

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

<Date>

Report No.: AB7125

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<b>Operation Name</b>	Pernambuco Equity and Inclusive Growth DPL II
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Brazil
<b>Sector</b>	Sub-national government administration (100%)
<b>Operation ID</b>	P132768
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	STATE OF PERNAMBUCO
<b>Implementing Agency</b>	SECRETARIA DE PLANEJAMENTO E GESTÃO DE PERNAMBUCO (SEPLAG)
	Secretaria de Planejamento e Gestão de Pernambuco Rua da Aurora 1377 Boa Vista Recife, PE Brazil 50040-090 Tel: (55-81) 3182-3869 Fax: (55-81) 3182-3904
<b>Date PID Prepared</b>	December 10, 2012
<b>Estimated Date of Appraisal</b>	February 2013
<b>Estimated Date of Board Approval</b>	April 2013
<b>Corporate Review Decision</b>	Following the corporate review, the decision was taken to proceed with the preparation of the operation.
<b>Other Decision {Optional}</b>	<i>Teams can add more if they wish or delete this row if no other decisions are added</i>

**I. Key development issues and rationale for Bank involvement**

The proposed operation is envisaged as a single tranche Development Policy Loan (DPL) to the State of Pernambuco, Brazil, in the amount of US\$500 million. The development objective of the project is support the Government of Pernambuco (GoP) to strengthen public policies that promote sustained and inclusive growth and improve access to quality services for the population of the state, in particular the most vulnerable. The multi-sectoral operation supports the implementation of the GoP strategy “Pernambuco for All” (*Pernambuco por Todos*), which aims to make the state a “better place to live and a better place to work”. It builds on the Bank’s long-term engagement with the State of Pernambuco and the recent *Expanding Opportunities, Enhancing Equity in the State of Pernambuco DPL* (P106753), approved in 2012.

As the rest of Brazil, the State of Pernambuco has seen improvements in economic and social indicators over the last decade, but is still facing significant challenges. With over 9

million inhabitants, the State of Pernambuco is the second largest economy in northeast Brazil. However, like other states in the Northeast, it has long lagged behind the rest of Brazil (World Bank, 2002). In 2009, GDP per capita was R\$8,901.9, about half of the national average, and the share of the population living below the poverty line was twice that of Brazil and well above the average in the Northeast. This pattern is apparent in other areas as well, with comparatively poor health and education outcomes, and high levels of crime and violence. Pernambuco also remains highly unequal, with significant disparities in human capital, economic opportunities and access to public services, including along spatial, racial and gender lines.

**The State of Pernambuco has made significant advances in addressing the development challenges of the state.** Two consecutive government programs (2008-2011 and 2012-2015), based on strong participatory processes, have emphasized the need for public investments, improvements in public services, reduction in crime and violence, and sustainable growth as key means to improve equity and living conditions in the state. They have highlighted the needs of the most vulnerable segments of the population and the interior of the state, while also emphasizing transparency and good public sector management as fundamental to effective implementation. To support the implementation of these programs, the GoP has established an innovative management model with strong results orientation and accountability.

**The proposed multi-sectoral operation seeks to further the Government's reform agenda by focusing on the three core pillars of the GoP strategy for 2012-15.** These policy areas are (i) A new economy: opportunities for all Pernambucanos; (ii) An action driven state: capacity to create for results for all Pernambucanos; and (iii) quality of life: a better life for all Pernambucanos. Within these broad policy areas, the operation focuses on economic development, professional education and productive inclusion, public sector management, crime prevention, and health. Taken together, the policy actions in these areas are expected to contribute to improved conditions for equitable growth; enhanced economic opportunities for the poor; reductions in crime and violence, including violence against women; enhanced prevention and management of chronic health conditions; and the consolidation and institutionalization of the public sector management model.

The Program is fully aligned with the priorities of the World Bank Group's Country Partnership Strategy 2012-2015 (Report # 63731-BR), approved in November 2011. In accordance with the CPS, the proposed operation aims at promoting a more equitable, sustainable and competitive Pernambuco, including the integration of a strong gender focus. The program also facilitates the Bank's strategic engagement in key areas of the State's development plan.

## II. Proposed Objective(s)

Program Development Objective is to support the Government of Pernambuco (GoP) in its strengthening public policies that promote sustained and inclusive growth and improve access to quality services for the population of the state, in particular the most vulnerable.

