



BRAZIL CAS COMPLETION REPORT REVIEW

1. OED welcomes the Brazil CAS Completion Report's (CCR's) assessment of the 2000-03 period. OED considers the quality of this report to be satisfactory overall, and exemplary in some respects. In particular, the report is noteworthy for having:

- adopted a frank self-examination of the major achievements and deficiencies of the 2000 CAS;
- structured the report so that a clear distinction is drawn between the Borrower's development goals and achievements, on the one hand, and the CAS priorities and achievements, on the other;
- made appropriate use of pertinent evaluation findings generated by other Bank units, such as OED, OEG, and QAG; and
- rated program performance explicitly.

Key Findings and Lessons of the Brazil CAE

2. The Brazil CAE, released in May 2003 and endorsed by CODE in August 2003, evaluated the effectiveness of Bank assistance from 1990 to 2002. It examined three key questions: (a) whether the objectives of Bank assistance were relevant, given Brazil's development needs; (b) whether Bank assistance was effectively designed and consistent with its objectives; and (c) whether the assistance program had a substantive impact on the country's development during this period. In essence, the CAE concluded that results in all three of these areas were positive, with some restrictions. Therefore, the overall outcome of the Bank's assistance was rated satisfactory, although the direct poverty-alleviating components of the strategy were considered more successful than those designed to stimulate investment, efficiency, and growth. Due to pending uncertainties about the macroeconomic outlook, the sustainability of these benefits was judged to be non-evaluable.

3. Key findings and lessons included:

- The low effectiveness of the assistance program in the early 1990s was due fundamentally to the lack of a stable macroeconomic framework and the lack of a clear development agenda.
- There is a strong case for continued Bank involvement in the social sectors, particularly in strengthening educational quality and capacity at the primary and secondary levels in the Northeast Region of the country.
- Programmatic lending needs strengthening through closer linkages to real economic outcomes, quantified and time-bound benchmarks, and a framework for measuring results.
- Continued Bank assistance to strengthen public finance management and administration in the states could reap high returns.
- More assistance is needed in support of judicial and regulatory reform, which would, in turn, stimulate faster private sector development.

- Changing the focus of assistance from a sectoral to a regional basis would better exploit the potential synergies across projects, promoting greater efficiency and sustainability.

Alignment with the CAE and Other Issues

4. With certain exceptions (noted below), the CCR, and the associated references to evaluation in the new CAS, are well-aligned with the findings of OED's Brazil CAE. However, more nuanced reporting on the following findings would have been desirable:

- **Programmatic lending (p. 79).** The CCR discusses the achievements of programmatic lending, with which OED agrees, but omits discussion of two CAE concerns that further progress be made toward: (a) ensuring agreement with the Borrower on final reform goals before initiating a cluster of programmatic loans; and (b) ensuring that future such loans incorporate meaningful benchmarks on implementation progress.
- **Early childhood development and nutrition (pp. 75-76).** The CCR might have devoted some discussion to the Bank's efforts during the old CAS to achieve greater progress toward addressing early childhood development and child nutrition issues, why these efforts did not succeed, and how these difficulties influenced the design of the new CAS.
- **Project integration: From sectors to regions.** It is unclear whether the CCR agrees with the CAE finding that lack of project integration blunted the development impact of Bank projects, particularly in the area of water resource management. For example, on page 93, the CCR is critical of "overly-technical, top-down attempts to control natural resource use", but does not suggest what should come in its place. The report alludes to a "new model of water resource management", but leaves unclear whether this approach is likely to reduce the lack of harmonization the CAE found among Northeast water projects. Fortunately, this concern appears to have been satisfactorily addressed in the new assistance strategy for Brazil.
- **Annex Table 2A.** The logic of the sequencing from "Country Development Goals" to "CAS Outcomes" to "Country Issues" is not altogether clear.

Ratings

5. OED concurs with the CCR ratings provided in Table 1 of the CCR. Given that the assistance program in recent years made acceptable progress toward all its major relevant goals, more so toward direct poverty alleviation, less so toward stimulating economic growth and investment efficiency, OED would rate the outcome of the 2000-03 CAS as satisfactory. Given that the incoming Brazilian Administration has devoted major efforts toward consolidating macroeconomic stability, OED would now judge the sustainability of these benefits more positively. Finally, OED is discussing with OPCS the need to align future CCR ratings with those used in projects and CAEs.