculture, and environmental sustainability; (ii) inclusive growth through the enhancement of access to basic education, increased learning outcomes of public schools, and strengthened participation of vulnerable youth in public policies and programs; and (iii) fiscal sustainability through increased efficiency in public expenditure management.

#### **1.4.1 Promote Green, Inclusive Growth in Rural Areas**

21. Piauí has 1.3 million ha of registered state public land and 10 million ha of vacant lands (generally public but not yet registered as such). About 70 percent of public lands are occupied mainly by small farmers, except in the Cerrado region where the occupation is mainly by medium- and large-scale farmers.

22. INTERPI estimates that there are approximately 9,000 small farmers on public land who have direct concessions for use rather than full property titles. For the most part, these properties, which are generally located on state farms, have been already surveyed or georeferenced using conventional technologies. Despite the history of active cultivation, the lack of formal property titles for these lands excludes many of these small family farmers from accessing formal credit from various sources including the Program for the Strengthening of Family Farmers (*Programa Nacional para o Fortalecimento da Agricultura Familiar*, PRONAF), a major, well-resourced federal agricultural credit program aimed at small farmers. This situation is a significant limitation to their productivity as well as a source of socioeconomic vulnerability.

23. Access to PRONAF credit requires proof of land ownership as evidenced by a title document. This title is held as collateral if the loan exceeds R\$20,000 (nearly US\$10,000), but even when the loan is for a lesser amount, proof of title is still required. The farm sizes for which Common PRONAF credits are typically accessed range from approximately 60 to 280 ha, with average sizes around 120 ha. Since 2007, banks and especially the Banco do Nordeste, the larger conduit of PRONAF in Piauí, have seen a significant decline in the number and total value of Common PRONAF credits due to increasing insistence on lending only against properties on which land use is in environmental compliance.

24. The rapid expansion of commercial agriculture and agribusiness in Piauí has increased the challenges of sustainable agricultural growth. The principal concern is with the rapid occupation of the southwestern Cerrado lands by private commercial-crop agriculture and its social and environmental impact. The GoP has defined a core area of 25 of Piauí's 224 municipalities, covering 69,800 km<sup>2</sup> or 28 percent of the State's area, where agricultural development is likely to be concentrated. The occupation



of the Cerrado by large mechanized and partly irrigated soybean cultivation over the last 17 years is environmentally significant because it implies suppression of native vegetation (through forest and bush clearing), with impacts on biodiversity, quality and quantity of surface and groundwater, and other ecological functions of native plant cover.

25. In order to encourage greater agricultural production in the Cerrado region under a legal framework, the State Government enacted Law 5,966 in 2010. This law authorized land regularization over a one-year period through sale, grant or lease of unregistered public land, or co-validation of previously issued titles. However, this law had no direct environmental requirement linked to the process. The passage of this law produced strong interest and was followed by 1,121 requests for regularization. Of these, 912 applications were for the purchase of plots ranging from 350 to 2,500 ha, with an average size of 482 ha. These applications mainly pertain to land cultivated by agribusiness operators in areas that appear to be unregistered public land. Another limitation was that Law 5,966 of 2010 covered only Cerrado municipalities and even then only a subset, and did not explicitly check for overlaps with areas for biodiversity conservation or areas being claimed by *quilombolas*.<sup>1</sup>

26. With the increased occupation of Brazilian rural areas, *quilombola* areas are under greater threat because they have no land title or formal rights to the land. To rectify this situation, the Brazilian Constitution of 1988 recognized the right of *quilombolas* to receive from the State the land they occupy. However, little changed until 1995, when a Federal Decree defined the process and terms for recognition of *quilombola* lands. The first step is for the *quilombola* community to file a claim for the land and present its sociocultural distinctiveness. Some 190 communities in Piauí had filed such claims by 2010. On average, each claim benefits about 100 families and covers 9,000 ha. However, there are cases in which the population occupied area is much larger due to local environmental and historical conditions. For instance, the *quilombola* area of Lagoas in Piauí is composed of 1,498 families and occupies over 62,000 ha.

#### **1.4.2 Improve Access to and Quality of Education**

27. Piauí has one of the lowest student performance scores in Brazil, measured by national student assessment tests as indicated by the IDEB. Some progress has been made in recent years, but this index still needs significant improvements, mainly in secondary education. The 2009 IDEB scores for Piauí's state schools in the fourth and eighth grades were 3.8 and 3.4, respectively. These scores were above the Northeast average for these two grades (3.7 and 3.0), but were still far below the national average (4.9 and 3.8). In the same year, the IDEB score for secondary education in Piauí was 2.7, the lowest in the country. Average years of schooling in the State were also very low (5.2 years) when compared with other Brazilian states.

28. Repetition and dropout rates were also high. For the first nine years of fundamental education,<sup>2</sup> Piauí had the country's second-worst repetition rate (16.4 percent); the worst rate was that of the State of Sergipe, 23 percent. At this same educational level, in 2009 Piauí's six percent dropout rate was six times higher than those for the States of São Paulo and Santa Catarina. The dropout rate in Piauí faces the greatest challenge in secondary education: nearly 22 percent of students leave before the end of the school calendar year. This represents the country's highest dropout rate.

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<sup>1</sup> Communities that represent the remaining members of runaway slave communities from Brazil's colonial period.

<sup>2</sup> The Brazilian basic education system includes preschool, fundamental education (grades 1 to 9), and secondary education (grades 10 to 12).

29. The high illiteracy rate, combined with the high repetition and dropout rates, is a major impediment to the social and economic inclusion of the poor. To address this issue, the Government is developing a major program in the 30 most vulnerable municipalities by supporting the literacy program in these areas. The *Bolsa Família* National Register (*Bolsa Família Cadastro Único*) was used to identify the most vulnerable groups that could be part of the literacy program; the *Brasil Alfabetizado* model was adopted for this purpose.

30. The GoP believes that improving the educational standard of its population is one of the most effective strategies for fighting poverty and has further impacts on increasing social capital and economic inclusion and on generating income and employment. In addition, special attention is placed on increasing the participation of youth in the most vulnerable groups in accessing quality education and in the process of decision making on public policies, as well as in learning how to become better citizens.

### **1.4.3 Increase the State's Public Management Efficiency**

31. The GoP has launched a comprehensive reform program to improve its effectiveness and efficiency in the provision of public services. Recognizing the changing and growing demand for quality and lower cost of public sector services, the State of Piauí is progressively shifting to a results-oriented focus. To this end, in 2011 the State adopted mechanisms based on public sector management experiences in other states, especially Ceará and Pernambuco. The various State Secretariats have been clustered in six areas according to their potential synergies: (i) social dimension I, (ii) social dimension II, (iii) law enforcement and justice, (iv) infrastructure and environment, (v) economic development and public enterprises, and (vi) institutional dimension. Each area meets with the Governor at least once a month. At these meetings, each Secretariat or agency presents the progress made toward achieving the agreed targets, as well as challenges and demands that can be met by the other participating agencies.

### **1.5 Revised Policy Areas (if applicable)**

32. Not applicable.

### **1.6 Other significant changes**

33. Not applicable.

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Program Performance**

34. This was a single-tranche operation that disbursed upon effectiveness. Negotiations between the World Bank and the GoP went smoothly, and the loan approval process went swiftly with no significant delays. The operation was approved on March 6, 2012, and effectiveness was issued on May 31, 2012. The Loan closed as scheduled on March 30, 2013. The policy actions are summarized in Table 1:

