I. Introduction and Context

Country Context

Strong growth and re-distributional polices reduced extreme poverty (EP) in Brazil, from 15 percent in 2001 to 7 percent in 2009. Most of Brazil’s remaining EP (60% of the total, or 15 million people) is in the N.E., and EP in the N.E. was halved from 31 percent in 2001 to 16 percent in 2009. But Alagoas is lagging behind: EP in the state fell by only a third, from 36 percent in 2001 to 24 percent in 2009. Alagoas has 1.5 percent of Brazil’s population, but now has 5 percent of EP (about 680,000 people), up from 4 percent a decade ago. Teotonio Vilela of the opposition PSDB party was re-elected in 2010 as Governor of Alagoas, for a second 4-year term. In the same election cycle Dilma Rousseff of the PT was elected as federal president. Both have highlighted their commitment to...
development strategies combining growth with poverty reduction, to be achieved through better services for vulnerable families and the promotion of earnings opportunities for the poor.

Sectoral and Institutional Context
The Alagoas Secretariat for Planning and Economic Development (SEPLANDE) is preparing a strategy called Alagoas Tem Pressa (ATP, Alagoas Can’t Wait). The proposed operation would support the implementation of ATP, which is broadly consistent with the Federal Government’s Brasil Sem Miseria (BSM) program. Both ATP and BSM identify the eradication of extreme poverty as their high-level goal. ATP gives high priority to ensuring access of poor households and communities to programs such as basic education, health and income support, addressing violence and natural disasters as micro-level drivers of poverty, and increasing employment and economic opportunities for the poor and youth. ATP aims to diversify the economy away from plantation agriculture (sugar cane) and associated industries (alcohol) towards sectors with greater potential for employment and value added (such as tourism and construction) and to reduce the dependence of the economy on federal government transfers. ATP also highlights the goal of modernizing public sector management. It organizes programs in 24 results areas, and each area is under the responsibility of a manager under SEPLANDE.

Relationship to CAS
The Project is related to the new CPS (Board date October 2011) which highlights development and poverty reduction in N.E. Brazil. In his June 2011 visit, IBRD President Zoellick met with eight governors from the N.E. to underline the priority given to the region. The Alagoas PREIP will develop a model for multi-sectoral sub-national poverty reduction operations as part of that assistance.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The PDO is to reduce the exclusion of poor households and communities in Alagoas from good quality education, health and income support programs; to enhance protection against vulnerability to violence and disasters; and to increase earnings opportunities. The PDO will be achieved by strengthening the provision of the relevant services and building institutional capacity to deliver them. The target group is families entitled to Bolsa Família (with per capita income under R$140 a month).

Key Results (From PCN)
The candidate indicators for key results (outcomes of the Project) that will contribute to the PDO include: (1) increased participation of extreme poor households in Bolsa Família; (2) increased coverage of good quality institutional births; (3) reduced grade-age distortion in primary education and increased enrollment in secondary education; (4) increased protection against vulnerability to violence and natural disasters for extreme poor households; (5) increased training opportunities, access to finance; and the profitability of productive ventures supported by the project. The choice of indicators will be finalized during preparation, and the final set of five results indicators will reflect decisions taken about the choice and design of the project components. The definitions, sources, baselines and indicative targets will be defined in a logical framework workshop, provisionally planned for August 2011.

III. Preliminary Description

Concept Description
The proposed instrument is a conventional SIL, since weak capacity could limit the effectiveness of a DPL or of a SIL with a SWAp framework. The team will consult with federal agencies and other states to identify best practices. Provisionally, 4 components are being considered:

1. Reducing exclusion, protecting against vulnerability and guaranteeing minimum rights to income education and health (US$75-$100 million): (i) strengthening the outreach capacity of the social assistance reference centers (CRAS) of the social assistance (SUAS) network for “active search” to register families in the single cadastre (Cadeunico); enroll them in eligible programs; monitor compliance with co-responsibilities; and offer support to those with difficulties; (ii) strengthening protection against violence and developing disaster response plans for poor families in high-risk communities; (iii) developing a decentralized maternal and child health network in Alagoas, focusing on the under-served Macro Region II, organized around referral hospitals in the cities of Arapiraca in the Agreste and Santana do Ipanema in the Sertao. Prenatal care in the surrounding municipalities will be intensified, using incentives to health providers to increase prenatal consultations and to improve risk identification and appropriate referrals to the higher level facilities. The team will explore options for output based finance along the lines of Argentina’s Plan Nacer; and (iv) reducing age-grade distortion in upper primary education by funding catch-up programs to get children back into the right grade for their age; and expanding the number of places in secondary education in the under-served interior regions, second chance programs for drop-outs and adult literacy programs linked to work opportunities.

2. Promoting economic inclusion (US$60-$80 million): (i) support for work placement by strengthening agencies and programs such as SINE (Sistema Nacional de Emprego) in secondary towns and cities; (ii) support for school to work transitions for youth from poor families that complete secondary education; (iii) support for micro financing services for productive activities channeled through AFAL (Agencia de Fomento de Alagoas); and (iv) support for sustainable productive transformations for small scale producers through extension services that strengthen market linkages, and provide training, technical assistance, access to appropriate technology (such as irrigation) and affordable credit.

3. Institutional strengthening (US$15-$25 million). The Project will work with the public management secretariat, building on the work of the DPL, to enhance capacity and deliver quality and value-for-money in the central administration, education and health, through: (i) human resources management, planning, training policies and pensions; (ii) budgeting and performance management (linking budget to performance and stronger accountability of providers to clients); and (iii) Modernization of asset management and quality control for equipment and infrastructure purchases.

4. Project administration and monitoring (US$5-$10 million). This component will fund the program coordination office, the MIS system and the program evaluation.

IV. **Safeguard Policies that might apply**

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