

1. CAS Data	
Country: Brazil	
CAS Year: FY04	CAS Period: FY04 – FY07
CASCR Review Period: FY04 – FY07	Date of this review: April 22, 2008

2. Executive Summary
<p>i. This Review examines the implementation of the FY04-07 Brazil CAS and 2006 CAS Progress Report and evaluates the 2008 CASCR. The Brazil CAS was one of the initial “Results-based CAS Pilots”. The Review also considers the experience and lessons from the detailed Results Framework included in the CAS, and of its monitoring system. This was a joint CAS with IFC, but the CASCR focuses almost exclusively on IBRD operations, providing no information on IFC’s activities in Brazil. This review of the CASCR covers Bank-related aspects and is evaluated by IEG-WB; IFC-related aspects of the CASCR are reviewed by IEG-IFC and included as Attachment 1.</p> <p>ii. The CAS was aligned with and supported the objectives of the Government’s four-year plan (PPA): increased equity, sustainability, competitiveness, and macro-economic and public sector performance. The CAS was highly relevant but too ambitious, and led to a dispersed Bank effort.</p> <p>iii. The Bank’s planned lending program was about \$7.5 billion, with 50 percent through DPLs, a major role for SWApS, and sub-national lending. Program implementation was lower than expected, because of Brazil’s reduced financing needs and lower than expected levels of sub-national lending (particularly to municipalities). Total lending was about \$5 billion. Sixty percent was through DPLs and 25 percent through SWApS. The latter emerged as well-suited lending instruments for both Federal and state lending. Disbursements improved substantially, partly due to the use of SWApS. Three of the four CAS years had negative net disbursements, and total net disbursements were just below \$500 million. The AAA program was large and of good quality but sometimes not sufficiently disseminated.</p> <p>iv. Country outcomes and impact of Bank assistance were varied across the main objectives. There was substantial progress in poverty reduction, increased equity, and macroeconomic performance. Achievements in sustainability were mixed. Growth was sluggish, and public sector management remained a major challenge. Assessing the impact and contribution of Bank interventions proved particularly difficult in spite of a detailed Results Framework and planned monitoring mechanism (which was eventually not used). The difficulties of measuring the impact of a small Bank program in a large economy were compounded by the excessive breadth of the program, an over-elaborate results framework which often focused on outputs instead of outcomes, and lack of use of the monitoring system. Outcome of Bank support is rated <i>Moderately Satisfactory</i>, because of the mixed results in different areas. Bank Performance is rated <i>Satisfactory</i> in spite of some design flaws and partial implementation, because the Bank program and lending instruments (especially SWApS) evolved to adapt to changing country conditions and AAA was of good quality.</p> <p>v. IEG concurs with the main five lessons in the CASCR (the need for more focus, the challenge of growth in Brazil, the limitations of lending to Brazil when it has plenty of liquidity, the complexities of sub-national level work, and the difficulties of defining and measuring success of Bank interventions in a large MIC). IEG also underscores the importance of paying close attention to public sector management issues, the positive role played by SWApS in the Brazil program, and the need for manageable results frameworks and monitoring mechanisms to trace the impact of Bank interventions.</p>

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### 3. CASCR Summary

#### **Overview of CAS Relevance:**

1. *Context.* The 2004-07 CAS was prepared during the first year of the Government elected in late 2002, to overlap with the Government's four-year plan ("Plano Plurianual" or PPA) for 2004-2007. The CASCR notes that, at the outset of the CAS, the dual challenges of the government were (i) maintaining economic stability in the face of external vulnerabilities and a crisis of confidence in international markets, and (ii) reversing the substantial inequalities in Brazilian society. At the same time, however, the CAS had already noted the substantial progress in macroeconomic management during 2003, including fiscal measures leading to a large primary surplus target and successful reviews under the IMF Stand-By agreement as well as the low growth performance (negative in per capita terms). The CAS was seen as a continuation of the Bank strategy during the FY00-03 CAS, which had focused on (i) fiscal sustainability, (ii) poverty alleviation, (iii) growth promotion, (iv) environmental sustainability, and (v) governance, and had achieved substantial progress in the first two objectives with challenges in the latter three. The CASCR defines the CAS vision statement as contributing to a Brazil that was more equitable, more sustainable, more competitive and more economically stable.

2. *CAS Design and Objectives.* The CASCR notes that the Bank strategy and emphasis on the four thematic areas was well aligned with the Government's plan (PPA), highly participatory and supported by good analytical work (a set of Policy Notes prepared earlier). It also concludes that it was ambitious and led to a more dispersed overall Bank effort than may have been desirable. There was scope for greater strategic focus in CAS design. In some cases the goals, while important to the country, were not in line with the Bank's comparative advantage (e.g. culture) while in others Bank involvement was no longer needed (e.g. debt management). Insufficient Bank attention to public sector management during CAS implementation was also related to CAS design and to the changing focus of the government. The public sector modernization and governance agenda was included within the macroeconomic foundations of the CAS but seems to have been absorbed in the larger goals. The CASCR concludes, and IEG concurs, that given that these issues are part of the Bank's core comparative advantage and are of overwhelming importance in Brazil, they deserved bolder Bank attention than they received.

3. *Bank Group Program.* The CAS outlined a program of up to \$7.5 billion in lending over four years, covering a broad range of areas at the federal, state and municipal levels. Continuation of policy based and technical assistance lending was expected (up to 50 percent of total lending) with DPLs in each of the four thematic areas, a major role expected for SWAps, and lending to sub-national governments (both states and municipalities) as a third operational vehicle. The proposed strategy for lending to municipalities led to a conflict with the Ministry of Finance, which saw the Bank's offer of support to the municipalities as an attempt to stimulate borrowing that undermined the Law of Fiscal Responsibility. The program also included continuation of a strong program of analytic and advisory activities, which followed the preparation of a large number of Policy Notes shortly after the election of the new government and during the period of CAS preparation.

4. *Results-based Pilot CAS.* The FY04-07 CAS was one of six CASs that served as a "results pilot". It included a detailed results framework that was preliminary and was expected to be fine-tuned over time. The results framework relied on four elements: (i) Long Term Goals of the Government in its PPA (three goals in each of the four thematic areas for a total of 12 goals), (ii) Intermediate "CAS Outcomes" and Outcome Indicators (several intermediate outcomes and related indicators for each of the 12 goals—with a total of 40—to assess the Bank's contribution), and (iii) Ongoing Monitoring, including an agreement to review program performance jointly with the government (initially planned as semi-annually and later changed to annually). The monitoring program was unsuccessful because (i) the long-term indicators were important for selecting priorities but had little practical meaning for assessing a Bank program that is tiny in the context of the country's economy, (ii) medium-term

outcomes were at times imprecise catch-alls to include the existing lending program (and were often outputs as opposed to outcomes) and most outcome indicators were not relevant or really monitorable, and (iii) periodic monitoring of overall indicators did not take place because it was not seen as relevant. Monitoring did work and was effective when Bank-supported programs were specifically results-oriented and borrower and Bank teams worked together to assess what had been achieved. In 2006 the Bank contracted a survey of the effectiveness and appropriateness of Bank support, to which over 400 Bank clients and partners responded. This was a useful initiative but could not compensate for the shortcomings of the monitoring program. Also, the survey should have asked more pointed questions on the quality of Bank work, particularly AAA.

#### **Overview of CAS Implementation:**

5. *Lending.* Actual lending during the CAS period was \$5.1 billion, with a total of 32 operations, well below the planned \$7.5 billion expected in the CAS. Most of the lending took place during the first three years of the CAS with a drop to only \$285 million in FY07. The decline in lending levels was due to Brazil's strong external performance and reduced financial requirements. The CASCR does not discuss the extent to which the actual lending program matched the expected one in the CAS, but the draft Country Partnership Strategy for the next four years notes that only 53 percent of the projects defined for the first two years of the CAS materialized, a figure that dropped to only 15 percent during the last two years. Most of the lending was to the Federal Government. Disbursement data show that net Bank disbursements to Brazil were negative every year except for 2006. The cumulative net disbursement for the CAS period was positive but just below \$500 million (an average of less than \$125 million per year in an economy with GDP of over one trillion dollars). Sub-national lending to the states focused on fiscal reformers and was considered successful although its amounts were limited; it focused on reforming states, although the criteria in the CAS framework for state-level lending were not followed. Finally, lending to municipalities was a major bone of contention with the Ministry of Finance, which was concerned that it could undermine the objectives of the Law of Fiscal Responsibility. The Bank agreed to stop preparing new municipal projects until a clear Federal framework for such engagement was available. DPLs amounted to 60 percent of total lending (above the CAS expected share of 50 percent), and SWAs were 25 percent. Although there were fewer than anticipated SWAs, they have emerged (at both at the Federal and state level) as highly effective instruments in the Brazil program, increasing the use of country systems and performance-based disbursements. Programmatic TALs were also found to be effective although cumbersome and complex to prepare. SIL lending (mostly to states) was about half the level of the previous CAS.

