ICR Review
Operations Evaluation Department

Report Number : ICRR11367

1. Project Data:		Date Posted : 08/21/2002		
PROJ ID :	P043871		Appraisal	Actual
Project Name :	Rural Poverty Alleviation - Piaui	Project Costs (US$M)	40.0	37.6
Country:	Brazil	Loan/Credit (US$M)	30.0	28.7
Sector(s):	Board: RDV - General agriculture fishing and forestry sector (23%), Other social services (23%), General water sanitation and flood protection sec (23%), Roads and highways (23%), General public administration sector (8%)	Cofinancing (US$M)	0	0
L/C Number:	L4121			
		Board Approval (FY)		96
Partners involved :		Closing Date	06/30/2001	12/31/2001

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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 (RPAP) 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 (R-NRDP). 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 laying the groundwork for and consolidating participatory institutions and processes at the municipal and community levels. Piaui is one of the poorest states in Brazil: in 90 per cent of municipalities 60 per cent of families were classed as indigent, and over 90 per cent of rural households had only precarious access to water and no sanitation (SAR 1.18).

b. Components

The project had three principal components:

(a) **Community Subprojects** (US$35.4 million, 90% of total base cost) - for **small-scale beneficiary investments** ;

(b) **Institutional Development** (US$2.0 million, 5%) - technical assistance and training for implementing entities and communities; and
(c) **Project Administration** (US$2.0 million, 5%) - for project supervision, monitoring and impact evaluation.

c. Comments on Project Cost, Financing and Dates

Although dollar costs were 94 per cent of the appraisal, progressive devaluation by 230 per cent suggests that local costs were much higher than estimated and for fewer sub-projects, indicating higher unit costs than anticipated.

3. Achievement of Relevant Objectives:

In addressing the achievement of the main poverty alleviation objective the ICR omits any reference, without comment, to the findings of the Project Administration's final impact evaluation under the third component (an important institution-building output, see Section 9 below). Instead the ICR relies on describing the "cumulative impact" of the achievement of the secondary objectives which are inputs and outputs, not outcomes, based on (i) positive findings from R-NRDP impact evaluations (on the good poverty alleviation results of the new model); (ii) the July 2000 impact evaluation of eight northeast RPAPs including Piaui, (iii) sample surveys during implementation, especially for the MTR; (iv) case studies of four typical sub-projects; and (v) economic and financial analysis of samples of typical investments. (This is an impressive body of evidence, but is not of the same stature or significance as the project-based final impact evaluation which is missing from the account.) On this basis the project achieved its ambitious major objectives in qualitative terms with much broader coverage (almost double the planned municipalities). Rural poverty was reduced by community-based investments in mainly poorer municipalities (with a large number of water supply and rural electrification sub-projects which are well known to have good poverty impacts in such poor areas); poverty targeting was successful as judged by the high prevalence of the poorest municipalities receiving funds, sample surveys quoted in the ICR and that the implementation process successfully fostered decentralized sub-project planning and implementation with beneficiary participation at all stages. Local counterpart funding (leveraging) was as planned.

4. Significant Outcomes/Impacts:

A great deal of physical infrastructure was created as well as some productive and social infrastructure. The municipalities and community associations were helped to plan and implement their own projects, despite the dispersed locations. Institutional development impact and social capital formation was widespread and bodes well for the future. Some details: (a) broader coverage of municipalities (184 per cent of target) implies potentially much greater eventual impact so long as the program continues to be supported, but cost levels are a concern (see next section); (b) community-based small physical works each costing under US$ 50,000 were the dominant investment taking about three quarters of actual project costs; (c) Analysis indicated that typical sub-project costs were 30-50 per cent cheaper than equivalent public projects, and "leveraging" (i.e. the level of contributions to costs by municipalities and beneficiaries) was impressive; (d) about three quarters of sub-projects were infrastructure and 63 per cent of infrastructure was rural electrification, which implies high rates of secondary benefits in terms of employment, welfare and social impacts from rural power use; (e) Analysis of a selection of projects indicates high benefit cost ratios and good sustainabilty prospects as user fees are generally sufficient for O&M and replacement costs; (f) the quality of sub-projects was satisfactory and investments are being maintained by the owners, except electrical distribution which is maintained by the utility; (g) community associations mostly performed well which is a good sign for the future; and (h) analysis has shown substantial public savings from the substitution of project sevices (privately owned and operated) for state services, e.g. the high costs of trucking water to communities during the frequent drought periods.