**Table 1. Piauí DPL Actions and Policy Development Matrix**

Policy Area	Policy Actions: Single-Tranche Prior Actions (Completed)
<b>Component A. Promote Green Inclusive Growth in Rural Areas</b>	
<b>Subcomponent A1. Improve Land Tenure Security</b>	
<b>Regularize land tenure for small family farmers and larger producers, with particular focus on the Cerrado</b>	<ul style="list-style-type: none"> <li>State Law No. 6,127 of November 21, 2011 approved, authorizing grants of land to family farmers occupying and/or working said land, and sale to larger-scale producers occupying and working the land for at least 5 years</li> </ul>
<b>Regularize land tenure for quilombola communities</b>	<ul style="list-style-type: none"> <li>Decree No. 14,625 of October 31, 2011 enacted, creating the Program for Land Regularization for <i>Quilombola</i> Communities</li> </ul>
<b>Increase employment and income in family farming: productive inclusion</b>	<ul style="list-style-type: none"> <li>Complementary Law No.162 of December 30, 2010 enacted, creating the Directorate of Rural Poverty Alleviation under the Secretariat of Rural Development (<i>Secretaria do Desenvolvimento Rural do Estado do Piauí</i>, SDR); and Decree No.14,626 of October 31, 2011 enacted, creating the State Program for the Elimination of Rural Poverty (PROGERE), and the Program Unit to manage it</li> </ul>
<b>Promote sustainable use of rural landscapes</b>	<ul style="list-style-type: none"> <li>State Law No. 6,132 November 28, 2011 approved, creating the Rural Environmental Cadastre</li> </ul>
<b>Component B: Improve Access to and Quality of Education</b>	
<b>Subcomponent B1. Improve Access to Basic Education</b>	
<b>Increase access to secondary education programs</b>	<ul style="list-style-type: none"> <li>Decree No. 14,628 of October 31, 2011 enacted, creating the program to introduce technology and distance-learning strategies in the provision of secondary education</li> </ul>
<b>Subcomponent B2. Improve Management and Learning Outcomes of Public Schools</b>	
<b>Improve quality of basic education in the State</b>	<ul style="list-style-type: none"> <li>Decree No. 14,627 of October 31, 2011 enacted, establishing remedial/accelerated learning programs to decrease age–grade distortion and improve flow and quality of basic education in state public schools</li> </ul>
<b>Strengthen school management and learning outcomes for public schools</b>	<ul style="list-style-type: none"> <li>Decrees No. 14,385 of January 13, 2011 and No. 14,607 of October 14, 2011 enacted, establishing the system of merit-based selection for regional managers and school principals, respectively</li> </ul>
<b>Subcomponent B3. Strengthen the Participation of Vulnerable Youth in Public Policies and Programs</b>	
<b>Promote policies for increased social and economic inclusion of youth</b>	<ul style="list-style-type: none"> <li>Complementary Law No. 162 of December 30, 2010 approved, creating the State Coordination Agency for Youth</li> </ul>
<b>Component C. Increase the State’s Public Management Efficiency</b>	
<b>Strengthen the institutional framework for efficient public service delivery</b>	<ul style="list-style-type: none"> <li>Decree No. 14,637 of November 22, 2011 enacted, creating a results-based management system and a GoP Steering Committee to monitor a portfolio of priority projects linked to the 2012–2015 Strategic Multi-Year Plan</li> </ul>

## 2.2 Major Factors Affecting Implementation:

35. The implementation of the DPL was affected by several important factors beyond the control of the GoP and the Bank, many of which were identified as risks during preparation. The main key factors that affected implementation include:

36. **Eurozone Crisis and Institutional Capacity.** The overall amount of FPE resources available for distribution to the states decreased during 2012, because of counter-cyclical policies adopted at the national level. This short-term decline of FNPE resources affected the State’s ability to make all its investments as planned, and also prevented the GoP from conducting a follow-up operation with the World Bank as initially planned.

37. During the DPL's preparation, the Bank noted that the GoP lacked broader experience in implementing a comprehensive set of multisectoral policies to guide development. In order to strengthen the State's institutional and implementation capacity, a series of technical discussions during preparation and a solid background analysis for each sectoral intervention area were conducted to better understand the development challenges and opportunities faced by the State. An economic and financial analysis was also performed to assess the State's debt and investment capacity.

38. As disclosed in the Project Document, this DPL was designed to be the first operation of a broader partnership with the GoP. This operation would be followed by a Sector-wide Approach (SWAp) investment operation focused mainly on supporting the implementation of policy reforms. Both parties agreed that the State would greatly benefit from the additional technical assistance. In fact, the first identification mission for the SWAp took place even before the DPL operation was formally signed. Thus, DPL supervision was conducted in tandem with SWAp preparation missions. As a result, the GoP focused on speeding up the SWAp preparation process in order to have the support to implement the new policies most effectively.

39. During the fourth quarter of 2012, however, the Eurozone crisis slowed down Brazil's economy and led the Government of Brazil to adopt a series of measures including temporarily decreasing or eliminating several taxes, such as the Tax on Industrialized Products (*Imposto sobre Produtos Industrializados*, IPI), to stimulate consumption. The IPI is one of the FPE's main sources of funding. This impacted the State of Piauí because the FPE is still one of the State's main sources of revenue. Although Piauí's macroeconomic activity remained solid, its ability to contract a new loan was affected. Thus, the GoP suspended the preparation of the SWAp and also had fewer resources than planned to implement the new policies, especially those that created new programs (Piauí Digital, PROGERE and CAR).

40. **Land Regularization.** A Piauí state judge mainly covering the Cerrado region of Piauí issued an injunction in September 2012 that temporarily suspended the process of identifying public land. This is the first step in the land tenure regularization process. The legal issue was resolved in favor of the new policy in April 2013. Therefore, while the State continued to receive requests for land regularization as defined by the new law, during seven key months the actual processing of land tenure regularization was halted in areas not yet legally recognized as public land. This issue was not foreseen as a risk during preparation, because similar laws in other states had already successfully overcome the same legal challenge. The policy stands as supported by the DPL; the impact of this legal action is the slower than expected implementation.

41. **Environmental Management.** A major policy change regarding the National Rural Environmental Cadastre (*Cadastro Ambiental Rural*, CAR) took place during the project implementation period when Brazilian President Dilma Rousseff enacted a revised National Forest Code in October 2012. Many aspects of the national law were similar to the state law supported by the DPL, including mandatory registration under the CAR, linking credit to environmental compliance. One of the requirements was to present a plan to restore illegally deforested areas in order to have the fines suspended. On the other hand, the national law also has few parameters that are different from the state law, especially with regard to the size of small farmers' holdings. According to both laws (federal and state), the State must proactively and with its own financial resources carry out the CAR for small farmers. However, the legal definition of "small farmers" for the purposes of the CAR is different in each law, hence the state and national laws need to be harmonized before this aspect of the CAR law (regularization of small farmers) can be fully implemented.

42. This issue was not identified during project preparation because at that time the topics under discussion during the drafting of the revised National Forest Code did not include the definition of “small farmers.” Furthermore, during the drafting of the State’s CAR law, the World Bank promoted a meeting between state and national officials responsible for the CAR, to verify that the State’s draft CAR law (to be supported later by the DPL) was in line with what was being proposed under the new national law. At that time, the issue of small farmers was not identified as a topic that required adjustment.

43. The Bank identified this unexpected constraint during supervision and worked with the State Secretariat of Environment and Water Resources (*Secretaria do Meio Ambiente e Recursos Hídricos do Estado do Piauí*, SEMAR) to overcome it. (See 5.1 for more details.)

### **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization:**

44. **M&E design.** Performance indicators and end-targets were defined jointly by the GoP and the World Bank. These represented adequate and appropriate measurements of the impact of all supported prior actions in the selected policy areas within the Loan’s one-year time frame. The monitoring of actions supported by the Piauí Green Growth and Inclusion Development Policy Loan was conducted through the Strategic Actions Monitoring System (*Sistema de Monitoramento e Acompanhamento de Ações Estratégicas*, SIMO). This system is a result of one of the policies supported by the DPL and the evolution of the monitoring model adopted by the Government of Piauí since 2010.

45. **M&E Implementation.** Because already-existing monitoring tools were used, baseline data were readily available. This also allowed indicator data to be collected in a timely manner.

46. **M&E Utilization.** Coordinated by the State Secretariat of Planning (*Secretaria do Planejamento do Estado do Piauí*, SEPLAN), the SIMO monitors actions, projects and programs in the Government’s various agencies. It identifies implementation delays and bottlenecks, and proposes actions to correct the distortions found during the implementation of the programs and projects. All the projects under the 2012–2015 Multi-Year Strategic Plan (*Plano Plurianual*, PPA) are monitored by the SIMO. Moreover, the State Governor and the managers using the information provided by the SIMO monitor the implementation of all government programs, projects and activities through weekly meetings with specific groups and areas.