6. *Analytical and Advisory Services.* Following the Policy Notes during the CAS preparation period, the CASCR notes that the Bank was involved with innovative AAA work on social assistance and two studies on health that were central inputs to the dialogue on health sector reforms. The data on AAA activities delivered (see Annex) shows that a large portion of the planned outputs was delivered, together with a large number of non-planned activities. The analytical work was found to have substantial impact when dissemination was good, but QAG pointed out that the work was often not focused programmatically and was poorly disseminated. The CASCR does not discuss to what extent the analytical work was done jointly with the government or other local partners.

7. *Quality and Effectiveness of Operations.* The CASCR provides limited details of project outcomes. It notes that: "OED's [sic] rating of Bank-financed projects in Brazil found only 8 percent of the projects to be unsuccessful". A review of the data (see Annex) shows that a total of 48 projects exited the portfolio and were evaluated during the CAS period (only 46 were rated). Of those, four (about 9 percent) were rated unsatisfactory or moderately unsatisfactory, 12 (about 26 percent) were moderately satisfactory, 28 (61 percent) were rated satisfactory, and two were rated highly satisfactory. The CASCR does mention that the program has faced three serious implementation issues: weak institutional capacity, delays in financial flows due to Brazil's rigid budget implementation rules, and contracting

difficulties, and that these issues are reflective of core public sector management weakness in Brazil. The data also show that unsatisfactory and moderately satisfactory projects had very long implementation periods (often 9 to 11 years). The CASCR also notes that the disbursement rate increased from 17 percent in 2004 (one of the Bank's poorest) to 40 percent in 2006 (one of the Bank's best), largely due to the increased use of SWAp and the closing of old, poor disbursing SILs. Problem projects have also declined during the CAS period, from 17 percent to 2 percent (partly as a result of the closing of the slow disbursing projects mentioned above), but projects at risk have persisted, dropping only from 17 to 15 percent. The CASCR notes that Brazil's core public sector management weaknesses continue to affect project implementation.

#### ***Overview of Achievement by Objective:***

8. The 2003 CAS was one of the six "Pilot" results-based CASs and included a detailed Results Framework Monitoring Template (Annex 10 of the CAS). The results framework, as well as the entire CAS, was organized around the same four areas of the Government's PPA: equity, sustainability, competitiveness and macroeconomic foundations (with the latter including good governance). These four areas translated into a total of 13 Long-Term Goals for which the PPA established a baseline and a 2007 Target. The CAS results framework then established several medium term outcomes for each of the Long-Term Goals (a total of 40 medium-term outcomes) and corresponding intermediate indicators as well as a long list of Bank-supported activities expected to contribute to the 40 medium-term outcomes and indicators. The monitoring template for the results framework was completed with two additional columns, one for monitoring progress towards the intermediate indicators and another for monitoring progress in Bank-supported activities. As noted above, this over-elaborate system did not work as planned, as joint monitoring (with the Government) did not take place, many indicators were not monitored and the link between Bank-supported activities and medium and long term goals was difficult to establish.

9. Two attempts were made to summarize the achievement of objectives in a format close to the monitoring template, one in Annex 3 of the 2006 CAS Progress Report (using the original template but reporting on only 19 of the 40 original intermediate indicators) and a broader, but mostly qualitative, review in an Annex to the CASCR (summarized in the main text of the CASCR). Overall, Brazil's achievements (and Bank contributions) were substantial in reducing inequality, moderate in increasing environmental sustainability and competitiveness (with the Bank playing a limited role in spite of its ambitious objectives) and more mixed in improving governance and public sector management (although the Bank contributed to improving public procurement and public sector management in a few states). More detailed achievements in each area are summarized below and compared with CAS objectives and indicators.

10. ***Equity: Investing in People.*** The CAS objective of supporting a more equitable Brazil included contributions to the PPA's three Long-term Goals in this area: (i) reducing poverty, vulnerability and social exclusion, (ii) achieving better knowledge and skills, and (iii) longer and healthier lives. Brazil made remarkable progress in reducing poverty and inequality during the CAS period as shown by the convergence between Brazil's rankings in per capita GDP and in the UN's HD Index. Bank support through analytic and lending work was effective and successful in several areas, particularly improved safety nets and health, and to some extent primary education, although it fell short in some areas (e.g., youth unemployment, early childhood programs, gender and indigenous wage gaps). The CASCR mentions as main instruments of Bank assistance the Human Development Reform DPL-HD I (approved and disbursed in FY03, before the CAS), and the HD TAL (FY06). Only 4 of the 32 operations (about 14 percent of lending volume) approved during the CAS period were included in the "equity pillar": the Social Assistance SWAp (in support of "Bolsa Familia") the "VIGISUS II" project (health), the Pernambuco Education project and the HD TAL. It could be argued, however, that several of the projects in the sustainability pillar, and particularly the state level rural poverty projects, contributed also to the equity objective (see below). Moreover, several ongoing projects (approved in the years before the CAS period) also contributed to this objective (e.g. HD I, health and education projects).

**Summary of Results vs. Original CAS Objectives:  
Equity**

PPA long-term goals and targets for 2007	CAS medium-term Outcomes and Intermediate Indicators	Bank-Supported Activities Contributing to Outcomes
<b>Reduce extreme poverty, vulnerability and social exclusion:</b> Extreme poverty to be halved (from 15%) - <i>declined to 11% in 2005</i> ; progress on convergence of NE GDP vs. Brazil GDP (from 0.47 toward 1.0) - <i>ratio increased to .51 in 2005. Overall: substantial improvements</i>	(i) Better coordinated, targeted and monitored social safety net - <i>Achieved, substantial Bank contribution</i> (ii) Reduced youth unemployment (from 18%) - <i>Not achieved (increased to 19% in 2006)</i> (iii) Decreased vulnerability for poorest, in particular in NE - <i>Partially achieved; important contribution</i> (iv) decreased wage and service gaps for women, indigenous population - <i>Partially achieved, limited contribution</i> (v) Culture valued and employed as asset (Govt. made progress; <i>limited Bank involvement</i> )	(i) Bolsa Familia SWAp - <i>Operation delivered</i>  (ii) Youth Employment SWAp - <i>Not delivered</i>  (iii) BRASA studies ( <i>delivered</i> ); NE state projects ( <i>several delivered: see sustainability pillar</i> )  (iv) Social exclusion review ( <i>not reported</i> ); VIGISUS II ( <i>modest contribution</i> )  (v) Tourism components in state projects ( <i>not delivered</i> ); IDF grant ( <i>delivered</i> )
<b>Better knowledge and skills:</b> Primary enrollment universalized (from 97%) <i>partially achieved</i> ; secondary enrollment increased (from 36%) <i>achieved</i> ; progress on female/male illiteracy (from 1.03 towards 1.0) <i>achieved</i> ; progress on adult literacy (from 88%) <i>achieved</i>	(vi) Improved access and quality of early childhood programs (ECD) - <i>Very limited progress; limited Bank contribution</i> (vii) Improved quality of primary education - <i>Modest improvement and Bank contribution</i>  (viii) Enhanced access and quality of secondary education - <i>some improvement; limited Bank contribution</i>	(vi) Rio ECD project; Municipal ECD project - <i>projects not delivered (sector work and project preparation were useful)</i> (vii) State education projects ( <i>one delivered - Pernambuco</i> ); Transforming Schools AAA ( <i>not reported</i> ) (viii) HD Programmatic Sector Reform Loan series ( <i>none delivered, but HDTAL in FY06</i> )
<b>Longer, healthier lives:</b> Infant mortality decreased (from 29 per th.) - <i>Decreased to 24%</i> ; maternal mortality decreased (from 56 per 100 th.) - <i>Not achieved</i> ; new AIDS cases reduced (from 15.9 per 100 th.) - <i>Not achieved (small increase)</i>	(ix) Reduced equity gap in health services ( <i>Substantial improvement and Bank contribution</i> ) (x) Higher quality of care, including for AIDS ( <i>Substantial improvement and Bank contribution</i> ) (xi) Increased accountability of health services ( <i>substantial improvement and Bank contribution</i> ) (xii) Fewer water-borne diseases in poorer population ( <i>Not reported</i> )	(ix) VIGISUS II ( <i>Delivered</i> )  (x) AIDS III (ongoing), VIGISUS I (ongoing) and II ( <i>Delivered</i> )  (xi) AAA on hospital performance ( <i>delivered and well disseminated</i> ); IFC support for private provision  (xii) State health and water projects ( <i>see "Sustainability" pillar</i> )

11. **Sustainability.** The PPA's Long-Term Goals in this area were to achieve (i) more equitable access to local services, (ii) better water quality and water resource management and (iii) more sustainable land management, forests and biodiversity. The sustainability pillar included the largest group of projects, with more than half of the total number (18 out of 32) but only about 29 percent of lending volume. This group of projects included the integrated state level projects that also addressed rural poverty issues. Brazil took important steps to improve environmental sustainability, but overall progress was mixed. Bank contributions were important in land, forests and water resource management, but did not achieve its objectives on improving local services (largely due to the government's decision not to support direct Bank engagement with municipalities).

