Document of
The World Bank

Report No: ICR00001087

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-47350)

ON A

LOAN

IN THE AMOUNT OF USD 30.0 MILLION
TO THE

STATE OF MARANHÃO

FOR A

MARANHÃO INTEGRATED PROGRAM: RURAL POVERTY REDUCTION PROJECT

June 29, 2009

Brazil Country Management Unit
Environmentally and Socially Sustainable Development Sector Management Unit
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

Exchange Rate Effective December 31, 2008

Currency Unit = Real (R$)
R$1.00 = US$0.432
US$ 1.00 = R$2.315

FISCAL YEAR

ABBREVIATIONS AND ACRONYMS

AGERPE	State Agency for Agro-livestock Research and Rural Extension
CA	Community Association
CAS	World Bank Country Assistance Strategy
CPS	Country Program Strategy (ex CAS)
CDD	Community-Driven Development
CMDRS	Municipal Council for Sustainable Rural Development
FUMAC	Municipal Community Scheme
GEAGRO	State Management Unit for Agriculture, Livestock and Rural Development
GEPLAN	State Management Unit for Planning, Budget and Development
HDI	United Nations Human Development Index
IBAMA	Federal Environmental Agency
IBGE	Brazilian Institute for Geography and Statistics
MIS	Management Information System
NCB	National Competitive Bidding
NEPE	State Special Projects Unit/GEAGRO
PMDI	Municipal Plan for Integrated Development
PPA	Multi-Year Government Investment Plan
PRODIM	Maranhão Integrated Program
PRONAF	National Program for Support to Family Agriculture
SEBRAE	Brazilian Service for Support to Small Enterprise
SIAFEM	State Government Budgetary and Accounting System
SOE	Statement of Expenditures
STU	State Technical Unit (NEPE)
TA	Technical Assistance

Vice President:	Pamela Cox
Country Director:	Makhtar Diop
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Project Team Leader:	Jorge A. Muñoz
ICR Team Leader:	Jorge A. Muñoz

BRAZIL

Maranhão Integrated Program: Rural Poverty Reduction Project

CONTENTS

A. Basic Information

Country:	Brazil	Project Name:	BR Maranhao Integrated Program: Rural Poverty Reduction Project
Project ID:	P080830	L/C/TF Number(s):	IBRD-47350
ICR Date:	06/30/2009	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	STATE OF MARANHÃO
Original Total Commitment:	USD 30.0M	Disbursed Amount:	USD 19.2M

Environmental Category: B

Implementing Agencies:
SEPLAN

Cofinanciers and Other External Partners:

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	10/06/2000	Effectiveness:		02/23/2006
Appraisal:	11/10/2003	Restructuring(s):		
Approval:	05/18/2004	Mid-term Review:	05/14/2008	04/13/2008
		Closing:	12/31/2008	12/31/2008

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Unsatisfactory
Risk to Development Outcome:	Substantial
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

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

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Moderately Unsatisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Unsatisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
General agriculture, fishing and forestry sector	30	45
Health	30	18
Other social services	3	12
Primary education	30	18
Sub-national government administration	7	7
Theme Code (as % of total Bank financing)		
Municipal governance and institution building	20	20
Participation and civic engagement	40	40
Rural services and infrastructure	40	40

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Pamela Cox	Pamela Cox
Country Director:	Makhtar Diop	Vinod Thomas
Sector Manager:	Ethel Sennhauser	Mark E. Cackler
Project Team Leader:	Jorge A. Munoz	Luis O. Coirolo
ICR Team Leader:	Jorge A. Munoz	
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**

To reduce poverty by increasing the Human Development Index (HDI) from 0.647 to 0.700 by 2007, through: (i) strengthening results-based management capacity at State

level for planning, cross-sectoral integration, monitoring and evaluation of public policies and investments under Maranhao's PPA; (ii) supporting cross-sectoral integration of development actions at the municipal and local levels by implementing integrated municipal development plans and introducing State-municipal performance agreements; (iii) financing demand-driven community investments for income generation, health and sanitation, education, culture, environmental management and others impacting HDI and environmental sustainability; (iv) strengthening municipal governance through the participation of community associations and municipal councils in decisions relating directly to improvements in living conditions of the rural poor, and through capacity-building focused on integrating environmental sustainability issues in the decision-making process.

Revised Project Development Objectives (as approved by original approving authority)
Project Objectives were not revised

(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
Indicator 1 :	Increase in statewide and municipal HDIs attributable directly to project technical assistance and investments.			
Value (quantitative or Qualitative)	0.647 statewide	0.7 (to be informally est. at MTR and end-Project). Formal calculation of HDI by the state is normally at 10-year intervals.	N/A	Not measured
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown. Due to late start of project activities, no estimate was done at the MTR or at closing. HDI calculated every 10 years			
Indicator 2 :	Improvement in state's capacity to achieve cross-sector integration of public policies and investments, and to effectively plan, monitor and evaluate its PPA.			
Value (quantitative or Qualitative)	Zero	N/A	N/A	Not measured or assessed.
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Not achieved. The Horizontal Integration component designed to establish results-based management and monitoring of PPA progress, did not proceed.			
Indicator 3 :	Number of state-municipal performance agreements under implementation and achieving a positive impact on cross-sector integration and investment effectiveness at municipal and local levels.			
Value	Zero	Not established at	N/A	Zero

quantitative or Qualitative)		appraisal.		
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Not achieved. No state-municipal performance agreements or integrated municipal development plans were established. NEPE had just started discussions on this aspect at the time of closing.			
Indicator 4 :	Number of project Municipal Councils participating in priority-setting and decision-making on resource allocation of both project and non-project funded development activities.			
Value quantitative or Qualitative)	Zero	50% of all project Municipal Councils	N/A	80 CMDRSs (37% of total) achieved this target
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Partially achieved. MTR found strong evidence that trained CMDRSs were routinely discussing integration of complementary programs and channeling community demand to other programs, e.g., Luz para Todos, and municipal health and education programs			
Indicator 5 :	Number of community subprojects approved following the criteria of impact on HDI and environmental sustainability.			
Value quantitative or Qualitative)	Zero	100%	N/A	100%
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achieved. Subproject priority-setting and approval was routinely aligned to the three main variables for HDI, and to environmental sustainability.			
Indicator 6 :	Number of families benefited by project activities.			
Value quantitative or Qualitative)	Zero (project treated as stand-alone)	80,000 families	N/A	40,800 families benefited
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Partially achieved. The project financed subprojects for 40,800 families, 51% of planned total.			
Indicator 7 :	Incremental employment generated from subproject investments			
Value quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not known due to lack of evaluation study
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown. Evaluation program not launched by closing date			
Indicator 8 :	Increase in social welfare of rural communities			
Value quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not measured
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments	Achievement unknown. Evaluation program not launched by closing date.			

(incl. % achievement)				
Indicator 9 :	Increase in social capital index of project Municipal Councils (CMDRS)			
Value quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not measured
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown. Evaluations program not launched by closing date.			
Indicator 10 :	Number of communities successfully graduated from the program and successfully linked to other financing			
Value quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not measured
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown. Evaluation program not launched by closing date.			

(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
Indicator 1 :	Number and type of subprojects			
Value (quantitative or Qualitative)	NA	1,200	1,000	626
Date achieved	04/24/2004	12/31/2008	04/30/2008	12/31/2008
Comments (incl. % achievement)	Partially achieved. 55% infrastructure, 38% productive, 7% social investments			
Indicator 2 :	Number of subprojects operating and well-maintained two years after completion			
Value (quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not known
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown.			
Indicator 3 :	Cost -effectiveness and quality of of subprojects			
Value (quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Not measured.
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments	Not achieved. The study required under Loan Agreement to specifically			

(incl. % achievement)	measure/assess these elements was not done.			
Indicator 4 :	Economic efficiency and financial viability of productive subprojects			
Value (quantitative or Qualitative)	Zero	Not established at appraisal due demand-driven nature of project.	N/A	MTR case study shows return of about 12% on manioc gum production.
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Assessment of case studies only was made (manioc starch, rustic poultry, water distribution, household sanitation facilities)			
Indicator 5 :	Number of community associations in the project area			
Value (quantitative or Qualitative)	Zero	900 associations	N/A	612 associations (64%)
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Partially achieved.			
Indicator 6 :	Number of subproject proposals submitted per year			
Value (quantitative or Qualitative)	Zero	Not established at appraisal due to demand-driven nature of the project	N/A	Average 605 per year since effectiveness
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/24/2008
Comments (incl. % achievement)	Total demand was 1,814 subprojects.			
Indicator 7 :	Percentage of women in CMDRSs and community associations			
Value (quantitative or Qualitative)	Zero	Not established at appraisal	N/A	Unknown
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Achievement unknown, not reported by NEPE			
Indicator 8 :	Number of community associations participating in CMDRSs and which do not have subprojects			
Value (quantitative or Qualitative)	Zero	N/A	N/A	Estimated at 1,188 associations.
Date achieved	04/24/2004	12/31/2008	12/31/2008	12/31/2008
Comments (incl. % achievement)	Rough estimate obtained by taking actual subprojects financed as percentage of total proposals sent by CMDRSs and registered with NEPE - 1,188 or 65.5% of total demand.			

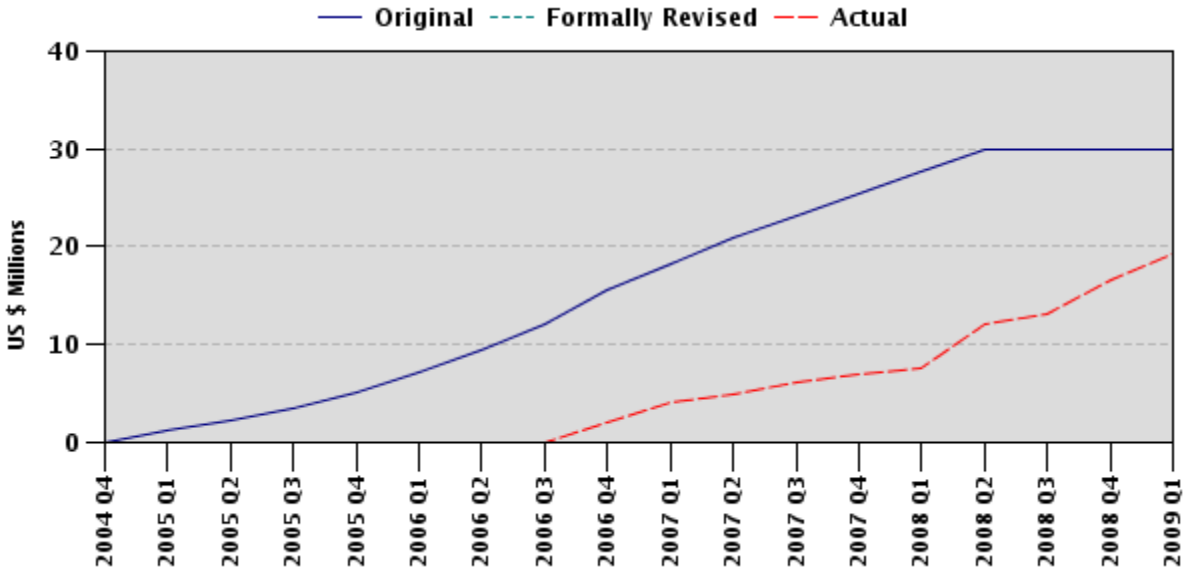
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	11/18/2004	Satisfactory	Satisfactory	0.00
2	11/18/2004	Satisfactory	Satisfactory	0.00
3	04/29/2005	Satisfactory	Satisfactory	0.00
4	06/23/2005	Unsatisfactory	Unsatisfactory	0.00
5	05/20/2006	Satisfactory	Satisfactory	2.15
6	10/05/2006	Satisfactory	Satisfactory	4.11
7	02/23/2007	Satisfactory	Satisfactory	6.07
8	09/11/2007	Satisfactory	Satisfactory	6.96
9	11/28/2007	Satisfactory	Moderately Satisfactory	10.13
10	06/13/2008	Satisfactory	Satisfactory	14.87
11	06/17/2008	Satisfactory	Moderately Satisfactory	14.87
12	11/26/2008	Moderately Unsatisfactory	Moderately Unsatisfactory	19.20
13	12/14/2008	Moderately Unsatisfactory	Moderately Unsatisfactory	19.20

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1.1.1 Both the context and justification for this project—known as the Maranhão Integrated Program (PRODIM)--are found in the characteristics and history of the Northeast region of Brazil which, at the time of appraisal, housed 49% of all Brazilians living on US$1.00/day or less. Some 11.5 million people live in thousands of small communities and towns, eking out a living in a vast, largely semi-arid region disadvantaged historically by lack of investment in socio-economic infrastructure and services including health and education; a weak natural resource base, low labor productivity and skewed landholding, and by variable agro-climatic conditions including severe drought.

1.1.2 The State of Maranhão is exceptionally poor, even by Northeast standards, and was classified at appraisal as the second poorest state in Brazil on a per capita income basis, and the poorest based on its Human Development Index (HDI) ranking.[1] At appraisal, about 60% of all state residents were living on about US$1.00/day. The state covers some 332,000 sq km, is the eighth largest state in Brazil and the most rural, and agro-climatically, it is a border Amazon state not normally affected by drought. Rural areas of the state showed serious deficits in access to basic services: 84% of all families lacked piped water, 80% had no sanitation, and 53% lacked electricity. Social indicators were also well below national averages, with extremely poor indicators for education and health. Average educational attainment was just 2.8 years compared to 4 years for the overall Northeast Region. A high proportion of the state's municipalities harbored precarious, unhealthy living conditions critically affecting childhood survival. The state was also facing important environmental issues caused by rampant deforestation, watershed degradation, inadequate livestock and agricultural technologies and occupation of protected areas and legal reserves.

1.1.3 ***Government's Strategy and Actions Taken***. Despite these conditions, Maranhão could point to one of Brazil's strongest rates of improvement over the previous decade with its HDI rising from 0.551 in 1991 to 0.647 in 2000, although this was still the lowest national ranking and well below the national average of 0.764. The State's strategy for addressing rural poverty was to explicitly link interventions under its Multi-year Investment Plan (PPA) to the desired increase in HDI. Targeted investments – including under the proposed project - would be those with greatest potential to increase HDI and would be focused on the poorest municipalities and the broader "rural space".

1.1.4 The State Government planned to introduce agreements with municipal governments (*contratos de adesão*) committing the parties to performance targets/indicators related to the expenditure program in the PPA and the state's HDI objective. Municipal Councils established under the previous Maranhão Rural Poverty Alleviation Project (RPAP, Ln. 4252-BR) would further expand their role in investment priority-setting and resource allocation, closely aligned to HDI criteria. The State Management Unit for Planning, Budget and Management (GEPLAN) would be responsible for integrating, monitoring and evaluating state, municipal and federal expenditures on poverty reduction, using a results-based management information system (MIS)

[1] United Nations composite index measuring economic and social development and in Brazil, measured every 10 years.

to which the project's own MIS would be a linked. The State also planned to make a major effort to inform the Municipal Councils and communities of the availability of several proven programs in education and health which communities could access through their Councils under the project's integration function/rubric.

1.1.5 In regard to environmental challenges, which clearly required an integrated approach, the State's strategy was to work with the communities and Councils to sensitize them to the causes and impacts of environmental degradation, encouraging them to address environmental sustainability in local planning, identify specific problems in their locales and seek project financing to address them (e.g., subprojects for production and planting of native seedlings, re-forestation of valuable areas, sale of environmental services and creation of demonstration areas for conservation technologies).

1.1.6 The integration of policies and investments within a results-based management framework – an innovative aspect of this project – implied both spatial and cross-sector actions. The State's strategy was to decentralize government's structure to its 18 regions, and to establish computerized systems to integrate planning and budgeting functions, and to track the planning and execution of public programs at the municipal level. Links would be created between statistical data collection, analysis and policy formulation, and links tracked between the execution of programs and their impact on HDI. Sustained cross-sector dialogue was deemed essential to build consensus on this new approach.

1.1.7 The State, having already decentralized fiscal resources, public investment, priority-setting and program implementation based on the new Brazilian Constitution of 1988, was intent on further strengthening local and municipal capacity to effectively operate under this structure. There were at the time 216 Municipal Councils developed by the previous Bank-supported Rural Poverty Alleviation Project (RPAP) along with other types of councils for different purposes. The plan was to consolidate all these entities into Municipal Councils for Sustainable Rural Development (CMDRS) with a broad mandate to improve municipal HDI. While the composition of these councils was expected to vary, they would maintain a majority representation of beneficiary communities.