47. In addition to the SIMO, the Secretariats and other state agencies have systems in place to monitor and evaluate their programs in order to address the sectors’ specific requirements and to allow for timely corrections. In the education sector, the monitoring and evaluation of State Secretariat of Education and Culture (*Secretaria da Educação e Cultura do Piauí*, SEDUC) policies are conducted through the Airton Senna Institute Information System (*Sistema Instituto Ayrton Senna de Informação*, SIASI) and the Piauí Educational Management System (*Sistema de Gestão Educacional do Piauí*, sigEpi). These systems provide information on the programs and activities executed by SEDUC that are consolidated in the SIMO.

### **2.4 Expected Next Phase/Follow-up Operation (if any):**

48. The short-term budget constraint caused by the smaller FPE allocation has been resolved. Thus, during the second quarter of 2013 the Government of Piauí has begun discussions with the World Bank regarding two operations: a SWAp (or P4R) and a new DPL operation.

49. The initial discussions indicate that the SWAp/P4R would support the strengthening of technical assistance for the areas covered by this first DPL as well as the health sector. The new DPL would focus on further deepening the reforms supported to date in order to promote green growth with social inclusion.

50. Thus, like the first DPL, these new operations would also have a positive impact and would contribute to improving important socioeconomic indicators, such as educational achievement, employment, income distribution, as well as the provision and quality of health services that have been resistant to change among the most disadvantaged groups of the population.

51. The relevance of this first DPL and the expected new follow-on operations should continue to assist Piauí in improving its effectiveness and efficiency in delivering public services such as education, sustainable agricultural production and natural resources management, and in improving its capacity to manage public investment.

### **3. Assessment of Outcomes**

#### **3.1 Relevance of Objectives, Design and Implementation**

52. The objectives of this DPL were very much in line with the current CPS and the GoP's stated priorities. The objectives were also consistent with the 2012–2015 Brazil CPS, which includes focusing on the country's pending environmental and poverty reduction challenges, improving the efficiency of public spending, and increasing the coverage and quality of public services. The objectives of the DPL were also closely aligned with the GoP's stated priorities of promoting green growth in rural areas, expanding access to education and improving its quality, and increasing public management efficiency.

53. The policy areas supported by the DPL helped to sustain the beginning of the implementation of the GoP's 2012–2015 Multi-Year Strategic Plan, which reflects the developmental priorities of the national PPA.

54. The GoP made various efforts to implement the policies supported by this DPL, despite problems beyond its control during the lifetime of the project (as described in section 2.2).

#### **3.2 Achievement of Program Development Objectives**

55. The GoP achieved this DPL's PDO of developing a solid policy reform to promote green growth and inclusion. The GoP's efforts fully achieved or exceeded 8 of 10 outcome indicators. The two areas (Piauí Digital and CAR) that fell short of expected targets nonetheless improved; the GoP is addressing the challenges faced by these programs (more details below) and they should continue to improve and are very likely to achieve their targets in the near future. This indicates that commitment to the reform program is strong and sustained, and is already generating important results.

##### **a) Promote Green Growth in Rural Areas:**

56. This policy area had four desired outcomes. Three of them exceeded or fully achieved the target; one target was not achieved. The details of each policy and outcome are presented below:

57. **Regularize land tenure for small family farmers and larger producers, with special focus on the Cerrado.** As a prior action, the State Legislative Assembly approved State Law No. 6,127 of November 21, 2011. This law authorizes land grants to family farmers and land sales to producers occupying and working the land for at least five years. This addresses the outstanding land tenure issues

for small-scale family farmers currently cultivating *terras devolutas*<sup>3</sup> throughout the State and for informal agribusiness operators, especially those concentrated in the Cerrado region. This new law includes specific measures to ensure environmental protection and social protection for vulnerable groups.

58. This policy action had two desired outcomes. The first was a 100 percent increase in the number of applications for rural land tenure regularization submitted to INTERPI, considering a baseline of 826 applications in 2010. By June 2103, INTERPI had received 3,247 applications, thus exceeding the original target by nearly 400 percent. This is remarkable considering that the new 2011 policy established a higher price for the land (closer to market value) and required more evidence of environmental compliance (CAR) than that required by the 2010 bill.

59. Although the actual issuance of land titles to medium- and large-scale farmers was affected by the temporarily injunction (see item 2.2 for details), INTERPI worked firmly to promote the land regularization of small farmers living on recognized public lands. As of June 2013, INTERPI had approved and handed over 1,300 land titles to small farmers, while another 1,200 titles have been approved and should be handed over during the coming months. The land titles are in the name of both spouses in order to ensure gender balance and security for women. The second desired outcome was a 15-percent increase in the number of eligible Common PRONAF (excluding PRONAF A and B) credit applications received, considering a baseline of 1,177 applications. As of June 2103, the *Banco do Nordeste*<sup>4</sup> had received 1,530 credit applications; these represent a 30 percent increase, far exceeding the original target.

60. **Increase employment and income in family farming: productive inclusion.** As a prior action, the State Legislative Assembly approved Complementary Law No. 162 of December 30, 2010 . This law created the Directorate of Rural Poverty Alleviation under the State Secretariat of Rural Development (*Secretaria do Desenvolvimento Rural*, SDR). Decree No. 14,626 of October 31, 2011, which was enacted by the State Governor, created the State Program for the Elimination of Rural Poverty (*Programa Estadual de Geração de Emprego e Renda no Meio Rural*, PROGERE) and the organizational structure to manage it. The aim of PROGERE is to promote investments aimed at generating employment and income in family farming through the design and implementation of up to 800 project interventions in the areas of water supply, agribusiness and environmental protection.

61. The desired outcome was to have PROGERE operating in 112 municipalities. As of June 2013, the target had been fully achieved. PROGERE is operating in over 150 municipalities and already supporting nearly 5,000 family farmers, as illustrated in Table 2.

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<sup>3</sup> Vacant lands, presumed to be public but not registered yet as such.

<sup>4</sup> Banco do Nordeste is the main financial institution operating PRONAF in Piauí.

**Table 2. PROGERE's Investment Actions Implemented in 2012 and 2013**

Investment Actions	Number of kits	Assisted municipalities	Number of beneficiaries
Irrigation kits	1,000	112	1,000
Distributed seedlings	300,000	24	735
Apiculture kits (hives, tools, vehicles)	3,010	47	1,814
Pisciculture kits (tanks, fishing nets, boats, fish feed, tools)	10	10	250
Cashew farming kits (tractors and inputs)	10	10	1,200
<b>Total</b>		<b>203*</b>	<b>4,999</b>

\*Actions are repeated in some municipalities.

62. Since the State's institutionalization of the PROGERE Program in late 2011, SDR initially structured the program through background studies on productive chains in order to identify and map territorial and local business opportunities. Furthermore, SDR used the existing network of 2,500 organized community associations, registered in 223 municipal councils that were established during the Rural Poverty Reduction Project (P050881), to begin implementing investments in four key selected productive chains for the State: (i) cashew farming, (ii) apiculture, (iii) pisciculture, and (iv) irrigated agriculture. To increase the productivity of family farmers, PROGERE distributed input kits to selected families. It is worth mentioning that the selection process for the organizations is based on criteria of priority territorial areas, availability of water resources, and level of organization.

63. **Sustainable use of rural landscapes through the adoption of environmental monitoring and enforcement.** As a prior action, Law No. 6,132 of November 28, 2011, which was approved by the State Legislative Assembly, created the Program for Environmental Regularization of Rural Properties for the State of Piauí. Registration of a holding in the CAR occurs at the initiative of the landholder. This state law stipulates a three-year period for landholders to do so. The landholder must provide information about: (i) the exact georeferenced boundaries of the holding, the location of remaining native plant cover, the location of the legal reserve, and the actual location of permanent preservation areas; and (ii) his or her agreement and commitment to keep the land in compliance with environmental and forest law or to take actions to bring it into compliance (environmental regularization), as the case may be. To this effect, the landholder signs Terms of Commitment and Adherence (*Termo de Compromisso e Adesão*, TCA) and submits, where applicable, a Plan for Rehabilitation of Degraded Areas (*Plano de Recuperação de Área Degradada*, PRAD).

64. The desired outcome was to have 130,000 hectares in the Cerrado area under the CAR. The target date was June 2013. The target for this policy was not achieved due in great part to the enactment of the new National Forest Code in October 2012, which includes specific rules regarding the CAR, among other aspects (see section 2.2). Although these changes strengthen environmental management in the long term, they affected implementation of the CAR in Piauí in the short term. SEMAR is now working on harmonizing the State's CAR rules with national rules.