**Summary of Results vs. Original CAS Objectives:  
Sustainability**

<b>PPA long-term goals and targets for 2007</b>	<b>CAS medium-term Outcomes and Intermediate Indicators</b>	<b>Bank-Supported Activities Contributing to Outcomes</b>
<b>More equitable access to local services:</b> increased access to permanent dwelling (from 93%) <i>Not reported</i> ; increased access to safe water (from 78%) <i>Increased to 83%</i> ; increased access to sanitation (from 69 percent) <i>Not reported</i> . Overall limited progress; some services deficits for the poorest increased	(i) Housing programs better targeted; housing finance and land tenure reforms: <i>Substantial improvements in targeting, good Bank contribution</i> (ii) Integrated programs for investment in water and sanitation: <i>Only recent legal improvements; Bank operated in "low case scenario"</i> (iii) Implement sector strategies for sustainable local service provision: <i>limited progress, mixed Bank contribution, problems with municipal lending</i>	(i) Housing TA project ( <i>delivered</i> ), housing SWAp ( <i>DPL instead</i> )  (ii) Small municipalities water and sanitation project; Water and Sanitation SWAp ( <i>not delivered; two TA projects instead</i> )  (iii) Rural electrification SWAp ( <i>not delivered; some municipal projects delivered instead</i> ); ESW for Municipal Strategy and Northeast Strategy ( <i>not reported</i> )
<b>Better water quality and water resource management:</b> Increase legal allocation of water rights (from 10% of basins) <i>Increased to Overall substantial institutional improvements</i>	(iv) Increased number of NE and SE water basins with legal allocation of water rights: <i>Substantial improvement</i> (v) Improved water quality, esp. in urban SE: <i>limited progress</i>  (vi) More efficient water resource management (esp. in NE): <i>substantial improvements and Bank contribution</i>	(iv) Sustainable Dev. Program Reform Loan series ( <i>one project delivered</i> )  (v) Sao Paulo Billings project ( <i>postponed to FY08</i> ); State Water Resource projects ( <i>not delivered</i> ) (vi) NE State Water Resource projects ( <i>one delivered</i> ); Nat. Water Resources Management projects (I and II) ( <i>PROAGUA I delivered</i> )
<b>More sustainable land management, forests and biodiversity:</b> Increased protected land (from 8%) <i>Increased to 13%</i> and indigenous land (from 11%) <i>Increased to 12%</i> ; increase area under forest management (from 190.000 Ha) <i>Area doubled—yet deforestation increased albeit at a slowing rate</i> ;	(vii) More systematic land use zoning and enforcement: <i>small improvements, weak enforcement</i>  (viii) Adoption of sustainable forest strategy: <i>some legal and institutional progress; limited progress on the ground</i>  (ix) Strategy for biodiversity conservation: <i>Some institutional improvement supported by earlier ARPA and grants</i>	(vii) Sustainable Dev. Program Reform Loan series ( <i>one approved</i> ); State Integrated projects ( <i>some delivered</i> ) (viii) National Forest project ( <i>not delivered</i> ); Carbon Fund ( <i>information not reported</i> ); IFC support for corporate social/environmental responsibility (ix) Ongoing Amazon Region Protected Areas (ARPA), Rain Forest Pilot (new and ongoing) ( <i>no new lending projects delivered</i> ); grants ( <i>not reported</i> ).

12. **Competitiveness: Spurring Sustainable Growth.** The PPA's Long-Term Goals in this area included (i) improved infrastructure, (ii) broader and more efficient financial sector, (iii) improved investment climate and competition and (iv) more modern innovation policy, all of them expected to lead to higher growth. Yet, Brazil's overall growth results have been disappointing during the CAS period, largely because of limited improvements in the investment climate. Bank contributions both through AAA and lending (this pillar accounted for only 6 of the 32 projects but nearly 36 percent of total lending volume) were relevant, but still small in the context of the Brazilian economy and encompassing too many objectives. Higher focus on fewer of the long-term goals in this area would have been desirable. The CASCR notes: "The Bank's assistance did not make a difference, in the short run, at least".

**Summary of Results vs. Original CAS Objectives:  
Competitiveness**

PPA long-term goals and targets for 2007	CAS medium-term Outcomes and Intermediate Indicators	Bank-Supported Activities Contributing to Outcomes
<b>Improved infrastructure:</b> increased trade volume (from 24% of GDP), <i>Not reported</i> ; increased investment (from 19% of GDP), <i>Not reported</i> . Overall achievement low	(i) More modern infrastructure regulation and maintenance: <i>limited improvement (public-private partnership (PPP) law approved; but investment remained low, regulation uncertainty continued</i> (ii) Lower logistics costs: <i>limited improvements with moderate Bank impact (through TAL, Growth DPL)</i>	(i) Programmatic Growth DPL series ( <i>Growth I FY04, Growth II FY06, one TAL</i> ); road maintenance SWAp ( <i>delivered</i> ); MIGA and partial risk guarantees ( <i>not reported</i> ) (ii) Growth DPLs and TAL ( <i>see above</i> ); MIGA guarantees, IFC activities ( <i>not reported</i> )
<b>Broader and more efficient financial sector:</b> lower spreads for enterprises (from 22%), <i>not achieved</i> ; increased access to bank services (from 95 million bank accounts) <i>achieved (increased to 140 million)</i> . Overall modest progress	(iii) lower interest rates for individuals and enterprises ( <i>achieved but interests and spreads remain high; bankruptcy law approved</i> ) (iv) enhanced competition, lower directed credit ( <i>not achieved</i> ) (v) increased private sector long-term finance: <i>limited improvement</i> (vi) increased access of poor to banking services: <i>not known</i>	(iii) Programmatic Growth DPL series ( <i>see above</i> ); Financial Sector AAA ( <i>delivered</i> ); IBRD and IFC microfinance lending ( <i>a FY00 project</i> ) (iv) Central Bank TA project (FY01) and new ( <i>not delivered</i> ) (v) IFC activities on financial markets ( <i>not reported</i> ) (vi) IBRD and IFC microfinance lending ( <i>see above</i> )
<b>Improved investment climate and competition:</b> Higher rank in World Competitiveness Survey (from 15 out of 59): <i>Not achieved-ranking declined</i>	(vii) Clearer application of anti-trust laws: <i>Not achieved, law not approved</i> (viii) Simplified company registration and taxation: <i>limited progress, modest Bank impact (AAA)</i>	(vii) Programmatic Growth DPL: <i>see above</i>  (viii) Investment climate AAA: <i>delivered, well disseminated and effective</i>
<b>More modern innovation policy:</b> Increased patents issued in the US to Brazilians (from 150): <i>Not reported</i>	(ix) Establishment of modern institutional, legal and financing framework: <i>Innovation law passed</i> (x) More equitable access to higher education: <i>indicators not reported</i>	(ix) Innovation AAA ( <i>delivered</i> ); WBI assistance ( <i>not reported</i> )  (x) IFC activities ( <i>not reported</i> )

CASCR does not mention Growth I

13. **Macro-foundations: Ensuring a Stable Economy and Good Governance.** The Long-Term Goals in the government's PPA were (i) sound macroeconomic management and fiscal reforms, (ii) more efficient public expenditure management, and (iii) good governance. The CASCR reports mixed progress: Brazil achieved substantial success in consolidating economic stabilization and the institutions for credible economic management, tempered by lack of progress on the reform of the regulatory and administrative environment. Bank impact is also assessed as mixed: it was high on pensions, procurement and (some) state public sector reform but lower on public sector management at Federal level, while progress on public sector spending was not considered sufficient to move forward with a Fourth Programmatic Fiscal Reform Loan. The CASCR does not have a substantive discussion of Brazil's macroeconomic framework and its potential effect on the "fiscal space" needed to allow for the increases in infrastructure investments required to sustain economic growth and poverty reduction. In terms of Bank lending activities, this area accounted for only 4 of the 32 projects, but about 20 percent by lending volume.