1.1.8 ***Rationale for Bank Assistance.*** Bank support for this project was seen as adding value by: (a) consolidating and scaling up the excellent physical results of the previous project which saw 197,000 families benefit from 4,200 subprojects using the CDD approach; (b) ensuring that project design reflected international best practice in CDD as well as globally-accepted standards of monitoring, evaluation and impact assessment; (c) facilitating closer local integration of the project Municipal Councils with the full range of rural poverty reduction programs due to its role in financing the RPAP and developing the Municipal Council mechanism, as well as its involvement in other anti-poverty sector programs; and (d) introducing an innovative Horizontal Integration component, to develop results-based management methods, and strengthen planning, coordination, monitoring and evaluation of the State's investment program (PPA).

1.1.9 Consistency with the CAS for Brazil (2003-2007), which sought a more equitable, sustainable and competitive Brazil, would be achieved *inter alia*, through integrated responses to development challenges. The CAS supported the Bank's longstanding commitment to the Northeast region and consistent with the CAS, the project supported the NE State of Maranhão, and specifically its poorest municipalities with lowest HDIs. It supported integrated actions both locally and centrally through the Horizontal Integration component, and was expected to leverage additional resources by linking the Municipal Councils to a range of stakeholders/partners.

1.2 Original Project Development Objectives (PDO) and Key Indicators

1.2.1 As stated in the PAD, the overriding project development objective (PDO) was to help Maranhão achieve the goal of reducing poverty by increasing HDI from 0.647 to 0.700 by the year 2007 by: (a) strengthening the results-based management capacity at the State level for planning, cross-sector integration, monitoring and evaluation of public policies and investments under its Multi-year Development Plan (PPA, 2004-2007); (b) supporting cross-sector integration of development actions at the municipal and local levels through the design and implementation of integrated municipal development plans and the introduction of State-municipal performance agreements; (c) financing demand-driven community investments for income-generation, health and sanitation, education, culture, environmental management and others impacting on HDI and environmental sustainability; and (d) strengthening municipal governance through the participation of community associations and municipal councils in decisions directly related to improvements in the living conditions of the rural poor, and through capacity-building focused on the integration of environmental sustainability issues in the decision-making process.

1.2.2 Key performance indicators for the PDO, as cited in the PAD:

- Increase in state-wide and municipal HDIs attributable directly to project technical assistance and investments;
- Improved State capacity to achieve cross-sector integration of public policies and investments, and to effectively plan, monitor and evaluate its PPA;
- Number of State-municipal performance agreements under implementation and achieving a positive impact on cross-sector integration and development effectiveness at municipal and local levels;
- Number of project Municipal Councils (CMDRSs) participating in priority-setting and decision-making on resource allocation of both project and non-project funded development activities;
- Number of community subprojects approved following the criteria of impact on HDI and environmental sustainability; and,
- Number of families benefited by project activities.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

The PDO and Key Indicators were not revised.

1.4 Main Beneficiaries

1.4.1 While the project was expected to benefit indirectly many of the 2.7 million people living in rural areas as a result of better cross-sector integration and targeting of development activities, the direct beneficiaries of the planned 1,200 community subprojects would be an estimated 80,000 poor rural families representing about 400,000 people or 15% of the population in rural areas. Further, some 60% of total subproject resources would be concentrated in the 80 municipalities with lowest HDI-M, representing a rural population of about 1.1 million.

1.5 Original Components

The project had four components (PAD, Annex 2):

1.5.1 ***Component 1: Community Subprojects (US$36.0 million, 90% of total project cost)*** financing community matching grants for about 1,200 small-scale, socio-economic infrastructure, education, health, culture, productive, environmental and other investments designed to increase HDI. The component covered all 216 municipalities (excluding only the State capital, São Luis) to foster state-wide cross-sector integration, getting all municipalities to focus on HDI and strengthening local and municipal institutional arrangements. However, project targeting parameters focused 60% of total component cost in the 80 poorest municipalities, designated Area A. An indicative budget envelope averaging US$270,000 per Area A municipality would be available over the four-year execution period. The remaining 136 municipalities in Area B would be allocated indicative budgets of US$79,000 over four years. The idea was that additional, non-project resources would be leveraged under the local-level integration pursued by the CMDRSs.

1.5.2 ***Component 2: Institutional Development (US$2.0 million or 5% of total project cost)*** financing technical assistance and training to increase the capacity of implementing agencies including the CMDRS, community associations, State Management Unit for Agriculture, Livestock and Rural Development (GEAGRO) and State Management Unit for Planning and Budget (GEPLAN).

1.5.3 ***Component 3: Horizontal Integration (US$1.0 million, 2.5% of total project cost)*** otherwise known as "State Governance and Capacity Building", financing technical assistance to strengthen the results-based management capacity of the State Government to plan, integrate, monitor and evaluate public policies and investments for poverty reduction, and to improve the alignment of public expenditures with the State's development priorities.

1.5.4 ***Component 4: Project Administration, Supervision, Monitoring and Evaluation (US$1.0 million, 2.5% of total project cost)*** financing costs (excluding salaries) of project administration and coordination, including supervision, monitoring and impact evaluation.

1.6 Revised Components

1.6.1 Project components were not revised.

1.7 Other significant changes

1.7.1 **Project Scale.** Due to the marked appreciation of the Brazilian Real vs. the US Dollar in the project period, during the MTR of 2008 the target for the number of subprojects financed was reduced from 1,200 to 1,000.[2]

1.7.2 **Targeting.** In direct response to the policy direction of the new State Government which took office in January 2007, PRODIM markedly intensified investments in three very poor regions representing 54 municipalities, as opposed to the 80 Area 1 municipalities prioritized at appraisal (see 2.2 and 3.5). Actions were focused more tightly on vulnerable populations denominated "Special Groups" comprising Afro-Brazilian *quilombola* communities, indigenous groups, women, young people and artisanal fishing communities located either within or outside the focus areas.

1.7.3 **Special Account.** The Special Account was increased in October 2007 from US$2.0 million to US$3.0 million at the request of the State Technical Unit (NEPE). NEPE believed this

[2] This change was made effective through the Operational Manual.

would accelerate disbursements since the availability of counterpart funding was greater and more subprojects could be financed faster, the goal being to recuperate time lost in the first two years.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

Preparation

2.1.1 Preparation was conducted in collaboration with state authorities and NEPE, which had executed the previous project. However, due to the change of Government in January 2007, the NEPE team which prepared the project in 2003-2005 was not the same NEPE team which ended up implementing it in 2006-2008. Actual and potential beneficiary communities were aware through information campaigns and word of mouth—facilitated by NEPE's regionalized administrative structure—that a follow-up project was being prepared by the State and that it would use the same decentralized, participatory mechanisms already established and functioning well. Actions and strategies in the Indigenous Peoples' Participation Plan (IPPP – PAD, Annex 12) were defined with the participation of indigenous leaders from each of the groups targeted by the project.[3] This project aimed at promoting results-based management within an overall vision of a modernized public sector in Maranhão, for which the State Secretary of Planning expressed strong support.

Project Design and Quality at Entry

2.1.2 Project design adhered closely to the State Government's strategies to address rural poverty and social exclusion, low indicators of health and education, environmental sustainability, decentralization, and the integration of public policies and investments to achieve greater impact on HDI and on poverty reduction. Project design combined the operational modalities of the cost-effective and successful community-based approach of the previous project with innovative results-based management features to ensure horizontal integration of policies and to directly support improved HDIs of target municipalities. However, as discussed in more detail below, implementation of the innovative horizontal integration component in a CDD project proved to be more challenging than anticipated, given the institutional capacity requirements of such an approach. In its comments to the draft ICR, the Borrower acknowledges certain institutional weaknesses in the execution of the project, but notes that these were not necessarily worse than in other Northeast states and are in any case being addressed by the new State Government.

2.1.3 **Objectives and Indicators.** The direct link to improvements in HDIs in the Project Development Objectives and the incorporation of a results-based management approach to horizontal integration proved a tremendous challenge to the existing institutional capacity in Maranhão, particularly within a four-year implementation period and significant turnover of staff at NEPE following the change in Government in January 2007. In retrospect, the over-riding or higher-level objective of helping the State reduce poverty by increasing HDI from 0.647 to 0.700 by the year 2007 was unrealistic in the space of one project, difficult to measure, and it exceeded NEPE's technical and operational capacity.

[3] The training took place over a three-month period and was designed in modules to permit, in the interval between each module, the return of indigenous leaders to their villages to discuss the proposed strategies with the entire community. NGOs specialized in indigenous affairs were also involved.

2.1.4 Although under the previous project NEPE had performed well, under this project it encountered more difficulties than anticipated at appraisal. The traditional CDD project objectives—community subproject investments and improved governance—were familiar to NEPE from the previous project. One important reason why the previous project was successful is that NEPE concentrated its efforts in communities located in more accessible regions of the State. Under the new project, the relatively straightforward device of ensuring that associations and CMDRSs understood the basic component parts of HDI and that investment demand and financing be consistently aligned around this organizing principle was adopted without much difficulty. The capacity problems were manifested more clearly with the innovative aspects of the project. First, results-based management, even though modestly funded, was ranked ahead of the more "traditional" subproject investment objective. This innovation responded largely to the Bank's growing interest in this approach, which had some buy-in by the State Secretary of Planning at the time, but was not the focus of NEPE's interest or experience. Moreover, the project did not have a baseline or clear targets for monitoring performance of this objective. Additionally, the objective of seeking cross-sector integration of development actions via integrated municipal development plans and State-Municipal performance agreements grossly under-estimated the complexities inherent in developing the plans, implementing them, and measuring the outcomes/impacts.

2.1.5 Quality at entry was Moderately Unsatisfactory. Although the innovations introduced were commendable, project design had substantive shortcomings. Project design unsuccessfully attempted to satisfy two sets of competing objectives: (i) consolidation and expansion of the CDD approach under the previous project and (ii) incorporation of results-based management and horizontal integration. The inherent complexities of attempting to address both objectives caused implementation difficulties. The measurability of PDO indicators was questionable in key cases, e.g., the increase in state-wide and municipal HDI attributable directly to project technical assistance and investments. Similarly, quantifying improved State capacity to achieve cross-sector integration of public policies and investments and to effectively plan, monitor and evaluate its PPA was a difficult challenge. While the simple quantification of state-municipal performance agreements developed was straightforward, evaluating positive impact and development effectiveness required a sophisticated M&E system with specialized human resource needs, in a state with little/no evaluative experience or established procedures. The data collection strategy (Annex 1) for key performance (outcome) indicators depended on a comprehensive project impact evaluation program backed by GEPLAN following through on its own evaluation/tracking of the State's HDI-related progress indicators. Projected outputs were somewhat disconnected from the more weighty PDO objectives/indicators for which it should be noted, no targets were established at appraisal. Project monitoring and evaluation requirements were more demanding than the previous project even though (or perhaps because) no evaluation program/procedures had been established.

2.1.6 **Implementing Capacity and Organization.** The project was an innovative test case for leveraging greater scale and impact, more rapidly, through cross-sector integration, responding to calls from the Bank and Brazilian authorities for projects with such features. Further, the decentralized, participatory project Municipal Councils (CMDRSs) were seen as optimal vehicles for bringing diverse rural poverty programs together under one roof for debate, information sharing and decision-making by poor communities. However, over time it became clear not only that Maranhão was not an appropriate state to test such innovations, but that results-based management (particularly with inter-sectoral horizontal integration) requires a sophisticated M&E system, considerable specialized implementation capacity and experience, and intensive Bank supervision—none of which were adequate in this project.

2.1.7 Resource allocations for Areas A and B over the planned four years were very modest. An indicative budget envelope averaging US$270,000 (or about US$67,500 per year) would be available to each Area A municipality, while the remaining 136 municipalities comprising Area B would be allocated some US$79,000 each (or less than US$20,000 per year), barely enough for a few subprojects.[4] The assumption was that additional non-project resources would be mobilized through the planned integration function/activities of the CMDRSs but the organizational strength and capacity of many of them was quite weak and they required training to prepare them to launch integration activities. The real risk in regard to very low resource allocations per municipality was that the CMDRSs and/or associations would lose interest and motivation, becoming virtually moribund for lack of activity, and/or scale back subproject size to non-viable levels to squeeze more investments for poor communities out of the limited funding. Both materialized in practice, reflecting another project design limitation.

2.1.8 The environmental elements of the project were unfamiliar to NEPE and introduced a new and challenging element to operate at different levels and scale. The project was to finance environmental activities with positive impacts on quality of life and incomes and these would include: (a) environmental community subprojects; (b) demonstration subprojects to test environmentally appropriate technologies for productive activities. This involved building awareness in CMDRSs enabling them to identify interested rural producers who would adopt and implement the technologies, submitting a subproject proposal to finance them; and (c) regional and territorial subprojects involving municipal consortia and focusing on environmental sustainability at a regional level would be piloted and evaluated to see if scaling up was warranted. Such a construct was beyond NEPE's coordination capacity and the State's supply of technical assistance and public extension services.

2.1.9 Although NEPE was able to finance 4,200 subprojects in six years under the previous project, greater attention should have been paid to NEPE's institutional capacity at appraisal—especially in view of the project's innovations. In fact, the ICR for the previous project (which closed in June 2004, Report No. 23075) drew attention to how the "scale and dispersion of rural poverty, and poor transportation conditions represented a daunting organizational challenge for NEPE." The ICR went on to note "NEPE's delayed processing of subproject proposals due to overwhelming demand; limited access to remote areas in the rainy season; need for more specialized technical personnel experienced in handling productive subprojects; and, heavy bureaucratic requirements of the subproject cycle". Not surprisingly, similar factors affected implementation of this project.

Adequacy of Government's Commitment

2.1.10 Government's expressed commitment was strong during preparation. State agencies and the NEPE team generally collaborated closely with the Bank team and had an ambitious vision for reducing rural poverty through more concentrated, integrated actions. The State's track record of improving social indicators, innovative regionalization of state management, and active attempts to move the state beyond traditional, patronage-based provision of services through more responsive, systems-based service delivery boded well for project success. In 2003-2004, government assumed that there would be sufficient time (before the 2006 elections) to launch and

[4] Total cost estimated for community subprojects was US$35.5 million, including a 10% community contribution. The estimated average for 1200 subprojects is thus US$29,600 per subproject implying that the poorest Area 1 municipalities would receive about 3-4 subprojects per year and the "less poor" Area 2 municipalities 1-2. This may explain the small scale of many subprojects ultimately financed – the need the leverage as many as possible from limited resources.

consolidate the new types of activities included in the project. A long delay in effectiveness, due to unusually strong political factors, however, changed the conditions and context for initiating many of the planned innovations. Eventually, the a new administration came to the State Government and key project innovations faced a variety of new constraints, including lack of priorities and staff turnover.

Risk Assessment

2.1.11 Quality at entry also suffered from an incomplete risk analysis. Although the analysis of CDD-related issues was quite realistic, the risks inherent in the innovative aspects of the project were grossly underestimated. Also, procurement was not explicitly mentioned as a risk. Specific Bank procurement guidelines for CDD projects had not yet been developed at the time of appraisal. Based on project targeting parameters, which included all 216 eligible municipalities, project design allocated Area A poorest municipalities almost three times the resources of Area B municipalities. A risk not foreseeable at appraisal was the appreciation of the *Real* versus US Dollar and the reduction this would require in targeted subprojects, although in practice other factors were more important in limiting the number of subprojects than the appreciation of the *Real*.

2.2 Implementation

2.2.1. The project was designed at a time when both the Bank and the Borrower thought that the integration of planning and programs both vertically and horizontally could achieve greater poverty reduction impact in a shorter time, as reflected in improved HDIs. The project got off to a slow start. Following Board approval in May 2004, strong political opposition for approving the project developed at the Federal level, related to party-political tensions associated with upcoming elections for Governor in late 2006. This delayed project effectiveness by 21 months. Consequently, there was little activity for almost two years (mid-2004 to mid-2006), resulting in a loss of continuity and erosion of capacity at NEPE and project municipal councils. The Bank maintained frequent contact with the Federal Government and NEPE but could not materially improve the situation. Breakthroughs were constantly expected by the State but did not eventuate. Maranhão's extreme poverty and its excellent performance under the previous project staved off serious consideration of simply dropping the project.