65. On January 2013, SEMAR signed a Memorandum of Understanding with the Ministry of Environment for the specific purpose of harmonizing its CAR policy and promoting the policy's implementation in Piauí. As part of this partnership, the Ministry of Environment will make available to SEMAR satellite images at the scale and precision necessary for the CAR. It also made available the digital CAR registration model, which is now being tested in Piauí.



66. Although the CAR has not yet been implemented in Piauí, SEMAR, with technical support from the Bank (supervision of this DPL and preparation of the P143362 grant), has initiated the structuring needed to implement the CAR through the following key actions:

- (i) Creation of instruments for the regulation of the state law;
- (ii) Development and preparation of technical tools:
  - a. Definition of a methodology for CAR regulation;
  - b. Definition of a methodology for the georeferencing of rural properties;
  - c. Preparation of an environmental regulation manual;
  - d. Definition of criteria for the rehabilitation of degraded areas;
  - e. Obtainment and updating of high-resolution satellite images for registration and monitoring;
  - f. Development of an information system to be integrated with existing state databases;
- (iii) Mobilization of stakeholders, including workshops about the CAR with rural producers and newly elected majors; and
- (iv) Coordination of actions among different institutions involved in the implementation of the CAR.

67. The short-term budget problems faced by the GoP during 2012 did not directly impact the implementation of the CAR in Piauí due to the policy harmonization issue explained above. Because this issue is being resolved and the GoP has overcome the short-term budget constraint (see details in section 2.2), it is expected that SEMAR will receive the resources originally planned for upgrading the facilities and staffing to implement this program in the State. This is also an area under discussion for the follow-on SWAp.

**b) Improve Access to and Quality of Education:**

68. This policy area had five desired outcomes. Four of them exceeded or fully achieved the target; one target was not achieved. The details of each policy and outcome are presented below:

69. **Increase access to secondary education programs.** As a prior action, the State Governor enacted Decree No. 14,628 of October 31, 2011. This decree established the Piauí Digital Program and introduced educational multimedia tools in schools. To increase the availability of academic and vocational–technical secondary education, mainly in small municipalities and remote areas, the Piauí Digital Program is aimed at establishing a digital link among the municipalities.

70. The desired outcome was a 20 percent increase in the number of secondary education enrollments through the use of the Piauí Digital Program and other technologies. This target was not achieved; enrollment increased by only about 5 percent.

71. This policy action was affected in part by the short-term budget problem faced by the GoP in 2012 (see details in section 2.2). This achievement of the expected outcome relied strongly on the implementation of the Piauí Digital Program, which was created to introduce educational multimedia tools in schools. The first phase was planned to link 43 municipalities. This program would support the provision of distance-learning strategies in school settings and thus improve enrollment in secondary education, including the provision of vocational–technical courses for students in municipalities connected to the system.

72. The program was implemented in 300 classrooms but with several problems and delays that affected the program’s effectiveness and the number of students enrolled. These problems included: (a)

low quality of the connections due to lack of adequate infrastructure investments in energy to support the digital link requirements; and (b) lack of equipment to improve the quality of connections. Financial resources for additional equipment to resolve connection problems were not available in the education budget. Equipment installation and classroom modifications were only completed by August 2012. At that time many students were already attending other schools or had given up the opportunity to enter the education system.

73. Another explanation given by SEDUC was the low acceptance of the new technology by the education community, including students and parents. This may be due to the unreliable quality of the connections (infrastructure issues not directly linked with the connections), which was not adequately foreseen by the GoP's information technology (IT) team. In addition, the Teachers' Unions strikes were responsible for delaying the beginning of the school year by more three months, also affecting the secondary education school calendar supported by the Piauí Digital Program.

74. On the other hand, one important outcome of this policy was the increase in vocational–technical secondary education enrollments. Following Federal Government policies, as part of the overall programs for developing technical skills and preparing youth to enter the workforce, the State also invested in upgrading the network of state vocational–technical schools. The federal program allows for the modernization and expansion of secondary schools that offer integrated vocational education (academic and vocational courses), and supports one of the goals of the National Education Development Plan (*Plano de Desenvolvimento da Educação*, PDE). These integrated vocational–technical schools' main objective is to integrate academic knowledge with practical training. Data from SEDUC<sup>5</sup> indicated that many students shifted from the general education program to vocational–technical programs in both state and federal technical schools. If this trend continues, it will be very important for developing technical skills and preparing youth to enter the workforce.

75. **Improve the quality of fundamental education in the State.** As a prior action, Decree No. 14,627 of October 31, 2011, which was enacted by the State Governor, defined the Accelerated Learning Program for basic education grades 1 to 4. The goal is to improve the efficiency of the education system through the use of methodologies for decreasing age–grade distortion as well as repetition and dropout rates.

76. The desired outcome was to decrease the percentage of children who are more than two years behind grade level in state public school grades 1 to 4 by at least one percentage point annually, from 38.1 in 2010. As of June 2013, the target was achieved with a decrease to 36 percent in the number of children with over two years of age–grade distortion in state public school grades 1 to 4.

77. During the preparation of the DPL, the available *EducaCenso* (National Information System) was for the overall fundamental education cycle (38.1 percent). Therefore, this was the source used to monitor this outcome. However, once data from the INEP Census on the rate of age–grade distortion in grades 1 to 4 became available, they showed an even better result. The age–grade distortion rate for the earlier years of fundamental education (grades 1 to 4) decreased from 34 percent in 2010 to 31.6 percent in 2012 (Table 3).

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<sup>5</sup> INEP data = Census 2012.

**Table 3. Age–Grade Distortion Rates, 2010–2012**

<b>Year</b>	<b>Age–grade distortion (%)</b>	<b>Source</b>
2010	34	INEP
2011	33.2	INEP
2012	31.6	INEP
Reduction from 2010 to 2012: 2.4%		

78. **Strengthen school management and learning outcomes for public schools.** As prior actions, the State Governor enacted Decree No. 14,385 of January 13, 2011, creating a formal process for the selection of regional managers, and Decree No. 14,607 of October 14, 2011 for the selection of school principals. Decree No. 14,385 defines a merit-based selection process. Each regional manager candidate must present a work plan for the next three years, including activities and targets. A professional selection committee reviews the applications and conducts the interviews. Teachers need to meet a set of criteria to apply for the position. Meanwhile, as defined by Decree No. 14,607, school principals are elected by the school community, which is represented by teachers, students and parents in a participatory process that increases the interaction between the school and the community.

79. This policy action had two desired outcomes. The first was that all the regional managers were selected according to the new selection process. The target was fully achieved with all 21 Regional Education Managers selected based on the requirements of Decree No. 14,385 and the subsequent *portarias*. In 2012, following the guidelines of the same Decree, the managers were evaluated and their terms were extended accordingly.

80. The second desired outcome was that at least 80 percent of school principals were selected in accordance with Decree No. 14,607. The target was fully achieved: 86 percent of school principals were selected using the new process. Three hundred thirty-eight school principals were selected through this process in 2012. According to the Decree, this process should be applied only to schools with over 200 students (Article 2). At the time of the selection process in 2012, 395 schools met this condition.

81. The GoP is firmly committed to ensuring the transparent selection process of school principals and took action to expand this process to all other schools. During the project implementation period, the GoP created a specific merit-based system, as established under *Edital* 002/2012 of January 24, 2012, for those small schools that, because of their characteristics, were not covered by Decree 14,385 which was supported by the DPL. This *Edital* stipulated that candidate should submit: (i) a platform for school development, and (ii) his or her curriculum vitae to be analyzed and graded.

82. Considering both systems, a total of 548 school principals out the total of 657 schools were selected by merit (83 percent of all schools). In addition, state M&E systems were established to monitor the schools, assess students' performance, and support the implementation of the quality improvement policies adopted by the Government.

83. **Promote policies for increased social and economic inclusion of youth.** As a prior action, Complementary Law No. 162 of December 30, 2010, which was enacted by the State Governor, created the State Coordination Agency for Youth (*Coordenadoria da Juventude*, COJUV). This agency is responsible for the implementation of the State Plan for Youth Empowerment (Law No. 5,093 of 2009), which is the direct result of the First State Youth Conference held in 2009. This plan establishes a set of targets and programs for a 10-year period; these are evaluated every three years when a new State Conference is held. Therefore, the first evaluation report would only become available in early 2014, beyond the period covered by this ICR.