**Summary of results vs. original CAS objectives:  
Macro-foundations**

PPA long-term goals and targets for 2007	CAS medium-term Outcomes and Intermediate Indicators	Bank-Supported Activities Contributing to Outcomes
<b>Sound macroeconomic management and fiscal reforms:</b> Lower public debt ratio (from 57%): <i>achieved</i> ; lower share of public debt due within a year (from 43%): <i>not reported</i> ; and share of debt foreign exchange indexed (from 36%): <i>achieved</i> . Overall <i>substantial progress</i> .	(i) Falling public debt and improved debt composition: <i>Substantial improvement, Bank impact limited, if any</i>  (ii) More fiscally sustainable social security system: <i>achievements unclear, risks remain, indicators not reported</i> (iii) Increased openness of the economy: <i>substantial external sector improvements, Bank impact limited, if any</i>	(i) Programmatic Fiscal Reform DPL series ( <i>4<sup>th</sup> DPL on public spending not delivered</i> ); AAA on social security and on fiscal reforms ( <i>not reported</i> ) (ii) Same as above ( <i>3<sup>rd</sup> DPL on social security FY06</i> ). Social Security TAL ( <i>LIL delivered FY07</i> )  (iii) Programmatic Growth DPLs ( <i>see competitiveness section</i> )
<b>More efficient public expenditure management:</b> Lower ratio of state personnel costs to current revenues (target below 0.6; 7 states exceeded target in 2002): <i>Indicators not reported; lack of progress suggested: planned DPL on public spending not approved</i>	(iv) Reduced budget rigidity, reallocations for more public investments: <i>rigidities remain, pilot to increase public investment with IMF assistance (Bank role modest)</i> (v) Increased quality and efficiency of spending (monitor especially at state level): <i>Progress and Bank impact "disappointing"; no discussion of evaluation objective</i>  (vi) Increased efficiency and transparency in government procurement: <i>Indicators (law, training) not reported but progress, and Bank impact, assessed as substantial</i>	(iv) Programmatic Fiscal reform DPLs ( <i>see above: 4<sup>th</sup> DPL not delivered</i> ); PE management TAL ( <i>not delivered</i> )  (v) Programmatic Fiscal reform DPLs ( <i>see above</i> ); PE Review (Federal and selected states), PE Management TAL, State financial management AAA ( <i>AAA work not effectively completed or disseminated</i> ) (vi) PE Management TAL ( <i>not delivered</i> ); State Procurement AAA ( <i>CPAR and procurement indicators exercise instead</i> )
<b>Good governance:</b> Rank of WBI Government Effectiveness Indicator (from 50 out of 199): <i>Not achieved</i>	(vii) Increased capacity and results-orientation of sub-national governments: <i>Substantial improvements (Fiscal Resp. Law); Bank contribution substantial in Minas Gerais and Ceara</i> (viii) Increased public participation: <i>Some improvement, Bank impact limited (IDF grant)</i> (ix) Improved property rights, law and contract enforcement: <i>some progress and Bank impact (AAA and Growth TAL)</i>	(vii) Sub-national PE Reviews ( <i>not reported</i> ); Integrated state projects ( <i>Minas Gerais DPL, Ceara SWAP</i> )  (viii) IDF grant (ongoing), WBI governance assistance and Governance AAA ( <i>none reported</i> ) (ix) Judiciary AAA ( <i>delivered, good impact</i> ); Programmatic Growth DPLs ( <i>delivered, more impact through TAL</i> )



14. **Achievement of CAS Objectives.** The main findings on achievements for the four groups of objectives discussed above are summarized in the following table:

Achievement of CAS Objectives			
Objectives	CASCR Rating	IEG Rating	Explanation / Comments
I. <b>A more equitable Brazil:</b> Investing in people.	NR	S	The outcome of Bank support in this area is rated satisfactory because of substantial contributions to decreased vulnerability of the poor, more targeted social safety network (Bolsa Familia), and health outcomes, as well as more modest contributions to education. The areas where the Bank failed to make a contribution (youth unemployment, culture, wage and services gaps) did not detract from the achievements above.
II. <b>A more sustainable Brazil:</b> Providing local services and managing natural assets	NR	MS	The outcome of Bank support is rated marginally satisfactory because of good Bank contributions and outcomes on water resource management, more modest contributions in land management and biodiversity, and poor results in access to local services (and problems with municipal lending).
III. <b>A more competitive Brazil:</b> Spurring sustainable growth	NR	MU	The outcome of Bank support is rated marginally unsatisfactory because of the limited achievements and Bank impact on improving investment climate, competition and financial sector efficiency. There were minor improvements on PPP legislation but regulation uncertainty continued. Overall country achievements in this area were also low.
IV. <b>The macro-foundations:</b> Ensuring a stable economy and good governance	NR	MS	The outcome of Bank support is rated marginally satisfactory because of substantial impact on capacity and results orientation of sub-national governments (esp. M Gerais and Ceara) and government procurement, together with some impact on investment allocations and public participation. Impact on quality of spending was disappointing.

**Comments on Bank Performance:**

15. The Bank's strategy was relevant and fully aligned with the Government's program as presented in the PPA. At the same time, however, the many components of the Bank strategy made for an overall set of objectives that was too ambitious, particularly when the size of the Bank program, both lending and non lending, is compared with the size of the Brazilian economy and even of its public sector. This led also to a dispersion of efforts, particularly in terms of planned interventions. The actual program delivered was smaller and more focused, partly because of reduced country financing needs, and partly because some components were not sufficiently discussed with Government before being put in the CAS (e.g. municipal financing). In retrospect, the Bank's relative emphasis among the four components of the program may not have paid sufficient attention to the findings of the CASCR for the previous period (FY00-03), which concluded that there had been good progress on poverty alleviation and fiscal sustainability, but less so on growth, environmental sustainability and governance. The emphasis and results of the FY04-07 period seem to reiterate this earlier finding. Specific Bank lending and AAA programs were of good quality: DPLs and SWAs evolved and improved to become a major component of the lending program. AAA was excessively fragmented; QAG reviews also found that, in some cases, AAA was not sufficiently disseminated. A corollary of the excessive ambition and breadth of the program, related to the size of the economy, was the difficulty and ultimate failure of the results framework (which was too complex and focused on outputs instead of outcomes) and its monitoring system. The latter was unrealistic, and not seen as useful by the Government. As a result, joint monitoring did not take place and Bank monitoring found it difficult to use the original framework, indicators and template. Bank supervision and attention to fiduciary issues was high (and particularly useful at state level), with significant achievements in procurement. The 2006 CAS Progress Report recognized some of the issues related to the depth and breadth of the program but fell short of a full assessment of the problems (the CASCR and the draft new CPS deal with these issues more frontally) and was overoptimistic with respect to lending during the last year of the CAS as well as regarding the monitoring framework.

**4. Overall IEG Assessment**

<b>Outcome:</b>	<i>Moderately satisfactory</i>
<b>Bank Performance:</b>	<i>Satisfactory</i>

16. The overall outcome rating of moderately satisfactory is directly related to the achievements under the four main areas above, as well as the high relevance tempered by the excessive ambition of the objectives. Substantial achievements in equity (including poverty reduction and reducing vulnerabilities among the poor) were accompanied by more modest results in sustainability (e.g. in improving local services) and macro-foundations (e.g. in public sector management at the Federal level and quality of public spending). More limited results were achieved in the area of competitiveness, as growth remained low and competition, and the investment climate did not improve significantly. Finally, the relative achievements among the four areas mirror the achievements during the previous CAS period. Although the CASCR for the FY00-03 already signaled the lower achievements under the growth and governance objectives, the emphasis of the Bank program during the more recent period was not able to redress this relative balance. Excessive dispersion in the lending and AAA programs may have contributed to these moderate results. In other words, a more modest set of objectives, and a more focused set of instruments addressing these objectives might have been allowed better outcomes, and would have made it easier to assess the impact of Bank interventions using a results framework.

17. In spite of the above shortcomings, Bank performance is rated as satisfactory because the actual program was adequately adjusted to face the changing country circumstances (including reduced lending volumes towards the end of the CAS period), and the quality of the lending and AAA activities was high. Supervision and attention to fiduciary issues was also good. Interventions at the state level were effective and the false start with municipal lending was addressed early, although no agreement with the Federal government on how to proceed in the next stage has yet been achieved.