## III. Preliminary Description

The preliminary policy matrix can be summarized as follows:

OBJECTIVES	PRIOR ACTION
<b>Policy Area 1: NEW ECONOMY – OPPORTUNITIES FOR ALL PERNAMBUCANOS</b>	
<p><i>1.1 To stimulate economic development, promoting sustainable growth that is inclusive and benefits all regions</i></p>	<p>1.1.1. Easing firm entry by reducing bureaucratic barriers to firms registration in the registry system, “cadastro de empresas” (REDESIM), and ensuring that full legalization of firm registry can occur within 72 hours from the submission of complete documentation.</p> <p>1.1.2 Enhancement of conditions offered by the Pernambuco State to attract more private sector investment, through the PROINFRA Tax Incentive Program, approved in 2011 by CONFAZ</p>
<p><i>1.2 To expand and improve Professional Education</i></p>	<p>1.2.1 Enhance human capital for better meeting local demands for skills through the creation of 11 technical schools.</p>
<p><i>1.3 To expand and strengthen the productive inclusion programs aimed at ensuring that the poorest participate in growth through enhanced employment and/or income earning opportunities</i></p>	<p>1.3.1. Creation of a financing mechanism for productive inclusion programs, with an institutionalized and dedicated budget line for provision of funds from the State fund to the Municipalities Social Assistance funds.</p> <p>1.3.2. Establishing agreements (Pactuações) with the municipalities on the activities and goals for service provision in the area of productive inclusion (number of points of service, number of beneficiaries, etc.) linked each municipality budget line.</p>
<p><i>1.4 Strengthening active labor market programs, through the development of a monitoring and evaluation system, that tracks the quality and efficiency of programs, and measures results in</i></p>	<p>1.4.1 Developing a monitoring and evaluation (M&amp;E) system that tracks results of the programs implemented by the State Secretary of labor, including modules on employability and (beneficiaries and employers) satisfaction.</p> <p>1.4.2. Establishing common indicators, data reporting requirements and data collection mechanisms, applicable to vocational training</p>

OBJECTIVES	PRIOR ACTION
<i>employability of program beneficiaries.</i>	programs implemented by other secretaries, in order to integrate the information into the M&E system.
<b>Policy Area 2 – ACTION DRIVEN STATE – CAPACITY TO MANAGE RESULTS FOR THE PERNAMBUCANOS</b>	
2.1 <i>To strengthen the Management Model of the State of Pernambuco</i>	2.1.1 Institutionalization of the routines and procedures that compose several of the activities related to Public Management.
<b>1. Policy Area 3 – QUALITY OF LIFE – A BETTER LIFE FOR ALL PERNAMBUCANOS</b>	
3.1 <i>To reduce violence in Pernambuco, with a strong focus on participation and results.</i>	3.1.1. Institutionalization of “Programa Atitude” (a integrated program to address crack addiction)  3.1.2 Implementation of the Technical Chamber of coping with Gender Violence and update the State Plan to prevent, punish and eradicate violence against women.
3.2 <i>To improve the quality and expand the coverage of primary care and specialized healthcare for chronic patients, prioritizing lines of care for hypertension and diabetes in the State of Pernambuco</i>	3.2.1 Approval and publication of the State Plan of “Actions to Combat Chronic Non-Communicable Diseases” in Pernambuco.  3.2.2 Approval and publication of state guidelines for implementation of clinical protocols and a referral system to manage access to specialized care for patients with chronic conditions.

#### IV. Poverty and Social Impacts and Environment Aspects

##### *Poverty and Social Impacts*

The policy reforms proposed specifically under this operation are intended to affect positive change towards poverty reduction and social equity. Given the design of the program, the DPL is focused on supporting progressive policies to contribute to greater and more inclusive growth and equitable development. Nonetheless, further analysis is required to determine the potential distributional impacts of the proposed policies. With greater clarity on the policy matrix, the PSIA will soon be initiated to serve as a key input in the pre-appraisal phase of the operation.

**A poverty and social impact analysis will be conducted in the preparation phase of this program.** Given the disparities in equity, due to regional, ethnic and gender differences, the DPL places particular attention to those more vulnerable groups. More specifically, the policies highlighted under this operation largely focus on subsets of the population, in order to better target the actions towards greater poverty and equity gains. As such, a more thorough picture of the potential impacts of the policies on poverty and social change is required for which the team will undertake a detailed analysis, both quantitative and qualitative, of the distributional effects on different segments of the population.

**Using both quantitative and qualitative methods, the PSIA will particularly focus on the pro-poor implication of the proposed operation, notably in the area of public sector management, labor markets and private sector programs as well as on the evaluation of the impact of the regional development strategy on the most vulnerable and the interior of the state.** The need to strengthen monitoring and evaluation systems and analytical capacity across sectors has been a recurring issue across sector during the identification and preparation phase of the operation. It is expected that the PSIA will further inform this dimension and contribute on-going discussion with the State Secretariat of Planning and Management (SEPLAG) on ways to develop this capacity in the respective ministries, notably to track the pro-poor implications of the state's numerous programs and adjust them accordingly if or when needed.

### *Environment Aspects*

Environmental safeguard policies for Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04) and Safety of Dams (op/BP 4.37) do not apply to the proposed operation. The policies supported by this operation are not expected to have a direct impact on the environment, forests and natural resources. However, the associated policies could also contribute to the protection of the region's environment, notably through the strengthening of evaluation and management capacity (policy area 2).

## **V. Tentative financing**

Source:	(\$m.)
Borrower	0
International Bank for Reconstruction and Development	500
	Total
	500

## **VI. Contact point**

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