84. The desired outcome was a 50 percent increase in the number of Municipal Youth Councils created by legal documentation. The result significantly exceeded the target: the number of Councils increased from only 8 in 2010 to 31 as of June 2013.

85. With the creation of new Municipal Youth Councils, the State of Piauí is beginning to place greater attention on youth policies. COJUV is playing an important role in coordinating and channeling public policies to support youth and increasing their participation in the implementation of public policies. It developed a methodology to establish Municipal Youth Councils and a set of procedures to support Youth Council activities in each municipality. COJUV has been working directly with the municipalities and jointly defining priority actions for youth in each municipality. Furthermore, COJUV continues its efforts to motivate and support the establishment of Youth Councils in new municipalities. Through the Youth Councils, COJUV tries to identify *in loco* the actual needs that directly and indirectly affect youth in several areas, mainly health, sports, education, leisure, culture, entrepreneurship, accessibility for the disabled population, popular participation, employment and income generation, and social skills. The Youth Councils are considered an important tool in the implementation of policies in the area and also in combating violence and increasing social and economic inclusion. The GoP recognizes the significant role of youth in the State's development and intends to support this model for reaching out to this population to discuss and implement public policies and activities not only for youth but for other segments of the society as well.

**c) Strengthen the institutional framework for efficient public service delivery:**

86. This policy area's one desired outcome was fully achieved. The details of the supported policy and outcome are presented below:

87. As a prior action, Decree No. 14,637 of November 22, 2011, which was enacted by the State Governor, created the Government Results-Based and Financial Management Steering Committee to monitor a portfolio of priority projects linked to the 2012–2015 Strategic Multi-Year Plan. The Decree is essential to improve and institutionalize the management process outlined above. The Steering Committee is the natural evolution of the current Financial Management Committee, but it is empowered by specific roles and responsibilities to develop and implement a results-based management system as defined in the Decree. These are key measures as the GoP concludes the participatory planning of its 2012–2015 Strategic Multi-Year Plan.

88. The desired outcome was to have 60 percent of state projects or programs included in the Results-based Management System. This target was fully achieved. Over 60 percent of the State's projects and programs are now closely supervised through the enhanced monitoring system (SIMO).

89. In early 2011, the GoP adopted mechanisms to regularly monitor the State's investments and execution, progressively shifting to a results-oriented focus. As a first step, the different Secretariats were clustered in areas according to their potential synergies: (i) social dimension I,<sup>6</sup> (ii) social dimension II,<sup>7</sup> (iii) law enforcement and justice, (iv) infrastructure and environment, (v) economic development and public companies, and (vi) institutional dimension. Each area meets with the Governor at least once a month to present progress made toward achieving the agreed targets, as well as challenges and demands that can be met by the other participating agencies. Moreover, SEPLAN plays a central role in managing the results-based system and providing real-time reports to the Governor.

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<sup>6</sup> Composed of programs related to basic education, higher education, culture and sports.

<sup>7</sup> Composed of programs related to health, social assistance and inclusion.

90. During DPL preparation, SEPLAN improved the existing monitoring system by creating the SIMO; most of the Government's investment projects and programs migrated to this system. Another important enhancement to the SIMO was the integration of SEPLAN and State Secretariat of Finance (*Secretaria da Fazenda*, SEFAZ) databases. This enabled the joint monitoring of financial and physical processes of the investments. SEFAZ also invested in updating existing financial control, budgeting and reporting software.

### **3.4 Justification of Overall Outcome Rating**

*(combining relevance, achievement of PDOs)*

Rating: Moderately Satisfactory

91. The project achieved its PDO. Most of its results indicators (eight out of ten) were not only achieved but in three cases exceeded their target values. Two indicators (Piauí Digital and CAR) fell short of their expected targets, but the policy areas showed progress. The low performance in both cases was in great part caused by actions taken at the national level that were beyond the control of the GoP but which impacted the state. The design of the DPL was highly relevant to Brazil, the State of Piauí, and the CPS. The DPL achieved its overall purpose by assuring that the GoP could sustain all the reforms and most of the plans laid out in the 2012–2015 Strategic Multi-Year Plan, even in a critical financing situation disrupted by the decrease in federal transfers to the State due to the economic crisis. Based on these factors, the overall outcome rating is Moderately Satisfactory.

### **3.5 Overarching Themes, Other Outcomes and Impacts**

#### **(a) Poverty Impacts, Gender Aspects and Social Development**

92. The specific policy reforms supported by this DPL were expected to have significant and positive poverty alleviation and social development impacts on the State of Piauí because they address key constraints to human development, economic growth, public governance and transparency. During preparation, the World Bank team ensured that the land regularization policy and the associated State Law No. 6,127 of November 21, 2011 did not impose unrealistic and costly application requirements on family farmers while also creating a route through which they (unlike large-scale farmers) could obtain the land free of charge through grants.

93. The GoP demonstrated its commitment by prioritizing the land regulation process of small farmers and the implementation of PROGERE despite the financial challenges encountered during project implementation. Moreover, State Law No. 6,127 of November 21, 2011 deemed ineligible for regularization *quilombola* lands and lands occupied by traditional populations as a means of protecting these lands of vulnerable groups from being co-opted by large-scale agriculture. The combination of productive inclusion and environmental registry of rural properties, and secure land tenure rights policies, would likely contribute to poverty reduction insofar as access to lines of credit and financing as well as to technical assistance by small landholders has increased.

94. The DPL operation also addressed gender inequalities within the context of the policies it supported. The land regularization policy supported by this operation should contribute toward reducing

gender inequalities which, in rural areas, are related to the neglect of women's land rights. This was achieved by stipulating that land titles must be issued in the name of both spouses. In the case of female farmers without a spouse, land titles were issued solely in the women's names.

95. In education, SEDUC's actions were aimed at the most vulnerable populations who live in rural and marginal urban areas. *Quilombolas*, disabled students, and women all benefitted from the specific programs to improve student performance in those segments, as in the accelerated education program and the vocational–technical programs in fundamental education. In addition, by addressing the key challenges of improving school management and decreasing illiteracy, repetition and dropout rates, the policies supported by this operation were expected to overcome the main constraints faced by the State's education system.

### **(b) Institutional Change/ Strengthening**

*(particularly with reference to impacts on longer-term capacity and institutional development)*

96. The policy actions supported by the DPL contributed to improvements in the various areas and the sustainability and efficiency of resource use, improvements in data collection, and consolidation of a “culture” of monitoring and evaluation of policies and programs.

97. Another important positive externality of the DPL was the strengthening of inter-institutional integration among different State Government agencies. In order to achieve the complex development objectives proposed in the operation, the GoP had to promote greater dialogue among the Secretariats. For instance, during project preparation, SDR, SEMAR and INTERPI organized regular meetings to identify potential synergies in designing the policies and provide innovative solutions to the target population. The policies integrated actions to register the CAR and regularize land tenure for PROGERE's beneficiaries.

98. After the DPL, this inter-institutional interaction was internalized during the monthly monitoring meetings with the Governor, at which the Secretariats and agencies have the opportunity to strengthen partnerships (a) through a more systematic transmission of lessons and experiences, (b) by learning about the current activities performed by each institution (avoiding overlapping of activities), and (c) by refocusing attention to support the fine-tuning of state policy platforms.

### **(c) Other Unintended Outcomes and Impacts (positive or negative, if any)**

99. There were no unintended outcomes and impacts.

### **3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

*(optional for Core ICR, required for ILI, details in annexes)*

100. Not applicable.

#### **4. Assessment of Risk to Development Outcome**

Rating: Moderate

101. The risk to project outcomes is deemed Moderate. This is based on the financial impact caused by the decrease in FPE resources available to the State of Piauí in 2012. This affected the State's investment capacity to strengthen some state agencies to the level necessary to implement newly created programs (e.g., INTERPI, Piauí Digital, CAR). Although this was not a significant problem for the initial phase of the programs as assessed in this ICR, long-term sustainability will require additional technical assistance and financial resources. The follow-on SWAp and DPL operations under discussion between the GoP and the World Bank should assess alternatives to mitigate these risks.