## 5. Assessment of CAS Completion Report

18. The main weaknesses of the CASC Review derive from the failures of the original results framework (and of the monitoring template and indicators, and planned periodic monitoring) of the CAS. As a result, the CASC Review is unable to account for the indicators that had been established at the outset—and it is difficult to re-create a new set of success indicators ex-post. A detailed Annex to the CASC Review covers each of the 40 items in the CAS' original "Monitoring Template" (linked to the 12 Intermediate Objectives and the four main objectives). The discussion is, however, mainly qualitative, very few of the original indicators are reported and its overall tone is somewhat over-optimistic (more so than the CASC Review main text and Summary). As noted above, a more systematic attempt had been made in the CAS Progress Report of 2006, but covering only 19 of the 40 items. This shortcoming is compounded by the fact that the annex tables on IBRD operations were missing.

19. An additional critical shortcoming of the CASC Review is that its treatment of IFC's role is very limited. The CASC Review focuses almost exclusively on IBRD operations, providing no information on IFC's activities in Brazil.

20. In spite of the above limitations, the CASC Review presents a balanced assessment of the implementation of the IBRD components of the CAS, emphasizing the different levels of achievement among the four main areas and notes (to a greater extent than the 2006 CAS Progress Report), some of the shortcomings of the Results Framework and monitoring indicators (but does not discuss the frequent use of outputs instead of outcomes). It also points out the main design weaknesses of excessive breadth of objectives and dispersion of instruments. In its Summary it raises a set of five useful questions/lessons that can help guide future Bank strategy in Brazil (need for more focus, the challenge of growth, the complexities of lending in a liquid Brazil, the complexities of sub-national level work and the difficulties of defining success of Bank interventions in a large MIC).

21. Specific details of Bank assistance are scattered throughout the discussion, but there is no systematic discussion of which parts of the program (lending and non-lending) were delivered, which ones were not, and why (as noted earlier, some major shortcomings, such as the municipal lending issues are discussed). Coverage of implementation issues is also limited. Also, there is no set of tables to help the reader understand, in a synthetic way, what did and did not happen throughout the period. IEG asked the Region for additional information on lending and non-lending activities: for non-lending activities little additional information seems to have been available. Thus, the CASC Review would have benefited from a more systematic discussion of outcomes, outputs and indicators (even if some of the original ones are not available or need changing), a set of tables that clearly show which of the planned activities were delivered and which ones were not (as well as the reasons why), and greater consistency between the detailed discussion in the Annex and the more sober conclusions in the main text and the Summary.

## 6. Findings and Lessons

22. The CASC Review has a brief "Conclusions" section focusing only on the different levels of results among the main objectives (good for poverty, fiscal discipline and some aspects of environmental sustainability; less so for growth, infrastructure, public sector management and quality of public spending). Although in its early sections the CR notes that the experience of the previous CASC Review showed similar results, no lessons are drawn from this similarity. On the other hand, the CASC Review Summary presents the useful set of five questions/lessons mentioned above.

23. The experience of two successive CAS periods, documented in two CASC Reviews, of the lower degree of success regarding growth and public sector management (as well as some aspects of environmental sustainability), both of which have been important pillars of Bank strategy (and of the Government program) suggests the need to pay greater attention to implementation in these two

areas. Assessment of possible collaboration by the Bank and IFC in supporting private sector development is limited by the CASCR's lack of attention to IFC issues. The combination of three of the questions/lessons in the CASCR Summary (need for greater focus, the difficulties of continuing a substantial lending program in a context of reduced country financial needs, and those of defining success and particularly "Bank impact" in a large country with a small Bank program) require greater attention in definition and implementation of the future partnership strategy. A closely related aspect is the results framework and monitoring indicators and template. The failure of the complex mechanism devised at the beginning of the FY04-07 CAS points to the need for a simpler, but more effective mechanism in the future.

24. Some additional lessons regarding instruments of Bank assistance can also be derived from the CASCR discussion: first, SWAp operations, both at the Federal and state level, have become increasingly useful and attuned to the Brazilian conditions; they have been increasingly focused on results (including for disbursement), have allowed increasing use of country systems while maintaining or improving attention to fiduciary issues, and have contributed to the increase in disbursement rates (as SWAs are included among investment operations). Second, DPLs have had a more mixed impact and results than SWAs, although they have continued to be important. Third, sub-national lending at the state level has been generally successful, in spite of the limited use of the planned criteria for engagement: a focus on reforming states and satisfactory operational procedures produced several successful operations, notably in the public sector reform area. Fourth, sub-national lending at the state and municipal level requires careful attention to its potential impact on aggregate fiscal performance (and the Fiscal Responsibility Laws); in Brazil such fiscal performance remains a challenge that needs to be tackled if Bank lending is to be able to support improved delivery of local services. The CASCR has only limited discussion of the role of AAA, and the major lessons emerging from the discussion are the need for greater focus and better dissemination. Brazil's sophisticated environment in terms of academic and research institutions raises the question of how successful joint and participatory the AAA has been and should be.

**Annex Table 1. Brazil: Planned vs. Actual Commitments (in US\$ millions), FY04-07**

**Annex Table 2. Brazil: Planned and Actual Analytical and Advisory Work, FY04-07**

**Annex Table 3. IEG Project Ratings for Brazil, FY03-07**

**Annex Table 4. Brazil: Portfolio Status Indicators by Year, FY03-07 (in US\$ millions)**

**Annex Table 5. Brazil: IBRD / IDA Net Disbursements and Charges (US \$ millions), FY03-07**

**Annex Table 6. External Assistance to Brazil, Total Net Disbursements, 2003-2006  
(in US\$ millions)**

**Annex Table 7. Brazil: Key Economic and Social Indicators, 2003-2006**

**Annex Table 8. Brazil: Millennium Development Goals Annex**



**Annex Table 1. Brazil: Planned vs. Actual Commitments (in US\$ millions), FY04-07**  
*Proposed IBRD Higher Range Base Case Lending Range Program*

Theme	Projects	Proposed FY	Approval FY	Proposed Amt	Approved Amt	Approved Project Title	Notes
Equity	HD TAL	FY04-05	FY06	8	8	HD TAL	
	Social Assist. I APL (swap)	FY04-05	FY04	250	572.2	(CRL 1) Bolsa Familia 1st APL	
	Vigisus II APL (swap)	FY04-05	FY04	100	100	BR Disease Surveillance & Control APL 2	
	PE Integ (Educ Quality)	FY04-05	FY05	31.5	Dropped	PE Integ. Dev. Education Quality Improv.	
	HD Programmatic Ref II	FY04-05	Dropped	400	Dropped	2nd HD Program. Sctr Ref	
	Employ/Youth (swap)	FY04-05	Dropped	100	Dropped	First Employment Project	CASCR table suggests that it was not pursued. BW suggests that First Employment Project (\$170m) was dropped. We started the studies for a future loan and had already an AIS, but did not move forward. We consider it more a not pursued than a dropage
	State A Integ (Ed, WRM)	FY04-05	Dropped	50			CASCR table from region suggests that this project was not pursued
	State B Integ (Health)	FY04-05	Dropped	80	Dropped		
	Family Health II APL (swap)	FY06-07	Planned for FY08	110	83.5	Family Health II APL	
	Social Assist II APL (swap)	FY06-07	Planned for FY09	350	260	Bolsa Familia	
	Municipal ECD	FY06-07	Dropped	100			
	HD Programmatic Ref III	FY06-07	Dropped	400			
	HD TAL II	FY06-07	Dropped	10			This project was to accompany HD TAL
	State F Integ (Ed.Youth)	FY06-07	Dropped	100		MG ST.Education (Integrated)	
	State E Integ (Ed.)	FY06-07	Dropped	100			
	State C Integ (Health II)	FY06-07	Delayed to FY08	24	Combined with another project	Alto Solimoes Basic and Sustainable Dev	Part of the Amazonas Project
	Rio Munic. ECD	FY04-05	Dropped	60	150	Dropped-BR RJ Basic Educ Quality Imp.	
	Health Quality Project (Qualisus)	2007 (PR)	Delayed to FY09	500		Brazil Qualisus-Rede	
	Family Health Extension II	2007 (PR)	Delayed to FY08	121		2nd Family Health Extension	
	Amazonas: Regional Dev Project	2007 (PR)		76			Includes the Alto Solimeos project
	HD Programmatic Sec. Ref. II DPL	2007 (PR)	Delayed to 2012	500	Dropped	Sane as HD DPL11	
<b>Equity</b>	<b>Subtotal</b>			<b>3470.5</b>	<b>1173.7</b>		
Sustainability	Sustainable Development Reform I	FY04-05	FY05	300	502.52	1st. PRL for Environmental Sustainab.	
	Small Municipalities	FY04-05	Dropped	60		Small Municip Integr. WSS	
	MG Rural Poverty	FY04-05	FY06	35	35	Minas Gerais Poverty Reduction	
	Amapa Sust Comm	FY04-05	FY05	14	4.8	Amapa Sustainable Communities	
	Alagoas Rural Poverty	FY04-05	Dropped	35		Alagoas RuralPvtyReduction	