2.2.2 Even though annual budget allocations to the project and levels of state counterpart funding after effectiveness were satisfactory, subproject processing by the new NEPE team (which took over in January 2007) was exceedingly bureaucratic and this slowed disbursement which did not pick up until the final year of the project (2008). Moreover, the project stalled in its final months due to a Bank Procurement Post-Review in April/August 2008 uncovering systematic procurement shortcomings for which the Borrower was unable to provide adequate explanation. The Bank declared mis-procurement on December 11, 2008. The project closed on December 31, 2008 (as planned), with an undisbursed balance of US$ 10.8 million.

2.2.3 This disruptive, troubled period meant the project had barely two years of implementation and in that time financed only 626 community subprojects (about one-third of community demand totaling 1,814 proposals) benefiting 40,800 families in 612 associations located in 127 municipalities (59% of geographic coverage sought at appraisal). However, the Borrower's comments to the draft ICR point out that it nevertheless achieved 50% of the project's targets in just over two years of actual implementation (from effectiveness in February 2006 to closing in December 2008), noting that this reflected strong commitment to the project. Of total

subprojects financed, productive investments reached 100% of the appraisal target, infrastructure reached 37%, and social reached 30% of target. Environmental subprojects never took hold and represented only about one percent of the total. Types of subprojects financed showed a certain concentration with the most common being simplified water supply systems (alone, about 25%), and manioc mills, sanitation systems, small-scale rice processing plants and fishing equipment (in aggregate, 60%).

2.2.4 Targeting outcomes were complex and despite all efforts, somewhat skewed to Area B-type municipalities with better HDI, revealing that weak organization and inadequate information typical of very poor and vulnerable groups limit their access to CDD-type operations dependent on organized demand. Even so, the Special Groups (*quilombola* communities, indigenous groups, women, young people, and artisan fishing communities) secured the attention desired by the State Government, receiving a larger number of subprojects than their representation in the rural population. No territorial consortia of CMDRSs were established, the planned results-based management activities did not proceed and integration activities, while quite well-established at the local level in many CMDRSs, did not construct the sophisticated State-Municipal contractual and organizational framework contemplated in the PAD (see Annex 2 for details).

2.2.5 **Costs.** The original disbursement plan shows US$16.0 million and US$10.6 million allocated to Area A and B municipalities respectively for community subprojects. The final outcome shows IBRD disbursements of US$7.7 million for Area A (48%) and US$7.6 million for Area B (72%) leaving an undisbursed balance of about US$10.8 million at closing. Total cost of subprojects at closing was US$23.07 million, including state counterpart and beneficiary association contributions. Of this, 55% was for infrastructure, 38% for productive and 7% for social investments. The highest amounts were applied to water supply systems, sanitation systems and manioc mills, which also benefit the greatest number of families. The overall average cost of subprojects was US$36,851. The average cost per family benefited was (US$565). The distribution of resources among beneficiary regions saw *Baixada Maranhense* the largest recipient with 25% of the total value applied to community subprojects. The highest average value per subproject was found in *Cerrado Maranhense* (R$84,146 or US$36,270).

Main factors affecting project implementation

2.2.6 **Delayed Effectiveness and launching of project activities.** Project Effectiveness occurred almost two years after Board approval (May 2004) due to political party issues which tied it up in the Federal Internal Loans Committee and then the Senate. Following Effectiveness in February 2006, project launching activities were further delayed by the following: (a) slow activation of procedures to open the Special Account, in part due to the Bank's transfer of this process from headquarters to Brasilia and the need to start again; (b) legal limitations imposed on agreements with the community associations—including Federal authorities requiring that the validity of all existing community associations be checked; the project needed a decree exempting it from this requirement in order to commence operations; (c) Brazilian legal requirement that all new contracting of community subprojects be suspended until after the October 2006 elections; and (d) the common disruptions associated with the settling in of new authorities (after January 2007).

2.2.7 **Local level integration of programs.** CMDRSs routinely included in their monthly meetings, discussions about the complementary nature and integration of PRODIM with other

public programs – federal, state and municipal.[5] The most notable example was PRODIM's consistency with the Federal electrification program for rural communities, *Luz para Todos*, which complemented with essential services, other types of PRODIM investments including productive, water supply and housing improvement. Other complementary programs integrated through the CMDRSs included: the Federal, Bank-supported *Crédito Fundiário* project (Loan 7037-BR) via the financing of investment subprojects supporting land settlement and consolidation, including productive activities; with the Federal *Bolsa Familia Program*; and with a State program for distributing foodstuffs, primarily milk products, to women and poor fishing communities.

2.2.8 **Adherence to HDI criteria.** This aspect of project design worked well, utilizing the simple mechanism of ensuring that every community subproject proposal approved be consistent with the three principal variables comprising HDIs.[6] Communities and the CMDRSs were informed of the meaning, mechanics and importance of the HDI and the priority-setting and approval process monitored adherence.

2.2.9 **Exchange rate.** The Project was appraised using an exchange rate of USD1.00/R$2.35, with sufficient resources for an estimated 1,200 subprojects. The MTR in early 2008 reduced the expected total to 1,000 when the Real appreciated to USD1.00/R$1.61. However, in practice, NEPE's slow processing of subprojects resulted in significant under-spending and slow disbursement, which in the end had a more significant impact on the low number of subprojects financed than the appreciation of the Real.

2.2.10 **Institutional factors.** Despite NEPE's experience with successful implementation of the previous Bank-supported CDD project, its performance under this project was characterized by excessive bureaucracy, slow subproject processing, and inadequate capacity to supervise and delegate to its Regional Offices (RO). The ROs in turn, lacked adequate staff to monitor the geographic spread of the project and the performance of individual beneficiary communities. In its comments to the draft ICR, the Borrower has noted that the current State Government is taking action to resolve these problems and will adopt all needed measures to improve NEPE's technical and administrative capacity. In particular, they note efforts to increase the size of the technical team, improve training, and enhance the team's capacity to supervise more distant regions of the State where the majority of beneficiary communities are concentrated.

2.2.11 Institutional weakness is also evident from specific deficiencies mentioned by independent auditors in the 2007 audit report,[7] and in Financial Management Supervision reports and Procurement Post-reviews. NEPE is described as having little control over bidding processes

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[5] Integration meant, in this case, the local CMDRSs acting as a clearing house for informing communities of program availability, and eligibility and access criteria. Priority-setting and targeting had to be channeled through the CMDRS participatory decision-making process in the same way as other PRODIM (Bank-supported) investments. For example, the *Luz para Todos* program started in many municipalities to direct its energy investments to communities being benefited by PRODIM with other compatible investments including those mentioned above.

[6] Income growth, educational attainment and health/longevity.

[7] Independent auditors describe: delays in sending project FMRs; delayed release of resources held in association bank accounts; delayed preparation of the required evaluation study on the structure, cost and efficiency of community subprojects; Operational Manual not updated, or the corresponding guidance materials distributed to beneficiaries; very slow efforts to regularize subprojects with problems; lack of training for beneficiary communities with productive subprojects; and, issues related to lack of automatic emission of reports by the MIS. The Borrower has pointed out that institutional weaknesses are being addressed.

and weak control over clearances for payments to contractors. The degree of centralization of NEPE project coordination is evident in the 25-30 technicians in the field to cover 212 municipalities, and the 50 at NEPE headquarters in the capital. Subprojects were widely dispersed within each municipality. Many communities comprised just a few families, and many were isolated during the rainy season. NEPE lacked the manpower to visit each of the subprojects (a minimum of three visits at critical stages was required) and perform a physical inspection every time a request for payment was received, and thus relied on the decentralized State Agency for Agro-livestock Research and Rural Extension (AGERPE) for that purpose. The Borrower's Completion Report (NEPE 2009) states that while some 2,000 supervision visits were conducted, virtually all occurred in the 80 Area A municipalities.

2.2.12 Institutional weakness was also evident at decentralized levels. For example, the Bank procurement specialist's analysis of sample contracts in 2008 indicated, *inter alia*, a failure in some regions of the project's participatory, decentralized mechanisms.[8] Procurement was not taking place at the community level, a fundamental breach of the project's central idea of strengthening communities' abilities to manage investment subprojects. Many communities were located in remote areas, and lacked the formal education and training needed to conduct procurement, while their CMDRSs were weak and marginalized.[9]

2.2.13 **Procurement.** Project implementation also suffered from inadequate attention to procurement processes. As noted in para. 2.4.5 the Bank's Procurement Post-Review (PPR) in April and August 2008 revealed *prima facie* evidence that bidding quotations did not meet Bank requirements. There was evidence of systematic misapplication of Bank procurement guidelines,[10] and red flags of possible fraud. The Bank notified the State Governor and NEPE about these problems and requested that further community subprojects not be approved until a corrective Action Plan was agreed with the Bank. However, since the Borrower's response to the PPR's findings provided no additional information to change the Bank's conclusions, the project closed as scheduled on December 31, 2008, with a moderately unsatisfactory rating.

2.2.14 The Borrower Completion Report (NEPE 2009) is candid on institutional capacity issues, citing the following:

(a) *Size of technical teams.* NEPE decided (in 2007) to maintain a minimum cohort in the capital and assign technical assistance to the AGERPEs via partnerships. However, the availability of technicians, extension workers and facilitators was insufficient and disproportional to the tasks demanded for good implementation and subproject oversight.

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[8] Procurement Post-review Supervision Mission Report, August 18-22, 2008.

[9] The subproject type, its amount, the contractor and the construction site were decided without community involvement. Some association presidents signed documents they had never seen to initiate work, and similarly some associations were pressured to sign documents to release payments to contractors even when works were behind schedule or not completed.

[10] The ICR for the RPAP (Report No. 30275, June 28, 2004) cites NEPE, in its Borrower Completion Report (2004), calling for "greater effort to fortify the communities, strengthening their capacity to manage the subproject cycle, and especially to administer project-funded goods and structures". The ICR then states "despite major efforts (under the RPAP) to publicize the project and mobilize communities, NEPE believes that an even more intense capacity-building program would enable weaker community associations in some areas to fend off political encroachment and to better manage their investments".

(b) *Distance.* The communities which comprised the targeted clientele were generally located in remote areas of the state, with difficult access even to the municipal center. Thus, supervision obligations could not always be accomplished in their entirety.[11]

(c) *Municipal and local relationships.* Administrative decentralization, delegation of responsibility for public services to municipalities, universal rights and participation are processes which remain incomplete and preliminary in many municipalities targeted by PRODIM. Local political factions and disputes re-opened space for traditional clientilism, causing PRODIM to have operational difficulties in controlling activities, especially in regard to the financial management of resources.

(d) *Poverty levels.* The low educational level of rural populations in Maranhão including the leadership of community associations had objective repercussions for PRODIM. The ability to read, write and compute/calculate are indispensable to effective management of subprojects financed, especially productive, whose operation and maintenance require these skills for many tasks including files and accounts and interaction with markets.

2.2.15 **Mid-term Review (MTR).** Given the considerable delays in getting the project started, the Mid-Term Review was too little, too late. It should have taken place in mid-2007, rather than in 2008, in order to allow sufficient time for implementing its recommendations (including possibly a project restructuring with a longer implementation period). Although the 2008 MTR provided a candid and analytical assessment of the project's physical performance, based in part on interviews with beneficiaries, community leaders and local authorities and drawing on field observations and data from the project's MIS, the MTR's recommendations (summarized below) did not address some key project design weaknesses (e.g., horizontal component, weak M&E system) and there was simply no time for their effective implementation. NEPE and the Bank supervision team erroneously assumed that an extension of the project closing date would take place in late 2008 permitting correction of diverse problems and this idea, combined with only modest physical achievements evident at the time the MTR was originally planned, combined to delay the MTR's execution. Weak supervision during the project's early stages (e.g., only one Financial Management mission in 18 months, no procurement post-review prior until 2008) and subsequent events, particularly the findings of the procurement post review of April/August 2008, provided little justification for such an extension. An important lesson from this is that early detection of project shortcomings is essential, particularly in projects that experience long delays in declaring effectiveness, and show only modest physical gains, to allow the Borrower and the Bank to agree on an effective plan of corrective measures—at least 18 months prior to the original closing date. In this project, such a restructuring plan should have been agreed to in mid-2007 at the latest.

2.2.16 **Procurement.** The MTR found overly-complex procurement procedures and lack of understanding of procurement rules and processes by associations (MTR Aide Memoire, April 30, 2008). NEPE was found not to be providing adequate supervision and guidance to communities on problems to be avoided in procurement, and there was a lack of rigorous analysis by NEPE of problematic subproject documentation in order to make corrections. The MTR recommended that NEPE: (a) prepare procurement procedures designed to facilitate associations' involvement, including model documents; (b) send technicians to the subprojects to review their status; and, (c) expand the use of the MIS as a procurement control and supervision instrument. NEPE was also tasked with updating the Operational Manual, which at the time of the MTR had no specific section on procurement. NEPE's response to these recommendations was slow and

[11] To an extent, previous projects had already covered the more accessible areas and the more intense focus of PRODIM on the extreme poor and communities which had never participated, mandated operations in very remote areas.

incomplete and was in any case overtaken by issues related to the imminent closing of the project on December 31, 2008. Since procurement issues were first flagged only in April 2008, by then it was too late to take meaningful corrective actions.

2.2.17 **Productive Subprojects.** The MTR found that productive subprojects were generally very small-scale and low cost, producing outputs primarily to complement income and/or boost food security. While valuable for mobilizing communities and interesting per se, their impact in practice was modest and sustainability questionable. Several factors contributed to small scale: the intense focus on the very poorest groups and to some extent, the influence on communities in some areas of social movements/NGOs which tended to foster a culture of "small and local". A fundamental re-orientation of the strategy for these subprojects was believed necessary. In what could constitute a roadmap for future rural projects with productive investments, the MTR mission advised NEPE to do the following:

(a) Improve the criteria and rigor for analyzing productive subprojects including managerial capacity, and economic, financial and environmental sustainability;
(b) Set user fees realistically, based on actual operation and maintenance (O&M) costs and numbers of beneficiaries;
(c) Give priority to investments supporting actual family production and marketing, and to establishing user fees;
(d) Desist from financing certain types of productive activities deemed unsustainable including due to scale issues;
(e) Establish partnerships with the Brazilian Service for Support to Small Enterprises (SEBRAE) to better oversee/monitor productive subprojects, provide technical assistance for management, and promote links between producers and markets/buyers within and outside the State;
(f) Focus the above efforts on products with genuine potential, e.g. honey, vegetables, crafts, cashew nut and fruit pulp;
(g) Design reference models for subprojects in greater demand, with standard technical/other parameters to ensure quality and environmental preservation; and,
(h) Adopt a systematic training program in production technologies for beneficiaries.

2.2.18 Unfortunately, since the MTR took place only in 2008, it was too late for these recommendations to be implemented. Nevertheless, in its comments to the draft ICR, the Borrower has noted that they agree with the recommendations and intend to adopt them under any future project under NEPE's responsibility.

2.2.19 **Environment.** The MTR noted that "bearing in mind institutional restrictions of the past two years" implementation of the project's Environmental Management Plan was on track and NEPE's in-house environmental professional was performing well on establishing routines and processes. Educational materials were prepared, environmental monitoring was built into the MIS, and partnership arrangements were starting up. However, community demand for environmental subprojects was weak and needed promotion via demonstration units and other means, and no action had been taken to initiate multi-municipal consortia or territorial activities supporting environmental management. The Bank team presented NEPE with a detailed set of recommendations but as with other aspects of the MTR, the short time available prevented adequate implementation of the recommendations.

2.2.20 **Municipal Councils** (**CMDRS).** The MTR found that Municipal Councils, especially outside the area of concentration (Area A), needed motivation, training, and appeared un-motivated and inactive. This may have been a function of NEPE's slow, bureaucratic

implementation combined with small amounts of funding allocated (indicatively) to municipalities in Area B. Even so, the MTR study found that some Area B municipalities received far more subprojects and funding than originally contemplated. NEPE was advised to initiate a program of training and reorganization of CMDRSs with difficulties, especially those outside Area A.

2.2.21 **Targeting.** NEPE was advised to continue its focus on 54 priority municipalities and on the "Special Groups", ensuring that their subproject demands, like all others, were submitted to the CMDRSs for debate and prioritization, and noting that their special status did not confer exemption from the project's participatory processes and mechanisms. The MTR study (NEPE 2008) analyzes in detail the targeting findings and results, summarized in 3.5.4 and Annex 2 of the ICR.