#### **5. Assessment of Bank and Borrower Performance**

*(relating to design, implementation and outcome issues)*

##### **5.1 Bank Performance**

###### **(a) Bank Performance in Ensuring Quality at Entry**

*(i.e., performance through lending phase)*

Rating: Satisfactory

102. The Bank and the GoP collaborated closely during the DPL's identification and preparation stages to promote a better quality of policies implemented under this operation. The Bank introduced inclusive green growth approaches to tailor the State's vision of agricultural development in order to promote higher economic and social growth with greener outcomes. A good indication of this intensive policy dialogue between the GoP and Bank is that 9 of the 11 prior actions supported by this DPL were enacted in 2011 after project preparation had begun.

103. The Bank team worked with the GoP to select the most appropriate Bank lending instrument for the situation. The initial request by the GoP, supported by the National Treasury, was a two-tranche DPL operation of US\$550 million. The Bank team felt this was not the best option for the State, due to the GoP's limited experience in implementing holistic, multisectoral programs, the expected need to provide technical assistance to a poor state, and the fact that the Bank relationship with the State was based only on the Rural Poverty Reduction Program (P050881), which had closed in early 2010.

104. The Bank team responded to the client's needs by proposing two sequential operations that would total the initial amount requested by GoP. It recommended a single-tranche DPL to be followed by a SWAp to provide further support for the implementation of the policies and programs covered by the DPL. This DPL instrument provided adequate and timely response to the GoP's changing development needs. The preparation of the SWAp began as soon as the policies were enacted. Although SWAp project preparation had to be temporarily suspended, it has now resumed and should provide the State with the necessary support to continue improving the policies supported by this DPL.

105. The World Bank task team worked very closely with the GoP in designing the DPL and made sure to properly integrate the GoP reform program in the operation as well as the World Bank's requirements for this type of operation. The World Bank team helped assess the policy actions in terms of national and international best practices. The sector diagnostics and the preparation of this operation were also important to assist the GoP in developing and implementing a complex policy reform.

106. Negotiations with the Borrower were conducted smoothly and quickly. Performance indicators and end-targets were defined jointly by the GoP and the World Bank team, and represented adequate and appropriate measures of the impact of each of the supported actions within the Loan's one-year implementation time frame. Pre-appraisal missions were carried out in September and October 2011. These comprehensive missions, which involved World Bank and Borrower staff with high-level technical skills, resulted in detailed and accurate sector background information and indicator monitoring data.

107. In addition, during the project preparation phase, the Bank undertook a poverty and social impact analysis to explore the disaggregated social impacts on different stakeholder groups. It was based on primary and secondary sources: social and economic analyses using demographic and census data, ethnographic studies, focus group meetings, and individual interviews with key stakeholders. The analysis focused on policies to promote green growth in rural areas and improve access to and quality of education, which were being proposed for support by the operation.

108. The operation's technical design was calibrated to the lessons from previous, similar operations, and to reasonable targets in relation to the State's institutional capacity and experience. The areas of analytical foundations included:

109. Agriculture and Rural Development: The Implementation Completion and Results Report: Piauí, Rural Poverty Reduction Project, prepared by the World Bank, summarizes the implementation progress and results achieved by the project. This analysis was used in the design of the PROGERE program, which was supported by this proposed DPL.

110. Land Regularization: Experience with land tenure regularization has been drawn from a series of analytical pieces undertaken by the Bank in recent years, culminating in its most recent report: Legalizing Brazil. This report emphasizes the progressive strides made in the institutional setup for land regularization in Brazil while pointing to the need to increase the adaptation of federal laws at state level. This analysis was essential to guide the preparation of the land regularization law that was supported by this proposed DPL, moving the policy from land use rights to land titles and including environmental requirements as part of the regularization process.

111. Environment: The Development Company of the São Francisco and Paraíba Valleys (Companhia de Desenvolvimento dos Vales do São Francisco e do Paraíba, CODEVASF), with support from PROAGUA/Semi-Árido<sup>8</sup>, prepared a comprehensive study, "Water Resources Master Plan for the Paraíba River Basin." The study covered all but one of the 224 municipalities in Piauí (the municipality not covered in the study is located on Piauí's small coast). It provided a basis for Environmental Economic Zoning and land-based policies. It also confirmed the importance of the Cerrado for the State's rural development and the different land prices based on potential productivity.

112. Deforestation and CAR: Over the past 15 years, the World Bank carried out several analytical studies focused on causes of deforestation in Brazil's rainforests. Many of the lessons and analyses related to government policies and farmers' behavior are applicable to other Brazilian biomes. In addition, the 2011 evaluation of the Plan to Prevent and Combat Deforestation in the Amazon concluded that the establishment of the Rural Environmental Cadastre (CAR), in combination with National Monetary Council Resolution 3545, was important for the sharp decrease in Amazon deforestation rates

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<sup>8</sup> Federal Water Resources Management Project (P038895) which aimed at promoting rational and sustainable use and participatory management of water resources in Brazil in general, and in the Northeast in particular.



in the past few years. Consequently, the Federal Plan to Prevent and Combat Deforestation in the Cerrado, which was launched in 2011, uses the same approach and was applied in Piauí. This analysis was essential to guide the preparation of the State Rural Environmental Cadastre law, which was supported by this proposed DPL.

113. Education: Experience has been drawn from several studies and programs developed by other Brazilian states, particularly in Northeastern states that have similar problems. Another study recently finalized by the Bank, “Achieving World-Class Education in Brazil: The Next Agenda,” shows the major advances and pitfalls of Brazilian education in the last 15 years and outlines the next agenda for improvements in education at different levels. In addition, the Bank study, “Knowledge, Innovation for Competiveness in Brazil,” provides a cross-sectoral analysis of Brazil’s capacity to produce knowledge and innovation, and also points out the need to re-evaluate the Brazilian education system, its information technology infrastructure, and its policy framework for encouraging innovation to ensure that the country’s economy as a whole is growing fast enough to keep up with global competition while also guaranteeing progress in its fight against poverty. The lessons from these and other studies listed in the Project Document were essential to guide the preparation of the education policies supported by this DPL.

114. Public Management and Fiscal Sustainability: The Piauí State Economic Memorandum, “Managing a Natural Inheritance,” prepared by the World Bank, focused on identifying the main social and economic issues in Piauí. It also recommends strategies and actions to the State Government aimed at raising the profile of natural resource management, prioritizing infrastructure and human capital investments, and reengineering public spending. The ESW report, “Brazil: Improving Fiscal Conditions for Growth,” addresses important policy issues relating to budget rigidity and expenditure management that contributed to the assessment of fiscal and public sector management challenges faced by the GoP. This analysis was essential to guide the preparation of the public management policy supported by this proposed DPL.

## **(b) Quality of Supervision**

*(including M&E arrangements)*

Rating: Satisfactory

115. This was a single-tranche loan for which all required policy actions were met by the Government prior to negotiation. Therefore, greater emphasis was placed on preparation than on supervision. Although the supervision of single-tranche DPLs is challenging, since all actions have already been met before effectiveness and there are no direct investments to be monitored, the World Bank team conducted five missions to the State of Piauí (covering supervision and completion stages). The Bank’s management assigned the preparation of the SWAp to the same basic task team that prepared the DPL. This enabled the Bank and GoP teams to carry out SWAp preparation missions combined with DPL supervision missions. Thus, the Bank team was able to maintain ongoing dialogue with the appropriate counterparts in SEPLAN, SEDUC, COJUV, SEMAR, PRONAF and PROGERE.

116. This close partnership enabled the Bank team to identify early on the impact of the revised Forest Code on the State’s CAR law and propose appropriate mitigation measures. The Bank promoted dialogue between state and federal agencies responsible for the CAR. This dialogue led to the establishment of a bilateral cooperation agreement. This collaboration is progressing very well: the Ministry of Environment has already transferred to SEMAR all satellite images necessary for the

operationalization of the CAR, as well as the basic digital registration systems, which are undergoing pilot tests. The Bank team also identified trust fund resources that could be used to implement the CAR in Piauí, negotiated with the donor, and initiated the preparation of a US\$4.5 million grant with SEMAR (P143362) to provide technical assistance for the CAR's application in the Cerrado.

117. The team did not file ISRs during the project supervision missions because there was no actual progress to report with regard to the targets. Any relevant information was covered in mission aide-mémoires and notes. Thus, the only Implementation Status Report (ISR) in the system was filed soon after project approval. As usual at that time, all ratings were considered Satisfactory. This is the reason behind the apparent disconnect between the ISR and ICR.