Theme	Projects	Proposed FY	Approval FY	Proposed Amt	Approved Amt	Approved Project Title	Notes
	Maranhao Integr (rural/ed)	FY04-05	FY04	40	30	BR Maranhao Integrated: Rural Dev	
	Munic. Integ (I- Betim)	FY04-05	FY05	24	24.1	Integ.Munic.Proj.-Betim Municipality	
	BR(CRL1)Prog Growth for Housing	FY05	FY05	502.5	502.5	Part of Munic. Integrated (I Betim)	A Credit Line- It is a DPL accompanying the Housing Sector TAL
	Munic. Integ (II - Urb Environment)	FY04-05	FY07	25	17.3	Uberaba Municipality Project	
	Housing/Urban TAL	FY04-05	FY06	20	4	Housing Sector TAL	
	National Forest I	FY04-05	Dropped	100		BW indicates that this project was dropped	
	Power Access (swap)	FY04-05	Dropped	200	200	(CRL1) Nat'l Electrification	
	State N Integrated (urban water quality)	FY04-05	FY09	250	129	Integrated Water Management São Paulo	
	Tocantins Integ (Rural)	FY04-05	Dropped	36	36	Tocantins Integrated Development	
	Espirito Santo (sanitation)	FY04-05	FY05	36	36	Espirito Santo Water & Coastal Pollution.	
	Sustainable Development Reform II	FY06-07	Dropped	400			
	Housing I (swap)	FY06-07	FY05	200		Integ.Munic.Proj.-Betim Municipality	Not pursued. This was supposed to follow the Housing DPL. Government has mentioned a PAC TAL (Infrastructure TAL) for the coming year.
	Northeast Water Resources - SF APL (swap)	FY06-07	FY07	100	50	Fed Wtr Res Mgmt Add'l Financ (PROAGUA)	PROAGUA Additional Financing
	National Environment III	FY06-07	Delayed to FY09	15			Under preparation. Will slip to FY09
	Water/Sanitation (swap)	FY06-07	Delayed to FY09	100		PAC TAL (WSS/Housing)	
	State H Integrated (Nat Res)	FY06-07	FY07	50	60	Pará Integrated Rural Development	
	Para Integrated Rural Development	2006 (PR)	FY07	60	60	Part of the State H Integrated project	See above
	Piauí Rural Poverty Reduction II	2007 (PR)	FY07	22.5	22.5	Piauí Rural Pov Add'l Financing	Additional Financing
	Pernambuco Rural Pov. Reduction II	2007 (PR)	FY07	30.1	30	Pernambuco Rural Pov. Add'l Financing	Additional Financing
	Rio Grande do Norte Integrated (water res.)	FY06-07	FY08	15	36	Rio Grande do Norte Water Res. Mgmt Integrated	
	Munic. Integ (III)	FY06-07	Dropped	30	34.1	Belo Horizonte Municipal	
	Ceara Rural Poverty Reduction II	2006 (PR)	FY06	37.5	37.5	Ceará Rural Pov. Add'l Financing	
	Brasilia Environmentally Sustainable	2006 (PR)	FY06	57.6	57.64	Brasilia Environmentally Sustainable	
	Environmental Sust. Agenda TAL	2006 (PR)	FY06	8	8	ENVIRONMENTAL SUST. AGENDA TAL	
	(CRL 2) Bahia State Integ. Proj. Rur. Pov	2006 (PR)	FY06	54.4	54.4	Bahia State Integ Proj Rur Pov	
	RGN State Integrated Water Res Mgmt	2007 (PR)	Postponed to 2008	35.9		RGN State Integrated Water Res Mgmt	
	PROAGUA 2	2007 (PR)	FY07	100	200	Federal Water Res. Management Proagua AF	An Additional Financing of US 50 Milion was approved
	RS Integrated Municipal Development	2007 (PR)	Postponed to 2008	60		(APL1) RS Integrated Munic Dev	
	Guara Vermelho Mun. Cubatso	2007 (PR)	Postponed to 2008	14.6		Municipal APL1: Cubatso - Guara	
	(CRL2) Sergipe Integrated Rural Poverty	2007 (PR)	Dropped	20.8		SE State Integ Proj: Rur Pov	
	RS Integrated Reg	2007	Postponed to	180		RS Integ. Regional	



Theme	Projects	Proposed FY	Approval FY	Proposed Amt	Approved Amt	Approved Project Title	Notes
	Development	(PR)	2008			Development	
<b>Sustainability</b>	<b>Subtotal</b>			<b>3268.9</b>	<b>2171.36</b>		
<b>Competitiveness</b>	Growth Agenda I	FY04-05	FY04	500	505.1	Loan for Sustainable and Equitable Growth DPL	
	Growth Agenda TAL I	FY04-05	FY05	10	12.12	Sustainable and Equitable Growth TAL	
	Tocantins Integr (Rur Infr)	FY04-05	FY04	60	60	Tocantins Sustainable Regional Dev	
	Financial Sector TAL	FY04-05	Dropped	10			
	Bahia Integrated (Urban)	FY04-05	FY06	49	49.3	Bahia Poor Urban Areas Int. Dev.	
	Municipal Integ (transport)	FY04-05	Dropped	150		Curitiba Urban Transport	
	State E (Adjust/Guar)	FY04-05	FY06	200	170	MG Partnership for Development DPL	
	State D (Integ)	FY04-05	Dropped	60			
	Growth Agenda II	FY06-07	FY06	400	150	2nd Programmatic Sust. and Equitable Growth	Downsized because of lack of Government commitment to DPLs
	Growth Agenda TAL II	FY06-07	Dropped	20			
	Science & Tech	FY06-07	Dropped	80			
	Infrastructure Guarantee	FY06-07	Dropped	150		Munic. Infrastructure Facility	
	Highways maint (swap)	FY06-07	Dropped	100			Replaced by the Road Transport Project
	State O Integ (Hwys-APL)	FY06-07	Delayed to FY08	65		Goias State Highway 2 - SIL	
	State I Integ (Regional)	FY06-07	Delayed to FY08	72			
	Road Transport SWAP	2006 (PR)	FY06	502.5	501.25	Road Transport Project	
	Bahia Integrated State Highway Managmt.	2007 (PR)	FY07	100.5	100	Bahia Integr.Hway Mngmt.	
	Municipal APL (Uberaba, )	2007 (PR)		109.4	17.27		
	Uberaba Municipal APL Recife	2007	FY07				
		2007	Delayed to FY08				
	Belo Horizonte	2007	Dropped				
	Teresina	2007	Delayed to FY08				
<b>Competitiveness</b>	<b>Subtotal</b>			<b>2638.4</b>	<b>1565.04</b>		
<b>Macro Foundations</b>	Fiscal III (Pension)	FY04-05	FY05	658.3	658.3	Fiscal Reform: Social Security Reform	
	Public Sector/Expenditure TAL I	FY04-05	Not pursued	10			
	Fiscal IV (Expenditures)	FY04-05	Not pursued	300			
	Social Security TAL	FY04-05	Dropped	10		Social Sec. TA loan (MPAS)	
	Judiciary TAL	FY06-07	Not pursued	15			
	Public Sector/Expenditure TAL II	FY06-07	Not pursued	15			
	Fiscal V	FY06-07	Not pursued	400			
	Ceara Multi-sector Social Incl. Dev.	2006 (PR)	FY06	149.8	149.75	Ceara Multi-sector Social Incl. Dev	
	State Pension Reform TAL II	2007 (PR)	FY07	5	5	State Pension Reform TAL II	
<b>Macro Foundations</b>	<b>Subtotal</b>			<b>1563.1</b>	<b>813.05</b>		
<b>Total</b>	<b>All Pillars</b>			<b>10940.9</b>	<b>5723.15</b>		

\*The Actual Commitments for the Sustainability Pillar includes an additional financing amount of \$50 million to the PROGUA2 project

**Annex Table 2. Brazil: Planned and Actual Analytical and Advisory Work, FY04-07**  
*Proposed IBRD Higher Base Case AAA Program*