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

2.3.1 The proposed monitoring and impact evaluation framework was advanced and ambitious in its vision, the plan being to integrate aspects of project M&E activities into statewide information systems to facilitate monitoring by GEPLAN of its PPA, and impact assessment of the project and broader State development efforts. The Project MIS database included community profiles to aid in evaluating project impact; the Institutional Development Component would be monitored by tracking training events and the achievement of annual operating plans (POA); and the Horizontal Integration Component would be monitored by GEPLAN via indicators linking both project and non-project expenditures to reduction in poverty in rural areas and statewide, measured by improved HDI. The pre-existing MIS was to be improved to permit regional offices to enter data and monitor on-line the real-time flow of subprojects.

2.3.2 Under the impact evaluation framework specifically, studies would include: annual physical performance reviews to assess quality, sustainability, and including reviews of community-based procurement; mid-term evaluation including beneficiary consultation on performance and impact; assessment of activities under the Horizontal Integration component on achieving cross-sector integration of public policies and investments to reduce poverty; rigorous and comprehensive evaluation of the project's impact on raising HDI. The latter would use repeater surveys of beneficiaries and non-beneficiary control groups. An execution timetable was agreed during preparation.

2.3.3 **Monitoring:** The M&E system envisaged at appraisal fell short of expectations. The MIS operated fairly efficiently but did not reach the levels envisaged in the PAD. The MIS produced reports on demand, used to monitor financial aspects, subproject implementation and other operational matters. However, the 2008 Financial Management Supervision noted that the most frequent client of the system appeared to be Bank supervision missions. It became evident that NEPE managers were not making the best use of the system and appeared to believe the MIS was developed primarily to satisfy Bank information requirements. From a financial management perspective, the MIS was cause for concern because it was manually fed with information that was registered separately in SIAFEM (the State Government's budgetary and accounting system, in which the project was a cost center), creating the risk that not all transactions were being captured by the MIS and resulting in the project financial manager having to maintain a parallel spreadsheet where all financial transactions were registered.

2.3.4 **Evaluation:** The planned evaluation program—a baseline study (since a baseline had never been done) and any follow-up feasible in the available time—made little progress. Following protracted negotiation with the Bank on methodology, terms of reference and

procurement, and right when bidding was about to occur, the project closed due to mis-procurement. However, the more fundamental reason is that NEPE was never committed to evaluation and the Bank was reluctant to acknowledge this and respond more aggressively. NEPE was repeatedly pressed to make progress but, on a different level, much greater effort was needed to inculcate the value of M&E as a planning and policy tool. Meanwhile, the planned link between M&E and HDI performance (the Horizontal Integration activities) turned out to be more complex than anticipated during appraisal. The new State Government de-emphasized the HDI and the Horizontal Integration Component, which essentially languished, to focus more on specific target areas/regions and the most vulnerable groups. In regard to the planned case studies (Partial Report), at the time field data collection was starting many subprojects were just starting operations and thus the team collected data on just four (Annex 5).

2.4 Safeguard and Fiduciary Compliance

2.4.1 **Safeguards.** The project triggered Environmental Assessment (OP 4.01) and Indigenous Peoples (OD 4.20). It was classified as Category B and had an Environmental Management Plan prepared in collaboration inter alia, with the State Management Unit for Environment and Natural Resources (GEMA). It also had an Indigenous Peoples Participation Plan (IPPP), available to the public and on NEPE's website. Compliance with applicable safeguards provisions was generally satisfactory but due to the restricted institutional context of the first two years, environment-related systems and activities were still evolving at closing and needed more time to consolidate.

2.4.2 All subproject proposals had to include a roadmap on how potential environmental impacts would be avoided or mitigated. NEPE's in-house environmental specialist had already installed routine procedures for screening and licensing, prepared educational and informational materials, and established initial, informal partnerships with environmental agencies, both State and Federal. Demand for environmental subprojects per se was still nascent at closing, possibly because their immediate relevance/payoff to social welfare and/or income generation was not evident to poor communities and much more information dissemination, training and promotion was needed. The MTR mission presented NEPE with a detailed assessment and recommendations for further improving project environmental management but time did not permit further substantive actions. The project was closely targeted to the most socially vulnerable groups and indigenous peoples participated under the "Special Groups" rubric (see 3.5.3 and Annex 2).

2.4.3 **Financial Management.** There were two Financial Management Supervision missions (November 2006 and April 2008), both of which provided an FM rating of Satisfactory. The April 2008 analysis found that the project accounting, FM reporting and project management information system and internal controls were adequate and reliable to manage and monitor project implementation. A review of sampled SOEs showed that the controls and procedures used to prepare them were satisfactory. The mission made several observations. First, while NEPE was producing reports on demand (project implementation, physical and operational aspects), it was not making the best use of its MIS and had not internalized its use for own operations.[12] Second, the mission alerted NEPE that funds being held in blocked accounts in the Bank of Brazil in the name of community associations with subprojects still under implementation would need to be returned to the Special Account by closing if respective subprojects were not completed. Third, while the MIS was a good financial management tool it was still a system manually fed

[12] NEPE was advised to make much better use of its own MIS to review the physical execution of the project, conduct ageing analysis of subprojects under implementation, and assess average elapsed time between signing of the agreement between NEPE and beneficiary associations and the transfer of funds to them.

with information registered separately in the SIAFEM, running the risk that not all transactions were being captured by the MIS and requiring that the two systems be reconciled.

2.4.4 **Audit.** Independent auditors in their 2007 audit report gave an Unqualified opinion on the project's financial statements (covering sources and uses of funds, investments by expenditure category, statements of expenditure (SOE), the Special Account, and complementary financial information). In the Management Letter, auditors expressed the opinion that the system of internal controls maintained by NEPE was satisfactory to manage and monitor the project, but detected some internal control issues requiring NEPE's follow-up. NEPE has since rectified the issues raised.

2.4.5 **Procurement.** The Bank Procurement Post-Review (PPR) in April 2008 reviewed a sample of 15 contracts for goods and works under Component 1, Community Subprojects, utilizing shopping procedures. This review raised questions prompting a second Post-review in August 2008, wider in scope and covering a total of 100 contracts for 77 community subprojects (100% of the subprojects financed in 2007). This revealed prima facie evidence that quotations presented for Bank review were invalid and did not meet the requirements of agreed shopping procedures as provided by Bank Procurement Guidelines. There was evidence of systematic misapplication of Bank procurement guidelines, and red flags of possible fraud. However, concurrent Bank missions on Financial Management and regular field supervision at the time noted that (i) these procurement irregularities were not related to financial management practices, and (ii) the investment subprojects identified in April 2008 physically had been completed to the satisfaction of the beneficiaries. In other words, the problems identified were related specifically to the misapplication of procurement procedures. As noted earlier, the Bank notified the Borrower about these problems and requested that further community subprojects not be approved until a corrective Action Plan was agreed with the Bank. The Borrower's response to the PPR's findings provided no additional information to change the Bank's conclusions. Consequently, the Bank declared mis-procurement on December 11, 2008 and the project closed on December 31, 2008. The Borrower was asked to reimburse the Bank some US$1.091 million.[13] On June 22, the Borrower notified the Bank that it was acquiring the corresponding foreign exchange in order to refund the Bank the amount declared ineligible, with an expected deposit by June 30, 2009.

2.4.6 The type of problem found in Maranhão (systematic misapplication of Bank procurement guidelines and confusion about how Brazilian Law 8666 on procurement must be applied under the project) has not been identified in the other CDD projects under implementation in Northeast Brazil. Nevertheless, one important lesson from this experience is that the application of Bank-approved procurement procedures for CDD projects requires considerable initial and periodic training of project implementation agencies which, in turn, need to transmit this training to beneficiary community associations. In the particular case of Brazil, this requires more pro-active engagement on the part of the Bank to periodically clarify to implementing agencies when and how Bank-approved procedures, as specified in the loan agreement and Operational Manual, should be used by communities, and how these may or may not relate to Brazilian Law 8666 on procurement.

2.5 Post-completion Operation/Next Phase

[13] Given the State Government's interest in avoiding similar situations in the future, the Bank recommended preparation of an action plan to strengthen internal controls to mitigate the potential risk of similar problems reoccurring by introducing specific measures to deter fraud and corruption. As the project closed in December 2008, such Plan was never completed or agreed to with the Bank.

2.5.1 Transition arrangements to regular operations in the context of a CDD project mean execution of a subproject, its formal release to the community association – which (with some exceptions) legally and technically owns the investment – and its becoming operational under pre-established rules and procedures for this phase.

2.5.2 Due to the absence of evaluation and final reporting, the information available on actual Operation and Maintenance (O&M) practices in this project is limited. Project supervision and the MTR noted that O&M of water supply systems was routine, including community members paying a small monthly fee for water use. However, information on the O&M of project-financed productive facilities and other types is not available. In the case of electric power investments, O&M is handled by the local power agency/concession firm. What is certain is that appropriate O&M procedures were a mandatory requirement in subproject proposals and a criterion for approval.

2.5.3 The institutional sustainability of NEPE is unclear in the absence of this project, especially as NEPE has traditionally also coordinated the state's operations under the Bank-supported *Crédito Fundiário* operation (Loan 7037-BR) which also closed on December 31, 2008. Nevertheless, in its comments to the draft ICR, the Borrower has noted that NEPE's continuity is not only assured, but that the current State Government administration is taking the following specific corrective measures to strengthen NEPE's operational capacity: (i) nominating a new NEPE Superintendent with strong technical and administrative background, (ii) linking NEPE with significant financial and administrative autonomy to the recently-created Secretariat for Agrarian Development, (iii) strengthening financial and procedural controls, (iv) recruiting new technical staff, and (v) ensuring sufficient budgetary allocations to cover NEPE's operational costs.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

3.1.1 Although the project's overall outcome was unsatisfactory, its objectives remain relevant and are consistent with the Country Partnership Strategy (CPS, 2007-2011), explicitly via the challenge of reducing endemic poverty in the Northeast region through economic inclusion which strengthens community-level productive activities and their integration into the economy. The Bank's core approach, as outlined in the CPS, is to identify demands from major firms including supermarket chains, and then to specify productive arrangements enabling communities to produce the required products at scale, with quality and reliability assurances. This is especially relevant for Maranhão, where demonstrated demand for productive investments was very strong and where the MTR recommended a slate of measures on feasibility, scale, technical assistance and markets designed to increase the commercial potential of project investments. As noted elsewhere, NEPE's follow-up cannot be assessed.

3.2 Achievement of Project Development Objectives

3.2.1 The achievement of project development objectives was severely hampered by late effectiveness and launching of project activities, and by serious institutional weaknesses which slowed project implementation and foiled the initiation of certain project activities. Moreover, as noted earlier, the Mid Term Review should have taken place in mid-2007 rather than mid-2008, as this would have allowed agreement with the Borrower on a restructuring plan (with possibly an

extension of the project's implementation period) to better align project resources and activities in order to achieve the (possibly revised) PDOs and related outcome indicators. A 2007 MTR may have also been able to detect the procurement problems and take corrective actions earlier.

Objective 1: *Strengthening the results-based management capacity at the State level for planning, cross-sector integration, monitoring and evaluation of public policies and investments under its Multi-year Development Plan (PPA, 2004-2007).*

This objective was clearly not achieved. The component supporting this objective was explored only tentatively after effectiveness, deferred until the new administration took office in January 2007, and then languished until project closing for lack of interest and priority under the new State Government.

Objective 2: *Supporting cross-sector integration of development actions at the municipal and local levels through the design and implementation of integrated municipal development plans and the introduction of State-Municipal Performance Agreements.*

This objective was partially achieved at a decentralized level, but not through the design or implementation of integrated municipal development plans, or State-Municipal Performance Agreements. The Bank urged NEPE to promote direct discussions with municipal authorities to identify areas of complementarity, and to transmit this information back to the CMDRSs to help them formulate the Integrated Community Development Plans (known as PIDs) envisaged at appraisal. But, as with the results-based management features of project design mentioned above, both the State-Municipal Performance Agreements (SMPA) and the PIDs lacked Borrower commitment. Actual support for cross-sector integration was primarily through training of the CMDRSs and associations in understanding what cross-sector integration entailed, and how to render it operational at the local level, leveraging parallel, complementary resources for community needs through the participatory decision-making machinery of these Councils.

Objective 3: *Financing demand-driven community investments for income generation, health and sanitation, education, culture, environmental management and others, impacting on HDI and environmental sustainability.*

This objective was partially achieved at a smaller scale than that contemplated at appraisal. As described in Annex 2, the project financed 626 subprojects selected, prioritized and approved based on their consistency with the key variables comprising HDI. The project demonstrated the relative ease with which such adherence was obtained under participatory CDD conditions. About 49% of all investments supported income generation, 36% supported education and culture, and 14% supported health and sanitation. About one percent of all subprojects financed fell into the environmental management category. However, impact on HDI and environmental sustainability was not measured.

Objective 4: *Strengthening municipal governance through the participation of community associations and municipal councils (CMDRS) in decisions directly related to improvements in the living conditions of the rural poor, and through capacity-building focused on integration of environmental sustainability issues in the decision-making process.*

The extent to which the project strengthened municipal governance through the participation of community associations and the CMDRSs in joint decision-making was not formally evaluated. Further, the identification of systematic misapplication of procurement guidelines suggests that

participatory decision-making processes in some areas were not functioning as expected, with certain project beneficiary communities vulnerable to manipulation and to being side-lined from the required selection, priority-setting, approval and implementation process. The extent to which capacity-building resulted in environmental sustainability being integrated in decision-making processes is also not known. The MTR found that the disruptions of the project's first two years meant that the Environmental Management Plan was only just starting to be implemented at that time. The MTR found NEPE's overall environmental performance under its safeguards responsibilities was satisfactory. The mission presented NEPE with a detailed environmental analysis intended to further improve its environmental management, and to promote community awareness of environmental issues and demand for environmental subprojects. The project closed before the degree of follow-up by NEPE could be assessed.

3.3 Efficiency

3.3.1 One of the consequences of the erroneous assumption by the NEPE and Bank teams that the project closing date would be extended beyond December 2008 is that a comprehensive impact evaluation of the project was not carried out.[14] Therefore, no calculations of efficiency of community subprojects were conducted.

3.4 Justification of Overall Outcome Rating

Rating: Unsatisfactory

3.4.1 While the project was and remains highly relevant to defined socio-economic deficits in rural Maranhão, the unsatisfactory rating of overall outcome is based on: (i) the inability of the project's monitoring and evaluation system to measure a baseline or progress in the achievement of project performance indicators or to obtain meaningful estimates of efficiency; and (ii) physical results by project closing were well below what was originally planned.

3.5 Overarching Themes, Other Outcomes and Impacts

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

3.5.1 **Poverty Impact.** The project's short implementation period and the lack of formal evaluation limit conclusions about poverty impact. While the project's approval process was careful to ensure that community investments were consistent with the main pillars of HDI, tracking a direct link between the project and HDI (only measured every 10 years) even under optimal conditions would be a complex task. It is known that productive subprojects with income potential were an unexpectedly high proportion of the total and generally well-implemented, but the MTR noted that, with some exceptions, these subprojects were mostly very small-scale

[14] Again, it merits reiteration that the first stage of such evaluation was to be a baseline and thus the project was in practice, several years away from conducting an impact evaluation per se.

ventures, lacking adequate technical assistance and with questionable sustainability in some cases.

3.5.2 **Gender Aspects.** Women were included as a vulnerable class of beneficiary within the "Special Groups" targeted by the new state administration. Limited information available shows that in the case of associations of women traditionally occupied in shelling coconut, the project financed productive subprojects, mainly manioc mills (26.5% of total) and rustic production of poultry (*galinha caipira de corte*, 17.6%). Some 23.5% of investments for women were in household sanitation facilities. Data on women in leadership roles shows 26% of all community associations had a female president, 85% a female secretary, and 15% a female treasurer. With the exception of fishermen's associations, 100% of associations had female membership/participation. Female leadership of the CMDRSs is not known. The impacts on women of specific investments are largely indicative. Field visits by the MTR mission reported women testifying to reductions of up to 100% in infant mortality from diarrheal infections due to PRODIM investments in clean water supply and sanitation systems. Such results were compared favorably by the MTR mission to neighboring communities which had not yet participated.

3.5.3 **Social Development.** Studies in other participating Northeast states have demonstrated the extent to which the participatory methodology and subproject cycle provide opportunities for community growth, leadership formation, and greater awareness and self-esteem. On this foundation, communities can leverage their experiences and knowledge to secure additional benefits from other programs and promote their interests in practical ways following completion of their subproject. Thus, it is likely that a proportion of PRODIM beneficiaries would demonstrate similar characteristics, but this was not formally verified.