118. Despite this shortcoming in filing a final ISR, the rating of the quality of supervision is considered Satisfactory due to the quality and intensity of the dialogue and the actions taken to mitigate the unexpected challenges observed with the CAR's implementation.

### **(c) Justification of Rating for Overall Bank Performance**

Rating: Satisfactory

119. Given the Satisfactory ratings for both quality at entry and supervision, the overall Bank performance rating is Satisfactory.

## **5.2 Borrower Performance**

### **(a) Government Performance**

Rating: Moderately Satisfactory

120. The State Government's commitment and involvement in actively participating and carrying out the policy reform led to positive implementation and achievement of outcomes. The Governor personally led the most difficult policy dialogue within the State, thus enabling the approval of the set of policies to promote green and inclusive growth supported by the DPL.

121. The Government as a whole was highly committed to the results-based management approach, which was aligned with the Governor's practice of regularly monitoring the progress of government programs and investments.

122. Soon after the Loan was signed, the GoP made internal structural changes to manage lending operations, creating the Superintendency for Financial and Technical Cooperation (*Superintendência de Cooperação Técnica-Financeira*). This move was designed to consolidate all lending operations of public and multilateral agencies in a single unit, thus ensuring synergies between different operations regardless of the sources of funds and enabling better management and monitoring of such projects. Therefore, responsibility for overall coordination of the implementation of the DPL was also transferred from SEPLAN to a new management agency. Although this new institutional arrangement could work for implementation or regular investment operations (with dedicated budget and work plans), the new agency had far less power to push for the implementation of the policies support by the DPL than SEPLAN had at the time of project negotiations. A mitigating factor was that all SEPLAN staff working on the DPL, including the Secretary of Planning himself, moved to the new agency; this ensured continuation of the dialogue with the Bank.

123. In great part because of the short-term financial problems faced by Piauí in 2012, due to policies adopted at the national level (see section 2.2 for further details), training and capacity building were not adequately provided to the agencies that had to implement new programs supported by the DPL. Furthermore, no measures were foreseen to speed up the implementation of several activities and ensure the achievement of important targets once the financial constraints were resolved. For example, the selection process of hiring civil servants takes about six months, and the results of the selection are valid for two years. Thus, the process of selecting additional staff for SEMAR and other agencies involved in the DPL could have already taken place. Instead, the GoP only decided to begin these processes in mid-2013.

124. Thus, the performance of the implementing agencies was Moderately Satisfactory.

#### **(b) Implementing Agency's or Agencies' Performance**

Rating: Moderately Satisfactory

125. The Secretariat of Planning of the State of Piauí (SEPLAN) did a good job in coordinating institutional agencies and actions, and in monitoring and reporting progress for the proposed DPL. Overall, the SEPLAN team was dedicated and closely monitored the operation's preparation stages. Soon after Board approval, the transfer of project implementation from SEPLAN to the newly created Superintendency for Financial and Technical Cooperation impacted the ability to push for policy implementation and prepare progress and completion reports that were compatible with Bank standards.

#### **(c) Justification of Rating for Overall Borrower Performance**

Rating: Moderately Satisfactory

126. Given the Moderately Satisfactory ratings for both government and implementing agency performance quality at entry and supervision, the overall Borrower performance rating is Moderately Satisfactory.

### **6. Lessons Learned**

*(both operation-specific and of broad general application)*

127. The design of the proposed operation reflects several important lessons:

128. **Client ownership and leadership:** Strong client ownership and leadership of the reform program were critical to responsiveness during DPL preparation and implementation. The Government took a proactive role in defining the policy matrix with measures that had high impact and were feasible within the time frame of the operation. Moreover, strong leadership at the highest levels of Government (i.e., the direct involvement of the State Governor and Secretariats) during the operation's identification, preparation and implementation was important and constant.

129. **Policy sustainability:** One of the lessons with the most impact learned from planning and implementing the DPL refers to the awareness developed in the Government of Piauí's management team to legally institutionalize the Government's policies and actions in order to ensure the sustainability and transparency of the actions covered by the policies. To ensure the achievement of poverty-reduction objectives, there is a need to establish long-term policies that will not only depend on one administration but could continue through legal support in subsequent administrations.

130. **Inter-institutional coordination.** The design and implementation of complex policy reforms require strong inter-institutional leadership and coordination. The existence of a government agency responsible for coordinating all the state agencies involved during the preparation and implementation of the Loan is a key element for the quality of policy dialogue and the achievement of planned targets. This assumption is supported by the proceedings during the transfer of coordination from SEPLAN to the newly created Superintendency for Financial and Technical Cooperation, which slightly impacted the implementation of the DPL during that period.

131. **Monitoring and evaluation:** Another lesson of this DPL refers to the Government's improvement of the practice of setting targets for each policy implemented. Although the GoP had already been using this methodology since 2010, it stresses that the experience of the DPL contributed to the improvement of this methodology, which was reinforced after the partnership with the World Bank.

132. **Support for policy implementation.** In cases where the Borrower is relatively weak in policy implementation, the Bank should consider developing the investment operation in tandem with the DPL. In this project, if the SWAp and DPL were prepared jointly instead of in sequence the outcomes from policy implementation would have been even greater. This is a major challenge because these operations' average pace of preparation is quite different. One alternative is to consider a small technical assistance loan that can be prepared quickly and approved at the same time as the DPL. This would enable the SWAp to be prepared adequately while already providing technical assistance to the client for the policies agreed under the DPL.

133. **Implementation of new programs.** In cases where the prior actions supported by the DPL include the creation of a new program, it might be necessary to also request a detailed analysis of the budget for its implementation. This is not usually done because the budget and action plans are not immediately available when a decree creating a program is enacted. In addition, budget and action plans should not be included in the DPL, and Bank supervision should not verify actual financial implementation. However, new programs such as Piauí Digital could have benefitted from a cost-benefit analysis to strengthen their action plans. This issue could have been addressed if a small technical assistance loan, which can be prepared quickly, was approved at the same time as the DPL.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

### **(a) Borrower/Implementing agencies**

134. The Borrower's letter of September 16, 2013 (Annex 5) expressed agreement with the Bank's assessment detailed in this ICR. The Borrower also recognized the support received from the World Bank during preparation, supervision and closing of this project. The Borrower also reiterated that it strengthening the partnership with the World Bank through the follow-on SWAp and DPL operations to support further implementation of the policies addressed in this DPL and expand support to other areas.

### **(b) Cofinanciers**

135. Not applicable.

### **(c) Other partners and stakeholders**

*(e.g. NGOs/private sector/civil society)*

136. Not applicable.

## Annex 1 Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Garó Batmanian	TTL	LCSEN	Environment Specialist
Alberto Coelho Gomes Costa	Senior Social Development Specialist	LCSSO	Safeguards
Marcos Costa Holanda	Consultant	LCSEN	
Christoph Diewald	Consultant	LCSEN	Agriculture
Mariana Margarita Montiel	Senior Counsel	LEGLE	Legal
Barbara Cristina Noronha Farinelli	Operations Analyst	LCSAR	Monitoring/Evaluation
Robin Michael Rajack	Senior Land Administration Specialist	LCSAR	Land Administration
Sebastian Martin Scholz	Senior Environmental Economist	SDNVP	Environment
Maria Madalena R. dos Santos	Consultant–Senior Education Specialist	LCSPE	Education
<b>Supervision</b>			
Garó Batmanian	TTL	LCSEN	Environment Specialist
Alberto Coelho Gomes Costa	Senior Social Development Specialist	LCSSO	Safeguards
Marcos Costa Holanda	Consultant	LCSEN	
Christoph Diewald	Consultant	LCSEN	Agriculture
Barbara Cristina Noronha Farinelli	Operations Analyst	LCSAR	Monitoring/Evaluation
Robin Michael Rajack	Senior Land Administration Specialist	LCSAR	Land Administration
Sebastian Martin Scholz	Senior Environmental Economist	SDNVP	Environment
Maria Madalena R. dos Santos	Consultant–Senior Education Specialist	LCSPE	Education

### (b) Staff Time and Cost ( to be added by the QER)

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US\$ thousands (including travel and consultant costs)
<b>Lending</b>	54.82	303,686.43
<b>Total:</b>		
<b>Supervision/ICR</b>		
<b>Total:</b>	6.16	36,037.94