Theme	Programmed Products in CAS (03) and CASPR (06)	Proposed FY	Delivered FY	Output Type	Approved Product Title
Equitable	Health/Non-Communicable Diseases	FY04-05	2005		Non-communicable Diseases - Health
	Social Assistance (BRASA I)	FY04-05	2004		Social Protection Phase 1
	NOS Capacity Building Seminars	FY04-05	2004		Rede NOS
	Rural Education	FY04-05	Dropped		
	Health Expenditure Tracking	FY04-05	Dropped		
	Poverty Measurement Study	FY04-05	2006		Poverty Measurement
	Hospital Performance	FY04-05	2005/2007		Hospital Finance Performance Phase I / Phase II
	Social Exclusion	FY04-05	2004		Social Exclusion
	Youth at Risk	FY04-05	2005		Youth at Risk
	Social Assistance (BRASA II)	FY04-05	2005		Social Protection Phase 2
	Education Policy Review	FY04-05	Dropped		
	Education Positive Deviance	FY04-05	2005		Education Positive Deviance
	State HD report I	FY06-07	Dropped		
	Poverty: Impact of Shocks and Vulnerability	FY06-07	Dropped		
	Transforming Brazil's School System	FY06-07	Dropped		
	Private health insurance markets	FY06-07	Dropped		
	Market structure for professional services in health	FY06-07	Dropped		
	State/Municipal Safety Net	FY06-07	Dropped		
	Evaluation of municipal development councils	FY06-07	Dropped		
	Reducing Barriers to Employment	FY06-07	Dropped		
	BRAVA Programmatic Phase I	2006 (PR)	2006	TA	BRAVA Program Phase 1
	BRASA Phase 3	2006 (PR)	2006		Social Protection Phase 3
	BRAVA Programmatic II	2007 (PR)	2007	TA	BRAVA Phase 2 - Programmatic AAA to Support M&E in Brazil
	Labor Markets and Jobs Program.	2007 (PR)	2007		Labor Markets and Jobs
	Human Capital, Educ. Innov. Program.	2007 (PR)	2007		Human Capital Programmatic AAA
	Quality of Education Spending	2007 (PR)	2008		
Sustainable	Irrigation Social Externalities	FY04-05	2005		Irrig. Social Externalities in BR NE
	Spatial Approach to Poverty Reduction	FY04-05	2006		Spatial Approach to Poverty Reduction
	Contributions to Amazon Strategy	FY04-05	2005	TA	Amazon Strategy - Toward a More Equitable, Productive, and Sustainable Amazon: Input to CAS 2004-2007
	Northeast Strategy	FY04-05	2005		
	Urban Strategy	FY04-05	2007	TA	CA: Brazil- National Urban Dev Strategy
	Sao Francisco TA	FY04-05	2005	TA	Sao Francisco River Technical Assistance
	Safeguards Assessment	FY04-05	2007		Environmental Safeguards
	Sustainable Development	FY06-07	Dropped		
	Public Services for the Poor	FY06-07	Dropped		
	Forestry Report	FY06-07	Dropped		
	Tourism	FY06-07	Dropped		
	Brown Agenda-Solid Waste	FY06-07	Dropped		
	Environmental Safeguards	2006 (PR)	2006	TA	Brazil Environmental Safeguards
	ESMAP - Energy Work	2006 (PR)	Dropped		ESMAP Energy Work Program for Brazil
	Regulation for Infrastructure	2006 (PR)	2007		Regulation for Infr. PSP
	Sao Paulo Strategy	2006 (PR)	2007		(CRL2) Sao Paulo Study
	Regional Development Study	2007 (PR)	Dropped		
	Country Environmental Analysis (CEA)	2007 (PR)	2008		Environmental Licensing Study
	Drivers of Growth: Local Productive Arrangements/ Clusters	2007 (PR)	Dropped		

Theme	Programmed Products in CAS (03) and CASPR (06)	Proposed FY	Delivered FY	Output Type	Approved Product Title
<b>Unplanned and delivered</b>					
Competitive	Land Administration TA		2007		
	Local Economic Development	FY04-05	2005		Local Economic Development
	Regulation for Infrastructure	FY04-05	Dropped		
	Access to Financial Services	FY04-05	2004		Access to Financial Services
	Investment Climate Survey	FY04-05	2005		Brazil Investment Climate Assessment
	Skills, Trade and Growth	FY04-05	Dropped		
	Financial Sector I (Intermediation Spreads)	FY04-05	2008	TA	Brazil Financial Sector Non Lending Technical Assistance
	Debt Markets/Capital Markets	FY04-05	2004		Bankruptcy and Collateralized Cred.
	Property Rights, Bureacracy	FY06-07	Dropped		
	Dynamic Gains from Trade	FY06-07	Dropped		
	Infrastructure Investments	FY06-07	2007		Regulation of Infrastructure
	Financial Sector II	FY06-07	2008	TA	Brazil Financial Sector Non Lending Technical Assistance
	FP Report	FY06-07	Dropped		
	Knowledge Society Assessment	FY06-07	Dropped		
	Transportation Logistics, Corridors and Infrastructure Investments	2007 (PR)	2008	TA	Improving quality of road transport investments
	Improving Expenditures	2007 (PR)	Dropped		
	Energy Security	2007 (PR)	2008		Energy Security (Joint)
	Deepening and Broadening Financial Markets	2007 (PR)	Dropped		
	City Economic Growth and Competitiveness	2007 (PR)	2008	TA	City Econ Growth and Competitiveness
Foundations	Federal Public Expenditures I	FY04-05	2004		Federal Pub. Expenditures I - Pernambuco
	Fiscal Policy for Investment Grade	FY04-05	2004		Fiscal Policy for Investment Grade
	Social Security Reform Update	FY04-05	2005		Social Security Reform Update
	Judicial Performance and Investment Climate	FY04-05	2004		Judicial Performance & PS Impacts
	State CFAA (each FY)	FY04-05	2004/2005		State CFAA
	State CPAR (each FY)	FY04-05	2004/2005		State CPAR
	MG SEM	FY04-05			
	Judicial Reform	FY04-05	2005		Judicial Reform
	Governance, Social Inclusion and Investment Climate	FY04-05	2007	AAA	Good Governance AAA I & II
	Federal Public Expenditures II	FY04-05	2006		Federal Public Expenditures
	Programmatic State Integration I	FY04-05	2006		Prog. State Integration I & Governance
	MuniNet TA	FY04-05	Dropped		
	Monitoring and Evaluation	FY04-05	Dropped		
	Trade, Competitiveness, and Vulnerability	FY06-07	Dropped		
	Debt Management	FY06-07	2005		Debt Management
	Federal Public Expenditures III	FY06-07	2006		Federal Public Expenditures
	State CFAA (each M)	FY06-07	Dropped		
	State CPAR (each FY)	FY06-07	Dropped		
	Crime and Violence	FY06-07	2006		Crime and Violence in Brazil
	Programmatic State Integration II	FY06-07	Dropped		Prog. State Integration II (Health in Curitiba & SP)
	Policy Notes/CEM/DPR	FY06-07	2006		Brazil PFM Policy Note
	Programmatic State Integration III	FY06-07	Dropped		
	Strength. Plann. Capacity in Sao Paulo FY06	2006 (PR)	2006	TA	Strength. Plann.Capacity in Sao Paulo
	Interest Rate	2006 (PR)	2007		Interest Rates
	BRAPOV I Poverty Measurement Study	2006 (PR)	Dropped		
	Health PETS	2006 (PR)	Dropped		

Theme	Programmed Products in CAS (03) and CASPR (06)	Proposed FY	Delivered FY	Output Type	Approved Product Title
	Social Security Ref. for Equity and Growth	2006 (PR)	2009	TA	Social Security
	Policy Notebook	2006 (PR)	Dropped		
	Enforcing Fiduciary Responsibilities	2007 (PR)	Dropped		
<b>Unplanned and delivered</b>					
	FSE: Collateralized Secured Lending		2004	TA	
	Brazil FSAP Follow Up		2004	TA	
	FSE: Credit Co-ops and Access to Financial Services		2004	TA	
	Brazil Municipal Development Network		2004	TA	
	FSE: BR Bankruptcy & Collateralized Cred		2004	TA	
	Brazil - Insolvency ROSC		2004		
	BR 163 Environmental Mitigation		2005	TA	
	CA: Sao Paulo (Brazil) "Bairro Legal"		2005	TA	
	Technical and Social Assistance Project of the Urban Poverty Reduction Program in the Ribeira Azul Area of Salvador, Bahia, Brazil		2005	TA	
	CA: Brazil- Housing & Urban Dev Policy		2005	TA	
	(LOCKED) Brazil Land Markets TUDUR		2005		
	Brazil A&A ROSC		2005		
	(LOCKED) CCGPP: Brazil 3 Ctry Assessment		2005		
	Rio Grande do SUI Planning		2005		
	Brazil Multi-Sectoral Program of Support for Evaluation		2006	TA	
	Clean Air Initiative in Rio de Janeiro		2006	TA	
	Environment in Fiscal Reform and Water Pricing		2006	TA	
	Analyses of Environmental Impacts of Government's Eixos in the Amazon Region		2006	TA	
	Priorities and Long term Strategies for Ministerio do Meio Ambiente		2006	TA	
	CA: Salvador, Bahia (Brazil) upgrading		2006	TA	
	Governance in Brazil's Unified Health		2006		
	Brazil Gas Pipeline		2007	TA	
	Implementation Support for PROESCO		2007	TA	
	Brazil- SISNAMA National Ministry of Environment Capacity Development Program		2007	TA	
	Brazil: Energy Efficiency Strategic Appraisal		2007	TA	
	Governance (Programmatic)		2007	TA	
	Porto Alegre Participatory Budgeting		2007		
	Land Administration TA		2007		
	Towards a Sustainable & Fair Pension		2007		
	State Strategy		2007		
	Strengthening Macro Monitoring		2007		
	(FSE) Industry Struct of Banking Serv		2007		
	Sao Paolo Study		2007		
	Brazil-National Urban Strategy		2007		
	Urban Policy		2007		
	Second Fee Based Contract for the Concession of Public Irrigation Perimeters		2008	TA	
	Building Capacity of the Demand Side of Governance in the Health Sector in Brazil		2008	TA	
	Brazil BM&F Strengthening carbon market infrastructure and institutions		2008	TA	
	Energy Development		2008	TA	

