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# ICR Review
Operations Evaluation Department

Report Number : ICRR11368

| 1. Project Data: | | Date Posted : | 08/21/2002 | |
|---|---|---|---|---|
| PROJ ID: | P042566 | | Appraisal | Actual |
| Project Name : | Rural Poverty Alleviation - Pernambuco | Project Costs (US$M) | 52.0 | 46.7 |
| Country: | Brazil | Loan/Credit (US$M) | 39.0 | 36.0 |
| Sector(s): | Board: RDV - Other social services (27%), General agriculture fishing and forestry sector (22%), Power (22%), Roads and highways (22%), Sub-national government administration (7%) | Cofinancing (US$M) | | |
| L/C Number: | L4122 | | | |
| | | Board Approval (FY) | | 96 |
| Partners involved : | | Closing Date | 06/30/2001 | 12/31/2001 |

| Prepared by : | Reviewed by : | Group Manager : | Group: | |
|---|---|---|---|---|
| Anthony J. Blackwood | Roy Gilbert | Alain A. Barbu | OEDST | |

## 2. Project Objectives and Components

### a. Objectives

The project objective was to assist the State Government of Pernambuco to **alleviate rural poverty and its consequences** by:

(a) providing **basic social and economic infrastructure and employment and income generating opportunities** for the rural poor;
(b) **decentralizing resource allocation and decision making** to local levels by supporting community-based municipal councils and beneficiary associations in investment planning and implementation;
(c) providing a **safety net** for the rural poor during a period of macroeconomic reform and fiscal adjustment; and
(d) **leveraging resources** mobilized at the community and municipal levels.

The project was one of a set of state-wide projects in the drought-prone and poorer states of the Northeast based on the successful strategy of decentralization and beneficiary participation tested under the reformulated Northeast Rural Development Program. The central strategy was to fund infrastructure and productive enterprises targeted to the poor by allocating funding to poorer areas and by the sub-projects being chosen and implemented by beneficiary community associations using participatory methods. Thus the objectives were a blend of poverty alleviation itself and introducing and strengthening the new methodology for doing so.

### b. Components

The project had three principal components:

(a) **Community Subprojects** (US$46.2 million, 90% of total base cost) - for **small-scale beneficiary investments**;
(b) **Institutional Development** (US$2.6 million, 5%) - **technical assistance and training** for implementing entities and communities; and
(c) **Project Administration** (US$2.6 million, 5%) - for project **supervision, monitoring and impact evaluation**.

### c. Comments on Project Cost, Financing and Dates

Nothing significant.

## 3. Achievement of Relevant Objectives:

In the absence of what appears to be a well conceived final impact evaluation by the Project Administration (under the third component), which is without explanation in the ICR, definitive information on achievement of the project's overarching objective, poverty alleviation, is not available. The fall back is to rely on the character of the investments and the process by which they were selected and implemented by community associations, to indicate that poverty was indeed reduced (with the added assurance that the project model is a familiar one with a well proven track record of poverty alleviation). The ICR is strong in this area (reflecting strong project outputs) and refers to a number of field investigations (especially by the Bank/FAO) that show that poverty <u>and its consequences</u> were reduced, but the the intended final impact evaluation should have provided direct evidence if completed as planned (SAR Annex H). On this basis, the project exceeded its poverty objectives measured in terms of physical volume and associated institutional goals. Based on field observations and sample surveys (to a greater degree than are generally available), the ICR suggests that rural poverty was reduced given the nature of the investments, that beneficiaries generally belonged to the intended profile, and that the implementation process expanded the proven strategy of decentralization and beneficiary participation at all stages. Funds went to poorer municipalities, and beneficiary and municipal contributions to subproject costs (leveraging) were close to targets. The dominant subproject was rural electrification, which in particular would lead to employment and income opportunities. The municipalities and beneficiary associations planned and implemented their own projects, which is a proven means of targetting for poverty alleviation.