3.5.4 **Targeting.** In 2007, the new State Government proposed further tightening of project targeting in two ways: (a) geographic, with action concentrated in just 54 municipalities in three Regions (*Baixada Maranhenses*, *Lagos Maranhenses*, and *Alto Turi*); and (b) concentrated actions for the most vulnerable "Special Groups", e.g., Afro-Brazilian and *Quilombola* communities, indigenous groups, women, artisanal fishing communities and youth. The justification was that these areas contained significant pockets of poverty and a majority of the state's *quilombola* and fishing groups, and that they were relatively close to the capital thereby permitting close oversight of project actions in the initial period of the new administration.

3.5.5 This tighter focus did not alter established operational procedures, but was initiated and executed rapidly, with mixed results meriting further study. Some 127 municipalities or 59% of the eligible total, benefited from subproject investments. In practice, however, 210 or 37% of all investments were focused in just 17 municipalities which were not necessarily the most deserving on the basis of HDI-M. In practice, investment mostly concentrated on municipalities within Area B. The same pattern is observed regarding subproject value. Municipalities which received a higher number of investments also showed the greater values. Even in Area B, 48% of subprojects and values were concentrated in three regions. Comparison of two periods shows the impact of the new administration's strategy. Whereas in the period from February to December 2006 the three priority regions received 36% of subprojects financed in that period, from January 2007 to June 2008 the same three regions received an "avalanche" of financing amounting to 58% of all subprojects financed in the period.

3.5.6 **Special Groups.** The number of subprojects financed for each Special Group was proportionally higher than its representation in the PRODIM target population. Defined, vulnerable groups representing some 14,000 families (about 80,000 persons) received a total 194

subprojects, 31% of the total financed to end-December 2008 and benefiting 190 associations, equivalent to 31% of all associations benefited. Indigenous groups received mainly productive investments of which manioc mills were about 57%. For *quilombola* associations, investments were more diverse including infrastructure and productive. Sanitation (water supply and septic) was 38%, while processing of primary products (fruits, sugar-cane, manioc and rice) represented 40%. Women's associations benefited primarily from productive investments such as manioc mills and rustic poultry production, but sanitation was about 25% of the total. For associations of young people, 90% of investments were in education, especially agricultural technology. Finally, for artisanal fishing communities, among the poorest project beneficiaries, fishing-related equipment, chilling facilities for fish storage, and fish farming technologies were about 55% of the total. Sanitation and production diversification were also prominent.

Table 3.5.1: Project Attention to Special Groups

Item	Women	Indigenous	Quilombola	Youth	Fishing Groups	Total Special Groups
Total subprojects	34	40	72	23	25	194
- Infrastructure	9	2	37	10	7	65
- Productive	22	37	35	5	18	117
- Social	3	1	0	8	0	12
% total Financing	5.43%	6.39%	11.5%	3.67%	3.99%	30.99%
Entities Benefited	34	39	69	23	25	190
No. Assn Members	28,791	1,345	2,479	2,280	1,141	36,036
Families Benefited	2,574	1,977	3,679	2,334	3,449	14,013
Aver. Families/SP	76	49	51	101	138	72
Persons Benefited	25,085	9,885	18,250	11,670	21,540	86,430
Aver. Benefics/SP	738	247	253	507	862	446

(b) Institutional Change/Strengthening

3.5.7 The overall impact of the large amount of training financed by the project and its effect on longer-term capacity and sustainability are not known. The project financed 114 courses and information sessions for community associations in many aspects of the project itself and subproject investments. Well over 1,000 leaders from the "Special Groups" were included. Similarly, some 368 events benefited the CMDRSs, covering community mobilization, council management, participation and sustainability and project operations. Training for both groups reached some 24,800 individuals. Coordinating all of this required that about 100 NEPE staff also be trained in many aspects of project management and operations. The MTR study noted that rural extension services and practical training were weak aspects of the project, putting at risk communities' ability to utilize and achieve concrete gains from their physical investments. About 12% of all subprojects received technical assistance.

3.5.8 The Borrower Completion Report (BCR, NEPE 2009), the Procurement Post-review of August 2008 and the Financial Management Supervision of April 2008 all comment substantively on NEPE's institutional capacity and its implications for/impact on the project are discussed in Section 2.2 and elsewhere.

(c) Other Unintended Outcomes and Impacts (positive or negative)

3.5.9 The presumption that the project closing date would be extended beyond 2008 distorted the project implementation cycle by allowing a considerable number of subproject proposals to enter the pipeline, get approved, and then end up without financing.

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

3.6.1 No formal beneficiary survey or stakeholder workshop was conducted. Annex 5 summarizes the results of small case studies presented at the time of the MTR, which looked at the evolution and outcomes of four subprojects. Communities and local leaders were canvassed by the MTR study team for their views on the project/subproject and main findings were as follows (see also Annex 5):

(a) Water Distribution Network: Designed to conform to the HDI criterion of "support to health and sanitation", clean water piped directly to households had almost immediate impacts on family health and living conditions by: reducing the incidence of water-related parasitic/other infections; reducing/removing the need for women and girls to heavy carry loads of water over distance every day; allowing younger people normally involved in water collection more time for study and leisure; and, superior water quality from deeper sources not requiring costly purification and filtration.

(b) Household Sanitation Facilities: These subprojects were designed to fit the HDI criterion of "support to health and sanitation". Even though only 56 families benefited directly, many community members testified to the MTR research group on the health benefits for the entire community of 250 families due to greatly-reduced environmental pollution.

(c) Rustic Poultry Demonstration Unit: Designed to fit the HDO criterion of "income generation support", this subproject demonstrated several of the classic difficulties common to small-scale productive investments in CDD projects, as well as the effects of inadequate feasibility assessment. The association had difficulty computing its costs and reconciling its expenditures and receivables but it was clear that expenditures exceeded income. Problems defined by the case study included: insufficient training and supervision in basic accounting, management, marketing, and sanitation and nutrition issues; dependence on commercial rations due to inadequate initial assessment of ambient conditions for rustic feeding; lack of local agricultural products and agro-climatic conditions to guarantee local-origin feed for 2,000 chickens per year; the picketed-off area intended for roaming of birds was unsuitable for growing grass; and, the 90-day period required for sale/slaughter of birds was double that of commercial facilities, making the enterprise uncompetitive. The subproject increased food supply but not family incomes. It also increased employment, but unremunerated. The core lesson was that to produce rustic poultry (*galinha caipira*) in commercial quantity/quality requires precise knowledge of production and marketing, as with the "regular" product.

(d) Production of Manioc Starch: This subproject was designed to fit the HDI criterion of "income generation support". Findings indicate that manioc gum is a viable enterprise for the beneficiary association but the project actually financed equipment for production of manioc starch. Association members explained that they had no knowledge or tradition of producing starch, raising questions about the original feasibility work. However, taking into account the activities of only the 19 association members, expenses totaled R$56,000 and annual returns/income about R$134,600 for the gum. Monthly net returns were R$6,550 giving each member an income of about R$345/month. The association itself made about R$13,000/year or R$1,090/month, permitting payment of its O&M costs. This is seen as modest but compared to

their traditional operation, these results are very positive for the community, especially in the functionality and efficiency of the process, translating into more/better work, greater hygiene and final quality of the gum, which has potential for insertion in wider, more demanding markets.

4. Assessment of Risk to Development Outcome

Rating: Substantial

4.1 ***Sustainability.*** The sustainability of project outputs and outcomes appears fragile and variable, justifying a rating of substantial for risk to development outcome. PRODIM closed with barely two years of effective implementation, in an extremely poor state with capacity limitations at several levels, as evidenced, inter alia, by the procurement events, and with no State plan to consolidate gains. The MTR study states that rural extension services and practical training were weak aspects of the project, putting at risk communities' ability to utilize and achieve concrete gains from their physical investments. The project team's contact with NEPE has been sporadic since closing and the ICR team's ability to obtain additional information, including on aspects of sustainability, limited.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Unsatisfactory

5.1.1 Bank performance in ensuring quality at entry is rated Moderately Unsatisfactory. The Bank project team comprised appropriate specialists for all design aspects, and worked closely with NEPE, GEAGRO and GEPLAN. However, project design unsuccessfully attempted to satisfy two sets of competing objectives: (i) consolidation and expansion of the successful results of the CDD approach under a previous project and (ii) incorporation of innovative features (results-based management and horizontal integration) in response to institutional demands, some partly promoted by the Bank itself. The inherent complexities resulting from attempts to address both objectives, even if not fully appreciated at the time, resulted in a project design that proved difficult to implement as conceived. Extensive Bank experience of projects dealing with both types of approaches should have suggested that putting them under the same operation was unlikely to be successful, particularly in a State with known capacity constraints.

(b) Quality of Supervision

Rating: Moderately Unsatisfactory

5.1.2 There were seven Bank implementation progress missions including a well-staffed MTR over the 34 month period and task management was experienced and stable throughout. About 41 staff weeks were expended on supervision, taking into account late effectiveness, slow start-up and short implementation.[15] Missions were regular, covered key issues and were complemented by two Financial Management and one Procurement Post-Review missions. The Bank's analysis of and communication on NEPE's audit performance was well-conducted, as was the Bank's follow-up of corrective actions required from NEPE. However, Bank supervision had some important shortcoming. Supervision ratings were too generous up to 2007. Project M&E was rated satisfactory despite NEPE taking three years to reach the baseline contracting stage (at

[15] The PAD did not estimate staff weeks, but called for biannual supervision.

which point the project closed), and the Horizontal Integration Component was also rated satisfactory through to closing despite having been (informally) dropped. Moreover, the MTR should have taken place in mid-2007 instead of mid-2008. The Bank team's presumption that the project closing date would be extended beyond December 2008 distorted the perception of time needed to implement the recommendations of the MTR.

5.1.3 Bank supervision would also have benefited from the regular inclusion of: (a) an agricultural engineer and/or agri-business specialist given the high proportion of productive subprojects; (b) an environmental specialist to work closely with NEPE's in-house environmentalist to promote more aggressive implementation of the project's innovative environmental protection and conservation features; (c) a social specialist to help inject greater dynamism, focus and organization into reaching and mobilizing beneficiary communities; and (d) an M&E specialist to work closely with NEPE and GEPLAN to launch the innovative features of the project.

(c) Justification of Rating for Overall Bank Performance
Rating: Moderately Unsatisfactory

5.1.4 The Bank's overall performance is rated Moderately Unsatisfactory. During preparation, the Bank could have done a better job of ensuring quality of design, taking into account lessons learned from the previous project in Maranhão and the other CDD projects in NE Brazil which clearly pointed out the institutional capacity requirements for successful implementation. Inclusion of complex, albeit innovative, features in response to non-operational institutional demands (including Bank internal demands) reduced the quality of project design and placed unnecessary operational burdens on NEPE and municipal councils. Similarly, the Bank could have performed better during implementation by assessing project performance more realistically, bringing in more specialized team members, and reacting earlier to identified problems.

5.2 Borrower Performance
(a) Government Performance
Rating: Moderately Unsatisfactory

5.2.1 The State Government which prepared the project (2003-2005) was genuinely committed to it but evidence suggests that innovative aspects of project design, while attractive to involved authorities for their potential to modernize public sector planning, programs and performance in/for the rural sector, were not well-understood at the technical and operational levels, i.e., by NEPE. The new State Government responsible for project execution (2007–2008) understood the importance of tight poverty targeting and pragmatically focused project resources on the absolute poorest and most vulnerable. While Government's annual budgetary allocations to the project were satisfactory (see 5.2.2) it did not support results-based management, or the State/Municipal Performance Agreements and PIDs, and both of these design features languished for lack of commitment.

(b) Implementing Agency or Agencies Performance
Rating: Moderately Unsatisfactory

5.2.2 NEPE was generally staffed with competent, experienced professionals with many years of experience coordinating the Bank-supported rural poverty and market-based land reform projects. Important aspects of the project such as the alignment of investments with HDI, large number of productive subprojects, and successful local level integration of the project with other

federal, state and municipal programs through the CMDRSs, were strong achievements which additional implementation time might have consolidated, improved and expanded. NEPE also oversaw an MTR study of good quality, but had difficulties advancing its evaluation agenda and did not appear to appreciate the value and utility of its own well-established MIS.

5.2.3 NEPE's failings and vulnerability lay in its overly-bureaucratic subproject processing, inadequate grasp of some project design elements which went beyond its traditional areas of expertise, as well as its inadequate field pro-activity and supervisory capacity. The staffing and logistical capacity of the AGERPEs was incompatible with their extensive list of field responsibilities over large geographic areas,[16] and NEPE's efforts to work and communicate with this network were deficient. These factors acted as a continuous brake on the project's pace and performance and may have left the project vulnerable to manipulation. While annual budget allocations to the project were regular and adequate, NEPE's procedural and technical constraints reduced the project's absorptive capacity resulting in very slow disbursement, protracted subproject implementation periods often exceeding the established 210 day limit,[17] excess demand relative to processing capacity, and far fewer subprojects financed than planned at appraisal.[18]

5.2.4 NEPE understood the critical importance of moving poor communities into productive, income generating activities but lacked the technical resources/expertise to ensure adequate, realistic feasibility analysis and follow-up. The project achieved 100% of its target in this category of investment but MTR and other evidence suggests that a considerable number of such subprojects have little or no market potential and are primarily for local/domestic consumption. Finally, as detailed elsewhere in this report, NEPE's response to the Bank's findings on procurement performance raised important questions which remain unresolved.

(c) Justification of Rating for Overall Borrower Performance
Rating: Moderately Unsatisfactory

5.2.5 Uneven state commitment to certain activities intrinsic to project design, and institutional capacity issues, were evident from effectiveness through closing. The inadequate response from the State/NEPE to the Bank's request for explanation of the findings of its procurement analysis, and declaration of mis-procurement cloud the project's positive achievements because they undermine confidence in the integrity of the process in that state. However, the rating of Moderately Unsatisfactory allows space to acknowledge the project's actual achievements.

6. Lessons Learned

[16] The MTR study refers to the AGERPEs each having "at least one" technician.

[17] On the issue of processing delays, the BCR (NEPE 2009) argues that NEPE's efficiency was in fact notable and that an analysis of MIS data shows that the main obstacles incurring a longer period of analysis happened when proposals had to be returned to associations for additional information or reformulation. NEPE asserts that 60% of all processes analyzed were completed in periods of less than one month. (See BCR pp. 9-10).

[18] The FM Supervision report of April 2008 describes substantial amounts of project funds sitting in blocked project accounts in the Bank of Brazil in the name of project beneficiaries (the full subproject amount is transferred to an association's bank account at the time of subproject approval/signature) awaiting documentary evidence (e.g., SOE) for their release.

6.1 The following lessons have emerged from this experience:

- *A decentralized, rural CDD project in a very poor state with issues of institutional capacity at all levels and geographic dispersion may not be the best vehicle for introducing results-based management and similarly challenging activities involving complex vertical and horizontal linkages.* While the Northeast CDD projects have, since inception, been vehicles for the successful piloting and scaling up of innovation, not all participating states have equal capacity to host innovation successfully. Innovation also needs consistent commitment and full understanding and buy-in of all stakeholders.

- *Directly related to this, efforts to establish a results-based management/performance system requires intensive supervision and is not justified unless the methodology for measuring its outcomes is designed and understood by key stakeholders at appraisal*, with subsequent continuous reinforcement of the concept and operational implications. The responsibility for quality at entry was shared in this case. The Bank should not have over-emphasized results-based management if the basic institutional and systemic mechanisms were not in place, or well-understood, in a weak state like Maranhão. Strong M&E systems are essential and the Bank needs to ensure through hands-on supervision that the right data is collected and that its linkages to planning and policy-making are promoted and understood.

- *Monitoring and evaluation are essential components of poverty reduction projects and an integral part of the development process, and are especially important for CDD projects with a multiplicity of diverse private investments.* The institutional, methodological and operational aspects of M&E, not just the requirement for M&E per se, should be a priority from the earliest stages of project preparation and the project team should include appropriate expertise. M&E systems need tailoring to the type of project and should be easily managed by the project unit. Simple, agile forms of evaluation, e.g., case studies rather than weightier baseline and follow-up exercises, may be more appropriate initially, as the borrower gains experience. Further, project implementation units do not necessarily understand the PDO and how project activities are designed to achieve the PDO, and thus the Bank needs to carefully explain the thinking behind and content of the PDO, and its intimate link to M&E methodologically and operationally.[19]

- *Productive subprojects, regardless of scale and target population, need strong feasibility analysis, pre-defined marketing channels/arrangements, accurate diagnosis of the physical and human resource context and technical assistance needs, and of potential sources of working/other capital.* The Northeast CDD projects, for example, are essentially offering poor communities a unique chance to jump-start a productive process via grant financing. Deficient analysis wastes this opportunity, with longer-term implications. Project preparation needs to ensure that the Borrower's implementing team, at the central and decentralized levels, has the technical skills to ensure high quality feasibility analysis.

