



1. Project Data:		Date Posted : 08/14/2002	
PROJ ID: P006524		Appraisal	Actual
Project Name: Br Minas Mnc.developmt	Project Costs (US\$M)	333.10	253.80
Country: Brazil	Loan/Credit (US\$M)	150.00	130.05
Sector(s): Board: UD - Solid waste management (29%), Sewerage (29%), Water supply (29%), Sub-national government administration (12%), Other industry (1%)	Cofinancing (US\$M)	n/a	n/a
L/C Number: L3639			
	Board Approval (FY)		94
Partners involved :	Closing Date	12/31/1998	12/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Tauno Skytta	Ronald S. Parker	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The objectives were to: (i) strengthen municipal financial management in support of decentralization reforms, own-resource mobilization, and efficient resource allocation for current expenditure and investment; and (ii) improve environmental management through priority investments in sanitation infrastructure and TA for municipal administrations.			
b. Components			
Five components as follows: (i) Institutional development (US\$29.4 M, 8.8% of the total) including TA, training, and office equipment for some 380 municipalities representing about 90% of the state population; (ii) Environmental infrastructure (US\$292.0 M, 87.7% of the total) including improved water supply, sewerage, and solid waste services, and street and drainage works for some 150 municipalities, each with a population of over 20,000; (iii) Pilot programs (US\$10.7 M, 3.2% of the total) including two small schemes to assess the potential and methods for privatization of municipal services such as slaughterhouses, transport terminals, and other services; and (iv and v) two sets of studies (US\$1.0 M, 0.3% of the total) including research and strategic planning, i.e. operational strategy for the water and sanitation sector, and options for financing of infrastructure services . Overall, the project covered a time-slice of the municipal investment program implemented by COPASA (Minas Gerais State Water Company) and other municipal government departments . During implementation, the project underwent several changes under the institutional component; one of the two pilot schemes was also cancelled .			
c. Comments on Project Cost, Financing and Dates			
The actual project costs are about US\$ 253.8 M, 76.2% of the appraisal estimate. The cost under-run is mainly due to lower than expected demand for institutional loans and lower than estimated costs of infrastructure sub -projects. The project was financed through a Bank loan of US\$ 150.0 M which was closed on 12/31/01, three years late and the undisbursed amount of US\$ 19.95 M was cancelled.			
3. Achievement of Relevant Objectives:			
Only 50 municipalities, some 15% of the intended number, benefited fully from the institutional development . It should be noted, however, that the improvements within these benefiting municipalities have been significant, especially in financial management, and these municipalities can be expected to play an important demonstration role in the future. The environmental services were improved in nearly 150 municipalities as anticipated at project appraisal and the objective is therefore fully met . Due to the incomplete implementation of the strategy study recommendations, the achievement of the policy objectives is limited .			
4. Significant Outcomes/Impacts:			
Most significant outcomes were achieved in the implementation of the environmental infrastructure component as nearly the predicted number of municipalities received environmental infrastructure loans; they represent over 90% of the actual total project costs . The resulting system improvements benefit over 2 million people. The service quality has reportedly improved substantially, especially for low -income segments of the population .			

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

The pilot program to test privatization of certain municipal services did not progress beyond the initial study stage and thus failed to produce any actual outcome. There are no other significant shortcomings. However, implementation suffered because the number of fully participating municipalities in the ID component fell short of the predicted number by 85%. Notwithstanding, nearly half of the estimated allocation of the costs was actually spent. The Bank introduced corrective measures during project supervision, i.e. focusing more actively on "14 strategic municipalities". These municipalities demonstrated a strong capacity to, and willingness for, public administration reform. They have an effective demonstration effect on the other, nearly 300, municipalities that underwent systematic evaluation and were presented with strategic development plans.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Modest	Modest	
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:

This project underscores the importance of a careful analysis of on -the-ground state and local realities (in commitment and readiness for reforms). Difficult reforms require strong political and institutional support during implementation. During the preparation process, project designers need to ensure carefully targeted focus and substance of reforms.

In addition, the ICR presents a number of pragmatic recommendations for project preparation and implementation, including the benefits of decentralization of project supervision to the field.

8. Assessment Recommended? Yes No

Why? This project offers important lessons (both in terms of what to do and what not to do) in the context of institutional development. These should be explored more fully in the context of urban cluster work.

9. Comments on Quality of ICR:

The ICR is complete and presents clearly and convincingly the necessary data and facts for assessment of the achievements. Overall, the quality of the ICR is satisfactory.