## Annex 2. Piauí DPL Actions and Policy Development Matrix

Policy Area	Policy Actions: Single-Tranche Prior Actions (Completed)	Outcome Indicators by June 2013
<b>Component A. Promote Green Inclusive Growth in Rural Areas</b>		
<b>Subcomponent A1. Improve Land Tenure Security</b>		
<b>Regularize land tenure for small family farmers and larger producers, with particular focus on the Cerrado</b>	<ul style="list-style-type: none"> <li>State Law No. 6,127 of November 21, 2011 approved, authorizing land grants to family farmers and land sales to larger-scale producers occupying and working the land for at least 5 years</li> </ul>	<ul style="list-style-type: none"> <li>100% increase in the number of applications for rural land tenure regularization submitted to INTERPI</li> <li>15% increase in the number of eligible Common PRONAF (excluding PRONAF A and B) credit applications received</li> </ul>
<b>Regularize land tenure for quilombola communities</b>	<ul style="list-style-type: none"> <li>Decree No. 14,625 of October 31, 2011 enacted, creating the Program for Land Regularization for <i>Quilombola</i> Communities</li> </ul>	
<b>Subcomponent A2. Promote Sustainable Agriculture</b>		
<b>Increase employment and income in family farming: productive inclusion</b>	<ul style="list-style-type: none"> <li>Complementary Law No.162 of December 30, 2010 enacted, creating the Directorate of Rural Poverty Alleviation under the Secretariat of Rural Development (SDR); and Decree No.14,626 of October 31, 2011 enacted, creating the State Program for the Elimination of Rural Poverty (PROGERE) and the Program Unit to manage it</li> </ul>	<ul style="list-style-type: none"> <li>PROGERE operating in 112 municipalities</li> </ul>
<b>Subcomponent A3. Ensure Environmental Sustainability</b>		
<b>Promote sustainable use of rural landscapes</b>	<ul style="list-style-type: none"> <li>State Law No. 6,132 of November 28, 2011 approved, creating the Rural Environmental Cadastre</li> </ul>	<ul style="list-style-type: none"> <li>130,000 ha of land registered in the CAR in the Cerrado region</li> </ul>
<b>Component B: Improve Access to and Quality of Education</b>		
<b>Subcomponent B1. Improve Access to Basic Education</b>		
<b>Increase access to secondary education programs</b>	<ul style="list-style-type: none"> <li>Decree No. 14,628 of October 31, 2011 enacted, creating the program to introduce technology and distance-learning strategies in the provision of secondary education</li> </ul>	<ul style="list-style-type: none"> <li>20% increase in the number of secondary education enrollments through the use of the Piauí Digital Program and other technologies</li> </ul>
<b>Subcomponent B2. Improve Management and Learning Outcomes of Public Schools</b>		
<b>Improve quality of basic education in the State</b>	<ul style="list-style-type: none"> <li>Decree No. 14,627 of October 31, 2011 enacted, establishing remedial/accelerated learning programs to decrease age-grade distortion and improve the flow and quality of basic education in state public schools</li> </ul>	<ul style="list-style-type: none"> <li>Decrease, by at least 1 percentage point annually (from 38.1 in 2010 to 36 by June 2013), in the percentage of children more than two years behind grade level in grades 1 to 4 in state public schools</li> </ul>

<b>Strengthen school management and learning outcomes for public schools</b>	<ul style="list-style-type: none"> <li>• Decrees No. 14,385 of January 13, 2011 and No. 14,607 of October 14, 2011 enacted, establishing the system of merit-based selection for regional managers and school principals, respectively</li> </ul>	<ul style="list-style-type: none"> <li>• Selection of all regional managers through the new selection process, and at least 80% of school principals selected according to Decree 14,607<sup>9</sup></li> </ul>
<b>Subcomponent B3. Strengthen the Participation of Vulnerable Youth in Public Policies and Programs</b>		
<b>Promote policies for increased social and economic inclusion of youth</b>	<ul style="list-style-type: none"> <li>• Complementary Law No. 162 of December 30, 2010 approved, creating the State Coordination Agency for Youth</li> </ul>	<ul style="list-style-type: none"> <li>• 50% increase in number of Municipal Youth Councils created by <i>portaria</i>, from 8 Municipal Councils in 2010</li> </ul>
<b>Component C. Increase the State's Public Management Efficiency</b>		
<b>Strengthen the institutional framework for efficient public service delivery</b>	<ul style="list-style-type: none"> <li>• Decree No. 14,637 of November 22, 2011 enacted, creating a results-based management system and a GoP Steering Committee to monitor a portfolio of priority projects linked to the 2012–2015 Strategic Multi-Year Plan</li> </ul>	<ul style="list-style-type: none"> <li>• 60% of state projects or programs included in the results-based management system</li> </ul>

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<sup>9</sup> This includes 484 schools that have more than 200 students, plus secondary and vocational–technical schools.

**Annex 3. Beneficiary Survey Results**

(if any)

Not applicable.

**Annex 4. Stakeholder Workshop Report and Results**

(if any)

Not applicable.



## Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR



Governo do Estado do Piauí  
Secretaria de Governo  
Superintendência de Cooperação Técnico-Financeira

Teresina, 16 de setembro de 2013.

A sua Excelência o Senhor

**Garo Batmanian**

Gerente da Operação de Empréstimo para Política de Desenvolvimento para Crescimento Verde e Inclusão no Piauí DPL- 8128-BR DPL PI  
Brasília – DF

Prezado Senhor,


Ao tempo em que cumprimentamos Vossa Senhoria, reportamo-nos ao Relatório de Conclusão (*Implementation Completion and Results Report – ICR*) da Operação de Empréstimo para Política de Desenvolvimento para Crescimento Verde e Inclusão no Piauí DPL- 8128-BR celebrado entre o Banco Mundial e o Governo do Estado do Piauí.

Em termos gerais, após análise do documento acima, nossa opinião é que o conteúdo do ICR reflete os principais eventos que marcaram a execução deste projeto. O auxílio do Banco na preparação, execução e fechamento do mesmo foram de fundamental importância para o Estado principalmente porque nos levou a instituir políticas públicas onde haviam apenas ações bem intencionadas.

Compreendendo e reconhecendo o valor deste apoio, o Governo do Estado do Piauí está reforçando a parceria com o Banco Mundial através da negociação de duas novas operações que irão ampliar e qualificar o alcance as políticas apoiadas nesta operação, a saber: um novo DPL e um SWAp.

Finalmente, gostaríamos de agradecer a Vossa Senhoria e à equipe do Banco Mundial pelo apoio na implantação das políticas acordadas e pela troca de conhecimentos que contribuiu para o engrandecimento da nossa equipe e valorização das ações voltadas para o desenvolvimento sustentável do nosso Estado.

Atenciosamente,

  
Sérgio Gonçalves de Miranda  
Superintendente de Cooperação Técnico-Financeira  
Secretaria de Governo

**Annex 6. Comments of Cofinanciers and Other Partners/Stakeholders**

Not applicable.

## **Annex 7. List of Supporting Documents**

1. Program Document (PD). Report No. 66496-BR, February 1, 2012
2. Loan Agreement, Loan Number 8128-BR
3. Country Partnership Strategy Brazil 2012–2015, Report No. 63731-BR, September 21, 2011
4. Implementation Completion and Results Report (ICR). Rural Poverty Reduction Project (P050881), Report No. ICR00001247, July 27, 2010
5. Implementation Status Reports (ISRs)
6. Supervision Aide-Mémoires
7. Letter of Development Policy
8. Government of Piauí's Sectoral Reports
9. Other preparation and supervision documents



# BRAZIL PIAUI GREEN GROWTH AND INCLUSION DEVELOPMENT POLICY LOAN

- REGIONAL OFFICES OF THE STATE TECHNICAL UNIT
- 600 AVERAGE ANNUAL RAINFALL IN MILLIMETERS
- CLIMATIC ZONES:
  - SEMI-ARID  
REGIÃO DO SEMI-ARIDO
  - LOWER PARNAIBA RIVER VALLEY  
REGIÃO DO MEDIO - BAIXO PARNAÍBA
  - SAVANNAH  
REGIÃO DOS CERRADOS
- MAIN ROADS
- SELECTED CITIES AND TOWNS
- STATE CAPITAL
- STATE BOUNDARIES



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