- *The project validated broader research findings that weak levels of community organization can translate into an obstacle for poor communities trying to access the benefits of CDD projects.* Circumstances and timing prevented the project from acting on MTR

[19] This might need to occur during preparation, then again at the MTR or if government turns over and a new project management team is installed by the Borrower.

recommendations for more focused mobilization and organization of the poorest and most vulnerable communities/groups. Concentrated effort is needed to detect and target such communities with capacity and awareness-building actions and information to ensure they understand the project, and their rights and responsibilities within its methodological and operational framework. The risk of malfeasance and manipulation is increased when fragile groups are inadequately prepared to access project benefits.

- *The timing of the Mid-term Review is critical and should not be delayed for reasons unrelated to its core function, i.e., determining the status and quality of performance with sufficient time remaining to permit the implementation of recommended corrections*, possible re-structuring and/or extension of the closing date. Conducting the MTR late effectively left no time to implement important findings should the project not be extended. Extension should not have been assumed but rather seen as the logical outcome of circumstances emerging from the MTR mission itself.

- *The application of Bank-approved procurement procedures for CDD projects requires considerable initial and periodic training of project implementation agencies which, in turn, need to transmit this training to beneficiary community associations.* In the particular case of Brazil, this requires more pro-active engagement on the part of the Bank to periodically clarify to implementing agencies when and how Bank-approved procedures, as specified in the loan agreement and Operational Manual, should be used by communities, and how these may or may not relate to Brazilian Law 8666 on procurement.

- *Decentralized, community-based projects with broad geographic coverage require more frequent, technical and specialized missions including fiduciary and safeguard specialists.* Other Northeast rural poverty reduction projects are now focusing much more on productive investments which have specialized technical and operational requirements. The ability of supervision missions to finance the inclusion of specialists is critical to the success of such activities, including via the training opportunity they can provide to state technical units for analyzing, approving and overseeing implementation of such subprojects.

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

(a) Borrower/implementing agencies

7.1 Borrower's comments have been incorporated into the main text of the ICR, where relevant. See full letter in Annex 7.

(b) Cofinanciers

N/A

(c) Other partners and stakeholders

N/A

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
COMMUNITY SUBPROJECTS	35.30	23.07	65.35
INSTITUTIONAL DEVELOPMENT	2.00	1.20	60.00
HORIZONTAL INTEGRATION	1.00	0.00	0.00
PROJECT ADMIN, SUPERVISION, MONITORING AND EVALUATION	1.00	2.23	223.00
Total Baseline Cost	39.30	24.50	62.34
Physical Contingencies	0.40	0.00	0.00
Price Contingencies	0.30	0.00	0.00
Total Project Costs	40.00	24.50	61.25
	0.00	0.00	.00
	0.00	0.00	.00
Total Financing Required	40.00	24.50	61.25

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)[20]	Percentage of Appraisal
Borrower		6.40	3.84	60.00
Community associations		3.60	3.46	96.11
International Bank for Reconstruction and Development		30.00	19.20	64.00

[20] Includes the US$1.091 million declared ineligible by the Bank in December, 2008, to be returned by the Borrower to the Bank by June 30, 2009.

Annex 2. Outputs by Component

2.1 The following information on project implementation outputs is taken from the Mid-term Review performance study of September 2008 (SEAGRO/NEPE, 2008), updated by NEPE with data from the MIS through end-December 2008. Complementary information on project targeting, costs and other aspects is also included. NEPE has provided a revised version of key parts of the MTR study, with data updated to end-December 2008.

Component 1: Community Subprojects

2.2 The project financed 626 subprojects, 52% of the original target of 1,200 and 63% of a revised target of 1,000 subprojects, adjusted down in mid-2008 to reflect the appreciation of the Real against the US Dollar.[21] Of this total, infrastructure investments were 290 or 37% of an original estimated 780, productive were 300, 100% of original target and social were 36, 30% of target. The total number of subprojects approved by the CMDRSs and transmitted to NEPE was 1,814 implying that some 1,188 proposals remained without financing at closing. Table 2.2.1 shows implementation indicators, while Table 2.2.2 shows the status of subprojects in the pipeline at closing. As indicated, financed does not necessarily mean completed. Some 401 subprojects were concluded, with/without some form of pending issue, while another 225 were at various stages of the processing pipeline.

Table 2.2.1: Implementation Indicators at Closing

Item	Unit	Target	Results	
			Total	Percentage
Subprojects implemented	No	1,200	626	52
- Infrastructure	No	780	290	37
- Productive	No	300	300	100
- Social	No	120	36	30
Beneficiaries				
- Families	Families	80,000	40,800	51
- Persons	Persons	540,000	222,995	41
Community associations benefited	No	960	612	64
Territorial consortia established	No	4	0	0

Source: NEPE/MIS

[21] The original target was estimated when the exchange rate was R$2.35/USD but by mid-2008 with the rate at R$1.65/USD, 1,000 subprojects seemed a more realistic target. The exchange rate went up again to about R$2.30 in late 2008.

Table 2.2.2: Status of Subprojects in the Pipeline, at Closing (12/31/2008)

Status	Infrastructure	Productive	Social
Concluded	195	158	24
Concluded with pending issues	10	5	-
Concluded, not operational	2	7	-
Under execution	39	71	3
Initiated but stalled	22	12	1
No information	6	21	5
Not initiated	16	26	3
Total:	**290**	**300**	**36**

Source: NEPE/MIS

2.3 **Targeting:** At appraisal, eligible municipalities were divided on the basis of Municipal HDI (HDI-M) into two areas, with 60% of total subproject resources allocated to Area A comprising the 80 poorest municipalities, and the remaining 40% of resources to 136 municipalities in Area B. However, the new State Governor in 2007 proposed further tightening of targeting in two ways: (a) geographic, with action concentrated in just 54 municipalities in three Regions (*Baixada Maranhenses*, *Lagos Maranhenses*, and *Alto Turi*); and (b) concentrated actions for the most vulnerable "Special Groups", e.g., Afro-Brazilian and *quilombola* communities, indigenous groups, women, artisanal fishing communities and youth, located either within or outside the focus geographic area. The justification was that these areas contained significant pockets of poverty and a majority of the state's *quilombola* and fishing groups, and that they were relatively close to the capital thereby permitting close oversight of project actions in the initial period of the new administration. The approach would be expanded geographically over time.

2.4 This tighter focus did not alter established operational procedures, but was initiated and executed rapidly, with mixed results. Some 127 municipalities, 59% of the eligible total, benefited from subproject investments, with a range of between 1 and 17 subprojects per municipality and an average of 4.5. In practice, however, 210 or 37% of all investments were focused in just 17 municipalities, all of which were in the *Baixa Maranhense* and *Alto Turi* Regions and as demonstrated by the MTR report (2008), they were not the municipalities most deserving of this focus on the basis of HDI-M. Area A municipalities, as defined in the PAD had an HDI-M ranking between 217th and 137th, i.e., between HDI-M of 0.486 and 0.564. In practice, investment concentrated on municipalities most of which were technically within Area B, i.e., with HDI-M above 0.564 or the 80th ranking. The same pattern is observed regarding subproject value. Municipalities which received a higher number of investments also showed the greater values. Even in Area B, 48% of subprojects and values were concentrated in three regions.

2.5 Comparison of two periods shows the impact of the new administration's strategy. Whereas in the period from February to December 2006 the three priority regions received 36% of subprojects financed in that period, from January 2007 to June 2008 the same three regions received an "avalanche" of financing (MTR Report, 2008) amounting to 58% of all subprojects financed in the period. The 626 subprojects financed by end-December 2008 were divided between 612 community associations; only 14 associations received more than one subproject. Each subproject financed benefited, on average, 65 families and 364 individuals. The bottom line, observed by the April 2008 MTR mission was that Area A municipalities, as defined at appraisal, remained at a disadvantage in terms of the allocation of resources. The reasons are diverse and include poorer communities' low levels of organization and hence access to PRODIM.

2.6 **Special Groups:** The number of subprojects financed for each Special Group was proportionally higher than its representation in the PRODIM target population. Defined, vulnerable groups representing some 14,013 families (about 86,430 persons) received a total 194 subprojects, 31% of the total financed to end-June 2008 and benefiting 190 associations, equivalent to 31% of all associations benefited. Indigenous groups received mainly productive investments of which manioc mills were about 57%. For *quilombola* associations, investments were more diverse including infrastructure and productive. Sanitation (water supply and septic) was 38%, while processing of primary products (fruits, sugar-cane, manioc and rice) represented 40%. Women's associations benefited primarily from productive investments such as manioc mills and rustic poultry production, but sanitation was about 25% of the total. For associations of young people, 90% of investments were in education, especially agricultural technology. Finally, for artisanal fishing communities, among the poorest project beneficiaries, fishing-related equipment, chilling facilities for fish storage, and fish farming technologies were about 55% of the total. Sanitation and production diversification were also prominent.

2.7 Analysis of indigenous and *quilombola* groups, however, shows that PRODIM had less reach, in terms of average families/subproject and in terms of individuals/subproject. Average values are significantly lower than all the other groups especially in terms of total subprojects and average cost per subproject. This situation might be explained by the "ethnicity" variable which distinguishes the two groups and has marginalized them as the very poorest within Maranhão's most poor rural populations. Even so using IBGE/PNAD-2007 data, PRODIM reached 20.2% of the indigenous population and 3.4% of *quilombolas*/Afro-Brazilian groups.

Table 2.6.1: Results of "Targeting of "Special Groups" (12/31/2008)

Item	Women	Indigenous	Quilombola	Youth	Fishermen	Results
Total subprojects	34	40	72	23	25	194
- Infrastructure	9	2	37	10	7	65
- Productive	22	37	35	5	18	117
- Social	3	1	0	8	0	12
% of Total Financing	5.43	6.39	11.50	3.67	3.99	30.99
Entities benefited	34	39	69	23	25	190
Association members	28,791	1,345	2,479	2,280	1,141	36,036
Families benefited	2,574	1,977	3,679	2,334	3.449	14,013
Aver. families/subproject	76	49	51	101	138	72
Persons benefited	25,085	9,885	18,250	11,670	21,540	86,430
Aver. Persons/subproject	738	247	253	507	862	446

Source: NEPE/MIS

2.8 Evidence shows that, except for *quilombolas*, average costs of subprojects for members of "Special Groups" were significantly lower, requiring attention under any future, similar project.

Table 2.8.1: Value of financing for Special Groups (12/31/2008)

Special Groups	Value Financed		Average (R$)		
	R$	% of total	By entity	By person	By family
Women	1,683,560	5.18	49,516	67.11	654.00
Indigenous	1,377,795	4.24	35,328	139.38	697.00
Quilombolas	3,743,120	11.51	54,248	205.10	1,017.00
Rural Youth	1,188,545	3.65	51,675	101.85	509.00
Fishing Groups	1,707,959	5.25	68,318	79.29	495.00
Subtotal	**9,700,980**	**29.82**	**51,057**	**112.24**	**692.00**
% of total	29.82	29.82	96.07	76.95	86.84
Total for subprojects	**32,527,081**	**100**	**53,148**	**145.86**	**797.00**

2.9 **Productive subprojects:** These were generally of very small scale, mostly for local sale or consumption and to complement income and subsistence. In part, the small scale stemmed from low expectations of the extremely poor groups involved and possibly also the lack of strong organization and technical guidance. The most recent project supervision mission agreed with NEPE that the strategy needed to change, stressing market access and once again, seeking to build up communities' infrastructure deficits which remain serious and which hamper productive activities. There is little/no evidence that productive activity evolved into more organized, technologically advanced forms and the MTR study mentions that rural extension services were weak.

2.10 **Costs:** The original disbursement plan shows US$16.0 million and US$10.6 million allocated to Area A and B municipalities respectively for community subprojects. The final outcome shows IBRD disbursements of US$7.7 million for Area A (48%) and US$7.6 million for Area B (72%) leaving an undisbursed balance of about US$10.8 million at closing. Total cost of subprojects at closing was US$23.07 million, including state counterpart and beneficiary association contributions. Of this, 55% was for infrastructure, 38% for productive and 7% for social investments. The highest amounts were applied to water supply systems, sanitation systems and manioc mills, which also benefit the greatest number of families. The overall average cost of subprojects was US$36,851. The average cost per family benefited was (US$565). The distribution of resources among beneficiary regions saw *Baixada Maranhense* the largest recipient with 25% of the total value applied to community subprojects. The highest average value per subproject was found in *Cerrado Maranhense* (R$84,146 or US$36,270).

2.11 **Demand:** Subproject demand greatly exceeded estimates. Unfinanced proposals in NEPE's portfolio at closing (1,188) represented the unsatisfied demand of some 113,000 families. See table.

Table 2.10.1: Total Demand Financed and Deficit

Category	Demanded	Financed	% Attended	Deficit
Infrastructure	803	290	36.11	-513
Productive	868	300	34.56	-568
Social	143	36	25.17	-107
Total:	**1,814**	**626**	**34.51**	**-1,188**

Source: NEPE/MIS

2.12 **Component 2: Institutional Development**. Implementation of this component was quite strong in physical terms even within the reduced time frame. As detailed in Table 2.8.1, the project financed numerous courses and training events for the associations, CMDRSs and NEPE personnel. Courses for association leaders covered operational aspects of the project, workshops supporting integrated demand plans (PID) and training in the implementation and management of community subprojects. In the case of the Councils, a sizeable number were already consolidated and operationally ready resulting from previous Bank and other programs. Priority was given to CMDRSs in the 80 priority Area A municipalities who received training in community mobilization, operational aspects of the project, and legal and managerial aspects of the CMDRS themselves. NEPE personnel attended seminars designed to improve communication, monitoring and planning and other operational elements, although the impact of these training events at any level is not known. The MTR study states unequivocally that rural extension services and practical training were weak aspects of the project, putting at risk communities' ability to utilize

and achieve concrete gains from their physical investments. Table 2.11.1 shows that about 12% of all subprojects received technical assistance.

2.13 The project financed 114 courses and information sessions for community associations in many aspects of the project itself and subproject investments. Well over 1,000 leaders from the "Special Groups" were included. Similarly, some 368 events benefited the CMDRSs, covering community mobilization, council management, participation and sustainability and project operations. Training for both groups reached some 24,800 individuals. Coordinating all of this required that about 100 NEPE staff also be trained in many aspects of project management and operations.

Table 2.11.1: Indicators of Institutional Development Component

Activities	Unit	Target	Results Achieved	
Preparation of annual program of training and technical assistance				
- NEPE	No.	4	3	75%
- Municipal Councils (CMDRS)	No.	4	3	75%
Training courses offered to:				
- Beneficiary associations	No.	40	114	285%
- CMDRSs	No.	432	368	85%
- NEPE staff	No.	16	14	88%
Technical assistance provided for:				
- subproject implementation	Subprojects attended	1,200	201	12%

Source: NEPE/MIS

2.14 **Component 3: Horizontal Integration.** Initiation of this component was explored briefly in late 2006 through some training and planning of the required monitoring system, but was not intensified under the new government. According to the BCR (NEPE 2009), major difficulties faced its implementation. Essentially, while a component of the project, its execution was the responsibility of the State Secretariat of Planning. It became apparent that the system of monitoring envisaged was very complex, requiring specialized teams for adequate management which in turn created a barrier due to government restrictions on contracting. In view of these restrictions, the new administration decided to scale back efforts to operationalize it and the plan was to reallocate the resources to another component at the same time as the envisaged extension of the closing date.

2.15 However, the project did support actions to integrate public policies. The MTR report asserts that gains in Components 1 and 2 would not have been possible without functional linkages between administrative and other entities at the state and local levels. Even at the decentralized level of the case studies, there was evidence of agreements between federal, state and municipal entities and stakeholders.