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

(a) Generally outputs and the level of benefits was less than expected (in indicators) at appraisal with less intensive impact over wider areas (which could imply an equity gain if sustainable). Thus fewer sub-projects than planned (according to indicators at appraisal) were completed (66 per cent) and beneficiaries were 59 per cent of the indicator level. Moreover, productive sub-projects were a major disappointment (only 17 per cent of the indicator were completed) which greatly reduced the <u>direct</u> poverty reduction impact of the project (but this was the choice of communities as the model intends). (b) Project management was under-staffed accpording to the ICR (especially technical staff) and remained centralized with inadequate transport to visit the dispersed subprojects as often as Bank staff considered desirable (project funding was not a constraint as only 60 per cent of the allocation was used). Spreading subprojects amongst many more municipalities increased this problem. Insufficient assistance to newly formed groups undertaking their own developments may have reduced subproject quality and institutional benefits, but the community groups were free to seek assistance where they pleased. (c) The safety net objective appears to have had limited substance at appraisal (in the normal sense of the phrase in meeting special needs rather than generally alleviating poverty) but did come into play during a harsh drought when it was agreed that project sub-projects would emphasize labour-intensive methods.
(No information in ICR on compliance with safeguard policies, but the region notes that there were no issues.)

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	Lower outputs and fewer beneficiaries than expected at appraisal (cf. indicators in SAR), but spread amongst many more municipalities; less direct poverty reduction than expected because communities chose few productive projects. Centralized project management's field support to beneficiaries was constrained by

			shortages of staff and vehicles, and the need to operate in many more municipalities. To this extent the project results were less impressive than its comtemporary sister project in Pernambuco State, but the Outcome was satisfactory overall.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
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 most important lesson refers to the good results achieved by application of the new R -NRDP model. Despite some shortcomings the basic strategy has proved highly successful . A combination of benevolent authorities and enthusiastic beneficiaries (piloted under R-NRDP in the mid-1990s) showed that a project strategy drawing from some well tested principles (Rochdale, Community Development, Comilla, Daudzai and the AKF projects) enables poor people with a little guidance and seed resources to improve their communities . The value was proven of decentralization, social organization and social capital formation, community participation (with TA where necessary), institutional transparency, demand-driven subprojects, poverty targeting by location, M&E /MIS to evaluate and adjust on the go, and eventually community graduation to self -sufficient development.

8. Assessment Recommended? ● Yes ○ No

Why? With other similar projects in a cluster. OED should keep track of this large and important group of Brazilian projects successfully applying the beneficiary -driven approach for rural poverty reduction. Expansion of the project to many more municipalities than planned, and comments in the ICR on the adequacy of administrative back-up, raises a question of whether poverty targeting and impact were weakened in the process .

9. Comments on Quality of ICR:

Satisfactory overall but could have been improved if the following points had been taken into account . Although Annex 1 of the ICR on indicators shows that the planned final impact evaluation was done by Project Administration (under the third component), the ICR makes no reference to its findings it in addressing achievement of the project's main objective and institution-building. Thus the ICR does not sufficiently address this important aspect of the standard project model (M&E and impact assessment for learning and model adaption to local circumstances and changing demands). Despite the SAR saying that sub-projects are so small as not to be likely to have a significant impact on the environment (arguable even at the local level), the ICR should have addressed this point more adequately. So many sub-projects, even with each having even a tiny environmental impact, would soon add up to something significant.