**4. Significant Outcomes/Impacts:**

A great deal of **basic infrastructure** was created through **beneficiary selected and implemented subprojects**, and some productive and social infrastructure. Average **sub-project costs were under half the planned ceiling cost** in US dollars, partly as a result of steep devaluation of the Real lowering dollar costs. The spread of investments and benefits exceeded plans as **beneficiary families at 217,548 about doubled the target** and 15 per cent more municipalities than planned participated (with funds allocated to the poorer municipalities). **Community-based small physical works (for core services)** each costing under US$50,000 were the dominant investment at 88 per cent of the appraisal target and 69 per cent of actual project costs. The MTR reported that **the "vast majority of financed subprojects were fully completed, functioning well, of good quality and meeting the needs of the beneficiaries."** Analysis indicates that projects are completed at a cost some **30-50 per cent cheaper than equivalent public construction**. Economic analysis shows **high benefit cost ratios** for the typical core services mostly funded (water, sanitation, electricity and social). **Financial prospects and sustainability are good** as user fees collected are sufficient for O&M and replacement costs, and the **facilities are under beneficiary management**. Analysis of a sample of typical productive subprojects (with quite a variety) showed all had **strong financial rates of return**. **Community associations generally performed well** which is a good sign for future investments. The project responded well (in the sense of a safety net) to the exceptional drought emergency (by giving preference to water supply projects as a means of relief) and to flooding which affected infrastructure.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

(a) The failure (yet again) in a project of this type to complete the final impact evaluation under the M&E component robbed the project of a definitive claim to success in poverty reduction, and reduced institution-building impact (M&E being an especially important learning and adaption tool of this model for rural development). However alternative evidence is strong. (b) Decentralization was somewhat less than planned in that over half of the subproject investment was made under state schemes, or 178 per cent of planned, whereas only half of the planned investment by municipalities occurred. Also Project Administration remained centralized in Recife (despite the widespread project area) and hence the ICR indicates that field supervision of sub-projects was less than optimal as there were shortages of technical staff and vehicles. (c) The safety net objective appears to have been overstated in the SAR compared with the conventional sense, but the project did have significant such effect during the exceptional drought and flooding.

(No information in ICR on compliance with safeguard policies.)

| 6. Ratings: | ICR | OED Review | Reason for Disagreement /Comments |
|---|---|---|---|
| Outcome: | Satisfactory | Satisfactory | |
| Institutional Dev.: | Substantial | Substantial | |
| Sustainability: | Likely | Likely | |
| Bank Performance: | Satisfactory | Satisfactory | The Bank should have ensured that the final impact evaluation was completed. |
| Borrower Perf.: | Satisfactory | Satisfactory | With reservation that the important final impact evaluation was not done. |
| Quality of ICR: | | Satisfactory | |

**NOTE**: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

The main lesson refers to the successful use of the R-NRDP new model for rural poverty alleviation. Following piloting in the 1990s and drawing from some well tested principles (Rochdale, Community Development, Comilla, Daudzai and AKF programs) the project demonstrated again that such an approach enables poor people with a little guidance and seed resources to improve their communities by selecting and implementing small-scale investments. The value was proven of decentralization, social organization and social capital formation, community participation with TA where necessary, demand-driven investment choice, institutional transparency, poverty targeting, M&E/MIS to evaluate and adjust on the go, and eventually community graduation to self-sufficient development. The missing link of the absent final impact evaluation is a further lesson of the importance of such documentation in completing the record and substatiating that the overall objective was achieved.

**8. Assessment Recommended?** ● Yes ○ No

**Why?** An important component of a large regional poverty reduction program using a new approach for the country in an important country. The missing final impact evaluation leaves a gap on poverty alleviation impact. Suitable for performance assessment in a cluster with other such projects.

**9. Comments on Quality of ICR:**

Satisfactory, but would have been improved by addressing the issue of the missing final impact evaluation.