2.16 **Component 4: Administration, Supervision, Monitoring & Evaluation.** NEPE's Project supervision activities were about on par for a project with two years of active execution but not without inconsistencies. Some 2,000 visits were made to rural locations but virtually all these supervision events occurred in the 80 Area A targeted municipalities (BCR, NEPE 2009). Achievements are as shown in Table 2.10.1 below

Table 2.14.1: Indicators of Administration, Supervision, M&E

Activities	Unit	Target	Results	
Supervision				
- Subprojects	No. visits	3,600	1,651	46%
- CMDRSs	No. visits	1,728	423	24%
Annual Operating Plans (POA)				
- POA preparation (CMDRS)	No.	4	4	50%
- Consolidation and preparation of POA (subprojects)	No.	4	2	50%
Monitoring Reports				
- Monthly cost summaries and MIS	No.	48	28	50%
- Annual and semi-annual reports	No.	4	2	50%
- External audits	No.	4	2	50%
Evaluation Reports				
- Baseline study	No.	1	0	0
- Final study	No.	1	0	0
- Mid Term Review study	No.	1	1	100%

Source: NEPE/MIS

Mid-term Review (MTR)

2.17 An evaluation of the project's physical performance was conducted for the Mid-term Review in 2008,[22] based in part on interviews with beneficiaries, community leaders and local authorities and drawing on field observations and data from the project MIS. The Bank mission assessed overall performance as satisfactory, with no need to make any substantive changes. Principal findings and recommendations of the MTR mission and of the MTR performance study are summarized below. Results of case studies included in that study are summarized in Annex 5. There was insufficient time before closing for NEPE to follow-up on MTR recommendations:

- ***Procurement.*** The MTR found overly-complex procurement procedures and lack of understanding of procurement rules and processes by associations (MTR Aide Memoire, April 30, 2008). NEPE was found not to be providing adequate supervision and guidance to communities on problems to be avoided in procurement, and there was a lack of rigorous analysis by NEPE of problematic subproject documentation in order to make corrections. The MTR recommended that NEPE: (a) prepare procurement procedures designed to facilitate associations' involvement, including model documents; (b) send technicians to the subprojects to review their status; and, (c) expand the use of the MIS as a procurement control and supervision instrument. NEPE was also asked to update the Operational Manual which at the time of the MTR had no specific section on procurement. NEPE's response to these recommendations was slow and incomplete and was in any case overtaken by the closing of the project. See also 2.2.6 and 2.4.6.

- ***Productive Subprojects:*** NEPE was advised to improve the criteria and rigor for analyzing productive subprojects including managerial capacity, and economic, financial and environmental sustainability. User fees were to be set realistically based on actual monitoring and evaluation (M&E) costs and numbers of beneficiaries. Priority was to be given to investments supporting actual family production and marketing, and to establishing user fees. NEPE was

[22] It was assumed, given the project's late effectiveness and slow start-up, that the closing date would be extended and thus the mid-term review, while later than originally planned, was seen as de facto an analytical exercise at the project's mid point.

advised to desist from financing certain types of productive activities deemed unsustainable including due to scale issues. Partnerships were recommended with the Brazilian Service for Support to Small Enterprises (SEBRAE) to better oversee/monitor productive subprojects, provide technical assistance for management, and promote links between producers and markets/buyers within and outside the State. These efforts were to focus on products with genuine potential, e.g. honey, vegetables, crafts, cashew nut and fruit pulp. The design of reference models was recommended for subprojects in greater demand, with standard technical/other parameters to ensure quality and environmental preservation.

- ***Environment.*** The MTR Aide Memoire noted that "bearing in mind institutional restrictions of the past two years" implementation of the project's Environmental Management Plan was on track and NEPE's in-house environmental professional was performing well on establishing routines and processes. Educational materials were prepared, environmental monitoring was built into the MIS, and partnership arrangements were starting up. However, community demand for environmental subprojects was weak and needed promotion via demonstration units and other means, and no action had been taken to initiate multi-municipal consortia or territorial activities supporting environmental management. The Bank team presented NEPE with a detailed set of recommendations but as with other aspects of the MTR, the short time available prevented follow-up.

- ***CMDRSs:*** The Municipal Councils, especially outside the area of concentration (Area 1) needed motivation, training, and appeared un-motivated and inactive. This may have been a function of NEPE's slow, bureaucratic implementation combined with small amounts of funding allocated (notionally) to municipalities in Area 2 (about US$79,000 for four years), enough for just a few subprojects in the period. NEPE was advised to initiate a program of training and reorganization of CMDRSs with difficulties, especially those outside Area 1.

- ***Targeting:*** NEPE was advised to continue its focus on 54 priority municipalities and on the "Special Groups", ensuring that their subproject demands, like all others, were submitted to the CMDRSs for debate and prioritization, and noting that their special status did not confer exemption from the project's participatory processes/mechanisms.

Annex 3. Economic and Financial Analysis

Not available due to lack of data and comprehensive project evaluation by the time of Closing in December 2008.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team Members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Luis O. Coirolo	TTL	LCSER	Ag. Economist
Raimundo N. Caminha	Agriculturalist	LCSRE	Agriculturalist
Tulio Barbosa	Operations Officer	LCSRE	Ag. Economist
Joao Barbosa-De Lucena	Operations Officer	LCSRE	Ag. Development
Edward William Bresnyan	Consultant	LCSAR	Ag. Economist
Anna Roumani	Consultant	LCSAR	Rural Development
Estela Neves	Consultant	LCSRE	Env. Specialist
Isabel Braga	Sr. Environmental Specialist	LCSEN	Environment
Jose Augusto Carvalho	Sr. Counsel	LEGLA	Lawyer
Maria Madalena dos Santos	Sector Leader	LCSHD	Health aspects
Claudio Mittelstaedt	Financial Specialist	LCOAA	Fin. Management
Mark Thomas	Economist	LCSPE	M&E
Supervision/ICR			
Jorge A. Muñoz	Task Team Leader	LCSAR	Ag. Economist
Raimundo N. Caminha	Consultant	LCSAR	Ag. Development
Tulio Barbosa	Consultant	LCSAR	Ag. Economist
Joao Barbosa-De Lucena	Consultant	LCSAR	Ag. Development
Edward William Bresnyan	Senior Rural Develop. Specialist	LCSAR	Ag. Economist
Luis O. Coirolo	Consultant	SASDA	Ag. Economist
Frederico Rabello	Procurement Specialist	LCSPT	Procurement
Alberto Coelho Gomes Costa	Consultant	LCSAR	Sociologist
Nicholas Drossos	Consultant	LOAFC	Fin. Management
Roberto Mosse	Consultant	LCSFM	Fin. Management
Estela Maria Souza Costa Neves	Consultant	LCSAR	Environment
Anna Roumani	Consultant	LCSAR	Rural Development
Luciano Wuerzius	Procurement Specialist	LCSPT	Procurement
Maria de Fatima Amazonas	Operations Officer	LCSAR	Project management

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY03	10	102.34
FY04	27	201.26
FY05	1	2.56
FY06	2	17.58
Total:	40	323.74

Supervision/ICR		
FY04		9.63
FY05	7	77.47
FY06	15	135.72
FY07	7	60.23
FY08	5	80.06
FY09	7	0.00
Total:	41	363.11

Annex 5. Beneficiary Survey Results

1. As discussed in Section 2.3, while project monitoring was satisfactory, little progress was made on evaluation. At the time of closing, negotiations were still ongoing to contract the planned impact evaluation study. The main analytical piece produced by the project was the Mid-term Review report of September, 2008 (SEAGRO/NEPE 2008) which included the preparation of four case studies: (a) Agro-processing Facility for Production of Manioc Starch in Graca Aranha; (b) Demonstration Unit for Short-cycle Rustic Poultry Production in Vargem Grande; (c) Water Distribution Network in Mirinzal; and (d) Household Sanitation Facilities in Porto Rico do Maranhão. Information was collected during a series of field visits utilizing on-site, non-structured interviews with community leaders, residents and health agents, supported by data in the MIS. Results are summarized below.

2. **Production of Manioc Starch.** This subproject – production of *fecula de mandioca* (manioc starch) - was requested by the Community Association of Povoado Macauba in the Municipality of Graca Aranha, Presidente Dutra Region. It was designed to conform to the HDI category of "Income Generation Support" and benefited 19 families at a total cost of R$84,850 including community contribution (in labor) of about R$12,700. The community of Santa Lucia das Matas has 750 inhabitants (about 150 families), most homes are *taipa* (mud and sticks) and 65% have no form of sanitation. However, all have water supply (tube-well with distribution system) and are connected to a mono-phasic electricity network. There is no health post but community health agents can transport sick residents to a town center for treatment. There is a municipal school and public telephones. There is no public transportation. Several very small-scale groceries and bars serve the community.

3. The main productive activity is rain-fed agriculture, especially the cultivation and processing of manioc using family labor. Land is mostly rented, although several families do have properties between 5 and 20 ha. Total area cropped annually is about 150 ha. Cattle and pigs are also raised in rustic, unconfined conditions. The community's strength is clearly manioc production and especially manioc gum with a reputation for quality in the Region and well beyond. Manioc gum production sustains 40 manioc mills which operate almost continuously, also processing manioc from neighboring municipalities. Local agents intermediate the purchase of manioc and its distribution between the mills, as well as subsequent marketing of the gum and by-products in neighboring areas and as far distant as the State of Para. The mills use artisanal/traditional processes and hygiene is commonly inadequate. Manual labor has been substituted in some cases by mechanized processing and electric drying ovens. Municipal authorities, observing the efforts of the community to grow and the precariousness of their gum production situation/conditions, linked the community to the project for the financing of a new facility.

4. The subproject financed construction of a large shed plus machinery and equipment appropriate to all stages of the manioc processing cycle and based on modern standards of hygiene, functionality and technical efficiency. The plant operates for 6-8 months of the year. Each of the 19 members (and some 31 non-members) utilize the plant by paying a fee, and coordinating the process including payment of the labor needed at each processing stage. The usage fee applied to operation and maintenance costs, and to the association itself, is paid in product equal to 10% of total production of each user – associate and non-associate. Traditionally, each family cultivates about 1.5 ha per year which yields about 9 tons of manioc /ha. Thus total production on 28.5 ha by the 19 member families is about 256 tons. While no register is kept of the movement of product, based on this data it is estimated that this would

result in production of 76.9 tons of starch, 25.6 tons of flour and 25.6 tons of manioc shavings (*raspa*).

5. While all equipment required to produce the manioc starch (*fecula*) was acquired by the subproject, it was found by the study team still in its original factory boxes, in storage. The reasons, as explained by the association president, were lack of knowledge of how to handle *fecula* and of what to do with a product which – as it turned out - was not part of the local culture, raising questions about the original subproject feasibility analysis. The gum on the other hand, is sold to local middlemen in 60 kg sacks and taken to largely local and neighboring markets. The other by-products – washed manioc flour and manioc shavings (*raspa*) – are sold in the community itself. The former is used as an ingredient in animal feed and the shavings for cattle feed.

6. **Results.** Taking into account the activities only of the 19 members, estimated costs/expenses totaled around R$56,000 and annual returns/income about R$134,662. Thus, after the subproject investment, monthly net returns were R$6,551 which gave each of the 19 members an income of about R$345/month. The association itself made about R$13,100/year or R$1,090/month from this, enabling payment of its water and electricity bills. This is seen as relatively modest, especially given the association's increasing maintenance costs as use of the equipment/facility intensifies. Compared to the traditional operation however, the subproject is showing positive results for the community, especially in the functionality and efficiency of the process, translating into better work, greater level of hygiene and final quality of the gum.

7. The gum product is negotiated on site at harvest time at a price of R$1.60/kg, an additional R$0.15 over the price normally paid for traditional gum – mainly due to superior quality. In regard to marketing, this manioc gum product has potential for placement in more demanding markets. The alternatives are to: further refine/tailor the product to the needs of consumers; establish marketing strategies for inserting this product in regional and national markets; and, insert the product in fair-trade marketing chains, given its "territorial" character and social appeal. Further, the association could expand its range of products by receiving training in the use of the equipment purchased for transforming the gum into starch, for which marketing opportunities should also be sought. The association was also advised to adopt more modern accounting and control practices.

8. **Demonstration Unit for Production of Rustic Poultry.** This productive subproject was requested by the Association of Negro Women of Piqui Village in the Municipality of Vargem Grande, Itapecuru Region, and was designed to conform to the HDI category of "Income Generation Support". The community of 37 inter-related families is located in a remote area but accessible by road. Even though registered, landholding is precarious and the community is essentially a *quilombo*. Houses of *taipa* (mud and sticks) are being replaced under government housing programs, and the community now has a health post, school, electricity, water supply, telephone, and community center, all of which financed by the Bank-supported Rural Poverty Alleviation Program, PRONAF and/or the recently-closed project (PRODIM). The community is endowed with favorable natural resources – diverse vegetation and water sources. However, productive activities are at a subsistence level, conducted in a cooperative, mutually supportive tradition. The association in question was founded in 1991 at a time when *Quilombola* communities were being encouraged to organize and assert their rights.

9. With support from international church groups, the women had been producing crafts, vegetables and other small items for sale. Since they knew only traditional forms of poultry production, it was decided to install a demonstration unit to produce in the traditional manner but

with technological improvements, e.g., more intensive production destined for market. Total approved value was R$20,700 including community contribution of just over R$3,000. The demonstration unit included a 150 sq. meter rustic aviary, fencing, acquisition of chicks and equipment for the aviary, and technical assistance and training. Some 37 families benefited and implementation took about three months. Subproject installation was well-supervised. Each installation has capacity for 500 birds with total annual production capacity of 2,000 birds. A supplier in the local town brings the day-old chicks to the facility.

10. An innovative feature was the idea of using local agricultural products for basic feed rations for the birds, complemented by commercial supplements and medications purchased in the local town. The birds would be placed in the grassy, picketed area to graze, roam, get sun, and maintain their rustic quality. However, local products only include rice and manioc and in small quantity. Further, the boundary picket was still not completely installed because the area selected - between *babacu* palms - is shady and the grass is smothered by the young chicks as soon as it germinates. The women maintain a calendar of routines at each stage of the birds' development where each member handles feeding, cleaning and oversight on a revolving schedule. Their work is unpaid and voluntary. Bird mortality is about 5%, resulting in production of some 1,900 chickens per year, marketed every 90 days at a live-weight of three kg/bird.

11. **Results.** The association has difficulty computing their costs and in reconciling their expenditures and receivables. Even so, it was clear to the study team that expenditures exceeded income. Total annual costs were around R$30,300 and income from sales was R$28,500. The team felt that the subproject was conceptually and operationally deficient in certain aspects, affecting its sustainability both as a demonstration unit and as a source of community income due to:

- insufficient training and supervision in basic accounting, management, marketing, sanitary issues and nutrition;
- exclusive use of commercial rations (when the original idea of using local materials was non-feasible) defeated the overall concept of "rusticity" and wasted an attribute which could constitute a value-added;
- lack of local agricultural products or sub-products which can guarantee feed for 2000 chickens per year – agro-climatic conditions are unsuitable for the cultivation of corn, sorghum and other grains used to feed poultry;
- the picketed area where birds were meant to roam and feed was in an area unsuitable for planting grass;
- the 90-day period required before sale/slaughter of birds was double that of industrial/commercial facilities, making the enterprise uncompetitive.

12. The subproject did not increase family income but did increase the supply of food to the community. It also increased employment opportunities, but unremunerated. Also, community members were able to purchase chicken locally, rather than in Vargem Grande. While the subproject covered two focus areas – a women's subproject in a *quilombola* community – the lesson is that to produce rustic poultry (*galinha caipira*) in commercial quantity/quality requires precise knowledge of production and marketing, as with the "regular" product. Such features were not found in this example.

13. The study suggested that to generate income, this community should try other alternatives such as: manioc flour, honey, extraction and processing of forest fruits, and crafts. Members'

high level of social capital indicates potential to review the original project concept and to obtain appropriate training for this or another activity.

14. **Water Distribution Network.** The subproject was requested by 128 families of the *Quilombola* community of Guritil (part of a larger community of 850 people) in the Baixa Maranhense Region of the state, and was intended to fit the HDI criterion of "support to health and sanitation". The community already had primary and secondary school infrastructure, childcare center, health post, electricity, water supply system (*chafariz*), communal market and a public telephone obtained through diverse public programs. However, productive activities were/are largely subsistence-based with some cattle, pigs and chicken, artisanal fishing and extractive activities. IBGE data shows per capita income in Mirinzal is R$80.00/month vs the R$110/month state average. A high proportion of municipal residents are supported by the Bolsa Familia program.

15. The community has two associations, one of which had already benefited under the previous Bank-supported Rural Poverty Alleviation Project with investments in a tractor and the production of rustic poultry (*galinha caipira*). These associations meet regularly and have a representative on the CMDRS. The association in question prioritized household water connection which did not then reach their section of the community due to a dividing roadway.

