



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/22/2004	
<b>PROJ ID:</b> P080746		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> SIMPLIFIED - Hd Prgm. Sector Reform Loan	<b>Project Costs (US\$M)</b>	505	505
<b>Country:</b> Brazil	<b>Loan/Credit (US\$M)</b>	505	505
<b>Sector(s):</b> Board: ED - General education sector (40%), Health (40%), Other social services (20%)	<b>Cofinancing (US\$M)</b>	0	0
<b>L/C Number:</b>			
	<b>Board Approval (FY)</b>		3
<b>Partners involved :</b>	<b>Closing Date</b>	12/31/2003	12/31/2003
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Elaine Wee-Ling Ooi	Ridley Nelson	Alain A. Barbu	OEDSG

**2. Project Objectives and Components**

**a. Objectives**  
The objective of the Programmatic Human Development Sector Reform Loan (PSRL) of which this project was the first phase, was to reduce poverty by improving the quality and efficiency of public spending in education, health and social assistance, and protecting the poorest and most vulnerable groups from adverse impacts of economic crises . Specific objectives were:

- a) Strengthen human development program effectiveness through application of an improved framework of fiscal federalism, including intergovernmental cost sharing, better policy coordination, transparent budgetary planning and consumer voice;
- b) Reduce inequality by redirecting federal financial support to targeted interventions that benefit the disadvantaged groups; and
- c) Eliminate disparities between high and low performing providers of public social services through enhanced quality and efficiency.

**b. Components**  
As a programmatic loan there are not project components as such . But the first phase of the PSRL supported the following activities:

- i) Support the continuity of the most innovative programs, decentralize service delivery, place a floor on basic health and education spending and reduce inter -state and inter-municipal inequalities;.
- ii) Safeguard 21 core program budgets, and monitor the implementation of effective social policies;
- iii) Enhance and expand on these core programs and policies .

**c. Comments on Project Cost, Financing and Dates**  
The loan amount as per the PAD was \$505m and according to the ICR was fully disbursed in one tranche shortly after project effectiveness . The project closed as scheduled on 12/31/2003.

**3. Achievement of Relevant Objectives:**  
All components intended to support the intermediate objective of continuing the most effective social programs, protecting their budgets and thus improving the quality and efficiency of public spending in the social sectors were fully implemented. These included all loan conditionalities and the minimum triggers for the next phase . Some of the physical targets and budgetary allocations exceeded that which were planned . It is yet too early to determine how and if these achievements will deliver the ultimate goal of poverty alleviation, and this is not expected within the first phase of a programmatic loan. The second phase is under preparation and there are no indications that there will be delays in it becoming effective. Among the physical targets accomplished during the first phase are :

- a) Intergovernmental budget programming agreements for the health sector have been signed by 21 (exceeding the targeted 13) states and all their municipalities; and the regulatory framework to decentralize publicly financed health services is being implemented. Evaluation and consumer feedback mechanisms for health and education have been strengthened, and the scope and coverage of the National Household Survey in 2004 and 2005 will be expanded to aid in the monitoring and evaluation of social policies and programs . The minimum approved allocations for selected core health, education and social assistance programs have been preserved eventhough in a few cases actual

expenditure was less due to lesser revenue generated by sources earmarked to finance these programs .

b) A more equitable resource allocation for different regions of Brazil has been initiated with more federal transfers targeted at the poorer municipalities, states and regions . Budgets for the purchase of essential drugs at the municipal level was double what was planned, ensuring all communities could be served .

c) Budgets of the most cost effective public health interventions (TB, HIV/AIDS, communicable diseases and epidemiological surveillance were protected, ensuring quality implementation and internal efficiencies .

#### 4. Significant Outcomes/Impacts:

Expansion of the successful, transparent and equitable federal education development fund, beyond grades 1-8, to include pre-primary and secondary education.

A number of accountability and management systems for health have been established which include : Pilot program in six states to track the use of federal resources that have been earmarked and transferred (subnationally) for disease surveillance; Results based management tools that have been applied to reduce fraudulent claims in the health system; and Monitoring system to track compliance with the Constitutional Mandate of reducing the health financing gap between rich and poor regions .

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

While the minimum budgets of the core/important programs were approved and protected, in a few cases, the actual expenditures were less due to lesser revenue generated by sources earmarked to finance these programs .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Highly Satisfactory	Highly Satisfactory	
<b>Borrower Perf .:</b>	Highly Satisfactory	Highly Satisfactory	
<b>Quality of ICR :</b>		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:

It is too early in the assessment of performance for the first phase of a programmatic loan to draw concrete lessons which later experience may disprove. But some useful lessons may be drawn applicable to designing and executing a smooth first phase of a programmatic loan:

- Ensure linkage of priority macroeconomic and sectoral concerns with appropriately selected social programs that are known to be of good quality, fully functional and efficient.
- Undertake substantive, good quality analytical work and prior sector lending as the technical base on which to design a highly relevant project.
- Staff skills: a highly skilled preparation team with the full support of Bank management successfully collaborated with both outgoing and incoming government administrations (of equally high caliber and professionalism) ensured the smooth execution of the first phase.

#### 8. Assessment Recommended? ☒ Yes ☐ No

**Why?** Programmatic loans for the HD sectors are rare . An assessment at the completion of the third phase of the loan will provide lessons for designing subsequent ones .

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

The ICR is satisfactory and provides a good analysis in support of its ratings . However given the project being focused on poverty there could have been more data on poverty trends and evidence that the program is on the right track.