16. Subproject implementation/completion took about five months. Subproject value was about R$43,170 with a community contribution of some R$6,475, and financed a 20,000 liter water storage facility, pipes, household connections and excavation extending 1700 meters. The system was approved and implemented rapidly. The association maintains the system and charges each family R$4.0/month to support operation and maintenance costs. Collection of this fee has encountered some resistance but threat of disconnection has been enough to promote the payment of arrears.

17. **Results:** The community was unanimous that piped water had improved family wellbeing by: reducing the incidence of water-related infections; reducing the time spent by women/girls in physically collecting water; improving women's health by not having to carry heavy loads over distance every day; allowing more study time for young people no longer involved in daily water transport; and, superior water quality from deeper sources not requiring costly purification and filtration. The system also serves the schools, health post and public market.

18. **Household Sanitation Facilities.** The subproject was requested by 56 families belonging to the Community Association of Sao Jose in the municipality of Porto Rico do Maranhão, Baixada Maranhense Region, and was designed to conform to the HDI criterion of "support to health and sanitation". The region is characterized by population growth above the state average; proliferation of dispersed, small communities; rudimentary agriculture and environmental degradation; dysfunctional land occupation; declining agricultural productivity and food insecurity; annual income per capita of about R$1900; lack of basic infrastructure/services; and, absolute dependence on government transfers. The particular community requesting the subproject in question however, due to an active association created in 1996 to resolve the types of deficits mentioned above, had obtained a health post, phone service, electricity, primary and secondary schools, water supply with domestic connection and renovated access roads – the last two investments financed by the Bank-supported Rural Poverty Alleviation Project. The Mayor administers the water supply system with users paying a monthly fee of R$2.00. The association is active, meeting regularly to discuss community needs and build solidarity.

19. **Results.** The subproject involved the construction of 40 outhouse/toilet units with total value of R$85,300, including community contribution (in labor) of just under R$13,000. The works were concluded in two months. The community itself, through its manual labor, fulfilled the technical assistance/oversight function in the absence of the intended provider. Even though only 56 community members benefited directly, many community members testified to the health benefits for the entire community of 250 due to greatly reduced environmental pollution. This case also demonstrated the advantage of relatively good community organization in gaining access to PRODIM.

Annex 6. Stakeholder Workshop Report and Results

N/A

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

A. Executive Summary from the Borrower Completion Report (NEPE, 2009) Unofficial Translation

The rural poverty situation as it currently stands came into being in the 1970s when the "Brazilian miracle" – with the industrialization and technification of agriculture - was unable to absorb the masses of rural dwellers, which thereby emerged as the social problem of rural poverty.

Starting in the 1980s, the State Government of Maranhão, in partnership with the International Bank for Reconstruction and Development (IBRD), began to introduce systematic activities to combat rural poverty: Project to Support Small Rural Communities (APCR, 1986-1992), Project to Support the Small Rural Producer (PAPP, 1993-1997) and Project to Combat Rural Poverty (PCPR, 1998-2004). With minor variations and continuous improvements, they financed infrastructure for rural communities and/or provided the stimulus to small-scale family and community agriculture. In addition, they fostered the consolidation of community organizations by adopting, progressively, mechanisms and events/opportunities for participation. Along with other projects, they had positive impacts on the living conditions of the population of Maranhão, as demonstrated by the increasing of the State's Human Development Index from 0.551 in 1991 to 0.647 by 2000.

With a balance of 5,718 demands for which PCPR resources were insufficient, the Government of Maranhão sent a new proposal for a loan from the World Bank. The proposal was approved in 2004 with a closing date of December 31, 2008; however, the Loan Agreement 4735-BR was not declared effective until February 2006.

PRODIM was structured in four components for which resources were allocated and activities were defined convergent with project objectives, that is: Community Subprojects Component; Institutional Development Component, Horizontal Integration and Public Policies Component, and Administration, Supervision, Monitoring and Evaluation Component.

The project mobilized resources totaling US$40.0 million, being US$30.0 million from the World Bank Loan, US$6.4 million of State Government counterpart funds and US$3.6 million of beneficiary community contribution in the form of local labor and materials.

According to the approval proposal, the target population would be rural communities in the 80 municipalities with lowest HDI-M; plus, in agreement with the IBRD, the ultimate recipients came to be concentrated in the municipalities of the Regions of *Baixada Maranhense*, *Lagos* and *Alto Turi*, independent of their HDI-M and also, the most deprived social groups: indigenous, *quilombolas*, coconut workers, artisanal fishermen and young students under the alternate schooling system.

Starting with the mobilization of communities and the identification of their legitimate needs and aspirations, the Project provided non-refundable grant financing for small community investments to overcome the deficiencies diagnosed. Investments were made in basic socio-economic infrastructure and in productive facilities, seeking to improve the population's health, education and wellbeing and provide opportunities for work and income. Responsibility for selecting and managing the investments was left to the community associations and their municipal councils.

To guarantee the means and conditions to implement and manage the Project, resources and efforts were also invested in institutional development: technical assistance, consultancies and training was directed to community associations, municipal councils and to modernizing the operational capacity of the Technical Unit (TU). It is worth noting the 114 training events for associations, 368 for Municipal Councils and another 14 events for staff of the TU.

General coordination was delegated to the State Unit for Special Programs (NEPE), a subsidiary of the State Secretariat for Agriculture, Fisheries and Rural development (SEAGRO); the Project also depended on the support of the 18 regional offices of the State Agency for Research and Rural Extension – AGERP, and, on the involvement requested from the municipal mayors for logistical support to the Municipal Councils.

With the Project execution period finished, the numbers show that the results achieved exceeded, in proportional terms, the target.

In terms of physical performance, PRODIM had a demand level of 1,814 subproject proposals of which 1,192 were approved. Financing was delivered for 626 proposals: 290 infrastructure, 300 productive subprojects and 36 social. Considering the time available - effectively about two years of implementation before closing - this number corresponds to 52% of the target projected for four years and attests to the operational capacity of NEPE.

The total value financed was R$32, 527, 081.39, with an average of R$51,236.93 per subproject.

Some 40,801 families and 222,995 people were benefited, in 544 localities in 127 municipalities; in regard to the "special groups", PRODIM benefited 14,013 families, 86,430 people via the financing of 194 subprojects.

Further, 1,568 community associations were mobilized of which 612 succeeded in obtaining financing, or an average of one subproject per association. In regard to the "special groups", the benefits reached 190 community associations, a total of 36,000 members.

The effort to mobilize, formulate and analyze demands and supervise subproject execution involved the Municipal Councils, which supported NEPE and the AGERP regional offices.

Among the benefits provided by the Project the following were notable: construction of 79 km of access roads, 35 km of electric distribution lines; construction of septic wells in 2,158 residences, drilling of 152 wells, construction of 15 km of water distribution facilities, construction of 53 classrooms, acquisition of 1,030 popa motors and fishing equipment, more than 500 ha of community agricultural lands, and 165 small agro-industries for the processing of local products.

The results and materials/goods obtained are having a positive impact on health, education, housing, employment, income, transport and in the proper exercise of citizenship.

The positive outcomes attest to the success of PRODIM.

B. Letter from the State Government of Maranhão responding to the draft ICR

ESTADO DO MARANHÃO
SECRETARIA DE ESTADO DO DESENVOLVIMENTO AGRÁRIO – SEDAGRO
SUPERINTENDÊNCIA DO NÚCLEO DE PROGRAMAS ESPECIAIS - NEPE
Rua do Giz, 249 - Praia Grande - Centro CEP: 65010-680 - São Luís – MA

maranhão
de volta ao trabalho

Ofício n° 777/2009 GAB/NEPE

São Luís (MA), 22 de junho de 2009.

A Sua Senhoria o Senhor
Jorge A. Muñoz
Banco Mundial – BIRD
Banco Internacional para Reconstrução e Desenvolvimento
SCN – Quadra 2 – Lote A – Edifício Corporate Financial Center,
Salas 102 e 703.
CEP: 70.712.900
Brasília/DF

Ref:. Comentários à minuta do ***Implementation Completion Report - ICR*** do Projeto Integrado de Redução da Pobreza Rural do Estado do Maranhão (Empréstimo 4735-BR) - PRODIM

Prezado Senhor,

Temos o prazer de acusar o recebimento de cópia do documento acima epigrafado, o qual nos foi enviado, em forma de minuta, com a solicitação para emitir comentários.

Em primeiro lugar, desejamos nos congratular com a equipe do Banco Mundial, responsável pela preparação do ICR, o qual nos pareceu um documento de elevada qualidade, tendo vista o relato preciso e detalhado dos principais aspectos relacionados com execução do PRODIM, desde a declaração de efetividade, ocorrida em fevereiro de 2006 até o encerramento, ocorrido em 31 de dezembro de 2008.

Em termos gerais, desejamos expressar a nossa concordância com o conteúdo do ICR, e destacar comentários sobre os seguintes pontos:

1. Com referência ao item 2.1.2, sugerimos a retirada ou a modificação da frase final em que se lê: "***particularly because Maranhão had the weakest implementation capacity of all the states of Northeast Brazil.***_Com efeito, o ICR não apresenta justificativas que confirmem a classificação da capacidade de implementação do NEPE em relação a de outros Estados. Entretanto, reconhecemos que existiam algumas fragilidades na execução do PRODIM, que estão sendo contornadas com o apoio do Governo Estado.

2. Com referência ao item 2.2.3, consideramos de relevância o registro de que o Projeto teve praticamente apenas dois anos de implementação normal, dos quatro previstos, e que, neste período as metas alcançadas representam 50% do das metas planejadas para todo o período de implementação. Isso demonstra que, apesar das dificuldades encontradas, a equipe técnica do NEPE se mostrou capaz de atingir 50% das metas na metade do período de execução, demonstrando, claramente, o elevado potencial de trabalho dos seus servidores, quando devidamente apoiados e bem gerenciados.

3. Consideramos pertinentes as observações dos itens 2.2.9 e 2.2.10, que acentuam o desempenho bastante positivo do NEPE na execução dos PCPRs anteriores e a recente perda de eficiência verificada na execução do PRODIM, devido a fatores bastante específicos, tais como burocracia excessiva, lento processamento na liberação dos subprojetos, inadequada capacidade de supervisão e deficiências no papel dos Escritórios Regionais da AGERP, como entidades delegadas para prestar assistência técnica aos beneficiários do Projeto. Consideramos o registro desses fatos no ICR como sendo de suma importância e queremos enfatizar que o Governo do Estado está adotando providências para resolver os mencionados problemas, e que vai adotar todas as medidas que se fizerem necessárias com vistas melhorar a capacidade técnica e administrativa do NEPE.

4. Ainda em relação ao tema acima, vale mencionar que o próprio Relatório Final de Desempenho preparado pelo NEPE (2009) registra as principais dificuldades encontradas na execução do PRODIM, as quais foram devidamente comentadas no ICR (item 2.2.12). Mais uma vez, desejamos informar que estamos adotando providências concretas para eliminar ou minimizar aquelas restrições, de modo especial as que se referem ao tamanho reduzido da equipe técnica, relacionamento com os municípios, necessidade de capacitação dos técnicos e reduzida mobilidade para o acesso convenientemente dos supervisores às áreas mais distantes, onde se encontra a maioria das comunidades beneficiárias.

5. Concordamos plenamente com as recomendações feitas pelo Banco Mundial e registradas no ICR (item 2.2.15), durante a Revisão de Meio Termo, com respeito a estratégia que deveria ter sido adotada no apoio às iniciativas produtivas (subprojetos produtivos), com destaque para os seguintes pontos: melhoria nos critérios de aprovação dos subprojetos produtivos; priorização dos investimentos dos pequenos produtores com potencial de colocação nos mercados; formulação de parcerias com outras entidades, inclusive do setor privado, para promover o acesso dos produtores aos mercados; e desenvolvimento de programa de capacitação dos beneficiários. Estamos convencidos da pertinência dessas medidas e queremos registrar, na oportunidade, a firme de intenção do NEPE em adotar a referida estratégia nos futuros projetos sob o seu comando.

6. Finalmente, com respeito ao questionamento formulado no ICR sobre a incerteza da sustentabilidade do NEPE, devido ao encerramento em 2008, dos dois Projetos financiados pelo Banco – PRODIM e Crédito Fundiário – queremos informar que, muito pelo contrário, a continuidade e inclusive a melhoria do NEPE, foi recentemente confirmada pela Governadora do Estado através de recente medidas, entre as quais se destacam:

    1. Nomeação de um novo Superintendente para o NEPE, recaindo a escolha na pessoa do Engenheiro Agrônomo, Dr. César Rodrigues Viana técnico de comprovada experiência administrativa, tendo exercido diversas funções de relevância na administração pública, incluindo a de Superintendente do INCRA e Secretário de Estado de Agricultura.

    2. Vinculação institucional do NEPE à Secretaria de Desenvolvimento Agrário SEDAGRO – Entidade recentemente criada, para cuidar da Agricultura Familiar mantendo, porém o NEPE, como Unidade Descentralizada, de suficiente autonomia financeira e administrativa para a condução de projeto especiais financiados pelo Estado, Governo Federal e instituições internacionais.

    3. Foram adotadas no NEPE medidas saneadoras de controle dos recursos e de procedimentos administrativos adequados, levando em consideração as recomendações das supervisões e auditorias do Banco Mundial.

    4. Manteve-se praticamente toda a equipe técnica e administrativa do NEPE, a qual, desde muitos anos, tem trabalhado com incomum dedicação na condução dos PCPRs. Adicionalmente, foram recrutados alguns técnicos para posições de comando, todos eles dispondo de reconhecida experiência nas aéreas de desenvolvimento rural e na gestão de projetos.

    5. O Orçamento do Estado contempla alocação de recursos para garantir a manutenção operacional do NEPE e os convênios que estão sendo pactuados com o Governo Federal, através do Ministério do Desenvolvimento Agrário, acenam com o apoio financeiro a projetos de Desenvolvimento Territorial com a ativa participação do NEPE. Vale destacar, também, que o Governo do Estado dispõe de um Fundo de Combate Pobreza, FUNCOP, Lei 8205, de 22.12.2004 com arrecadação garantida de recursos provenientes de até 2% na alíquota do Imposto de Circulação de Mercadoria e Serviços – ICMS ou do Imposto que vier a substituí-lo, incidente sobre operações e prestações realizadas com determinados tipos de produtos e serviços, tais como: cigarros, bebidas alcoólicas, ultraleves e suas peças, assa delta, embarcações de esporte e recreio, combustíveis, jóias, perfumes, serviços de telefonia e energia elétrica. Os quais poderão constituir a contrapartida a projetos sob o comando do NEPE, financiados por organismos nacionais e internacionais.

6. Finalmente, complementando os pontos levantados acima, queremos registrar o interesse da Governadora do Estado, manifestado em correspondência enviada ao Banco Mundial, datada de 19 de maio de 2009, em reiniciar com a maior brevidade as negociações com Banco no sentido de pactuar um novo Acordo de Empréstimo. Dita operação deverá incluir aspectos inovadores com relação ao PRODIM, tendo o NEPE como a instituição que conduzirá o processo, dado a larga experiência adquirida, e o reconhecido sucesso na execução dos PCPRs anteriores ao PRODIM.

7. Com respeito à glosa requerida pelo Banco, como mencionado no item 2.4.5 do ICR, registramos que, conforme mencionado na citada correspondência da Governadora, o montante em Reais, correspondente de US$1.091 milhão se encontra disponível e que os procedimentos para a compra dos dólares estão sendo efetivados, com a previsão de que a transferência dos recursos esteja concretizada até o dia 26.06.2009.

8. Em conclusão, desejamos ressaltar que, em linhas gerais, o ICR reflete principais eventos que marcaram a execução do PRODIM, durante a sua execução. Ficamos também satisfeitos em constatar que muitos dos dados sobre o desempenho do PRODIM e parte das observações sobre a dinâmica da sua execução, coincidem com aqueles apresentados no Relatório Final que foi preparado pelo NEPE e apresentado ao Banco, em fevereiro deste ano.

Atenciosamente,

César Rodrigues Viana
Superintendente do Núcleo de Programas Especiais

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

N/A

Annex 9. List of Supporting Documents

Project Appraisal Document (PAD), Report no. 28647-BR, April 23, 2004

Supervision ISRs

Supervision Aide Memoires

Bank Financial Management Supervision Reports

Bank Procurement Post Review Reports

Annual Audit Reports and Bank analyses

Mid-Term Review Report: "Relatorio de Desempenho de Meio Termo", September 2008, SEAGRO/NEPE

Borrower Completion Report (NEPE/2009)

MAP No. IBRD 32938