Sources: Brazil CAS 2003; Brazil CASPR 2006; WB Operations databases; BW Tables 1.4 for ESW and TA as of 12.07.07

Annex Table 3A. IEG Project Rating for Brazil, Exit FY03-07

Exit FY	Proj ID	Project Name	Approval FY	Eval Type	IEG Outcome	IEG Sustainability	IEG ID Impact	Net Commitments
2003	P006454	Rondonia Ntrl Res. M	1992	ES	Unsatisfactory	Unlikely	Negligible	148.4
2003	P006475	BR Land Rfm Pilot (SIM)	1997	ES	Satisfactory	Likely	Substantial	68.5
2003	P006505	Mato Grosso Nat Res	1992	ES	Unsatisfactory	Unlikely	Negligible	179.0
2003	P006522	Espirito Santo Water & Coastal Pollution	1994	ES	Moderately Satisfactory	Likely	Negligible	112.5
2003	P006541	BR Water Quality & Pollution Control Pr	1993	ES	Satisfactory	Likely	Substantial	236.9
2003	P048357	Brazil Cen.Bank TAL	1998	ES	Satisfactory	Likely	Substantial	20.0
2003	P054120	BR- AIDS & STD Control II	1999	PAR	Satisfactory	Likely	Substantial	161.5
2003	P059565	BR- BA Basic Edu Project (Phase I)	2001	ES	Satisfactory	Likely	Substantial	67.2
2003	P066259	BR Prgrm.Fincl Sctr II	2002	ES	Satisfactory	Likely	Substantial	404.0
2003	P076905	Energy Sector Reform Loan	2002	ES	Satisfactory	Likely	Substantial	454.6
2003	P080746	BR-HD Prgm. Sector Reform Loan	2003	ES	Satisfactory	Likely	Substantial	505.1
2004	P006436	Ceara Urban Development & Water Resource	1995	PAR	Moderately Satisfactory	Likely	Modest	136.2
2004	P006554	BR- Health Sector Reform - REFORSUS	1996	ES	Unsatisfactory	Unlikely	Modest	252.4
2004	P006564	BR Belo H M.TSP	1995	PAR	Moderately Satisfactory	Likely	Substantial	92.1
2004	P006571	Demonstration Projects	1995	ES	Moderately Satisfactory	Likely	Substantial	0.0
2004	P038882	BR Recife M.TSP	1995	PAR	Moderately Satisfactory	Likely	Substantial	100.5
2004	P038947	BR- Sc. & Tech 3	1998	ES	Satisfactory	Likely	Substantial	66.2
2004	P039200	BR Energy Efficiency (ELETROBRAS)	2000	ES	Not Rated	#	#	0.4
2004	P043874	BR- Disease Surveillance – Vigisus	1999	ES	Satisfactory	Likely	Substantial	54.1
2004	P044597	GEF BR-Biodiversity Fund (Funbio)	1996	ES	Satisfactory	Likely	High	0.0
2004	P051701	BR Maranhao R.Poverty	1998	ES	Satisfactory	Likely	Substantial	80.0
2004	P070641	BR-Prgm.Fiscal Ref II	2003	ES	Satisfactory	Likely	Substantial	404.0
2004	P080827	BR Loan for Sust. and Equitable Growth	2004	ES	Satisfactory	Likely	Substantial	516.2
2005	P006559	BR (BF-R)SP.TSP	1998	ES	Highly Satisfactory	Highly Likely	Substantial	45.0
2005	P006562	Bahia Municipal Inf. Dev't. and Mgm't.	1997	ES	Satisfactory	Likely	Substantial	100.0
2005	P035728	BR Bahia Wtr Resources	1998	ES	Moderately Satisfactory	Likely	Substantial	51.0
2005	P057649	BR Bahia Rural Poverty Reduction Project	2001	ES	Satisfactory	Likely	Substantial	54.4
2005	P058129	BR Emer. Fire Prevention (ERL)	1999	ES	Satisfactory	Likely	Substantial	8.9
2005	P062619	BR INSS Ref LIL	2000	ES	Satisfactory	Likely	Modest	4.9
2005	P080829	BR 1st. PRL for Environmental Sustainab.	2005	ES	Not Rated	Likely	Modest	502.5
2006	P006210	GEF BR-Nat'l Biodiversity	1996	ES	Satisfactory	Likely	Substantial	0.0
2006	P006532	BR Fed Hwy Decentr	1997	ES	Moderately Satisfactory	Likely	Substantial	249.0
2006	P006567	Indigenous Lands	1995	ES	Satisfactory	#	#	0.0
2006	P034578	BR RGS Highway MGT	1997	ES	Moderately Satisfactory	Non-evaluable	Substantial	70.0
2006	P035741	BR Nat'l Env 2	2000	ES	Satisfactory	#	#	8.1
2006	P037828	BR (PR)R.Poverty	1996	ES	Moderately Satisfactory	#	#	164.7
2006	P042565	BR Paraiba R.Poverty	1998	ES	Moderately Satisfactory	#	#	60.0
2006	P043868	BR RGS Land Mgt/Poverty	1997	ES	Satisfactory	Likely	Substantial	100.0
2006	P043873	BR AG Tech Dev.	1997	ES	Satisfactory	Likely	Substantial	60.0
2006	P047309	BR Energy Efficiency (GEF)	2000	ES	Moderately Satisfactory	#	#	0.0
2006	P050763	BR- Fundescola 2	1999	ES	Moderately Satisfactory	Highly Likely	Substantial	191.2
2006	P057910	BR Pension Reform LIL	1998	ES	Satisfactory	Highly Likely	High	4.5
2006	P074085	BR Sergipe Rural Poverty Reduction	2002	ES	Satisfactory	#	#	20.8
2006	P086525	BR 1st Prgm. Fiscal Ref - Soc Sec Reform	2005	ES	Satisfactory	#	#	658.3
2007	P050776	BR NE Microfinance Development	2000	ES	Satisfactory	#	#	38.5
2007	P055954	BR GOIAS State Highway Management	2002	ES	Satisfactory	#	#	64.4
2007	P057665	BR-Family Health Extension Project I	2002	ES	Highly Satisfactory	#	#	67.9
2007	P070827	BR-2nd APL Bahia Dev. Education Project	2003	ES	Moderately Unsatisfactory	#	#	60.0

Source:Business Warehouse as of March 30, 2008.

**Annex Table 3B. IEG Overall Ratings, Exit FY03-07**

<b>Region</b>	<b>Total Evaluated (\$M)</b>	<b>Total Evaluated (No)</b>	<b>Outcome Sat (\$)</b>	<b>Outcome % Sat (No)</b>	<b>Inst Dev Impact % Subst (\$)</b>	<b>Inst Dev Impact % Subst (No)</b>	<b>Sustainability % Likely (\$)</b>	<b>Sustainability % Likely (No)</b>
Brazil	6,643.8	48	89.6	91.3	76	80.6	89.3	91.4
LCR	28,043.4	314	80.3	82.7	56	57.1	74.1	81.5
<b>Overall</b>	<b>87,630.4</b>	<b>1,329</b>	<b>82.8</b>	<b>78.1</b>	<b>59</b>	<b>54.8</b>	<b>82.9</b>	<b>79.0</b>

Source: Business Warehouse as of March 30, 2008

**Annex Table 4. Brazil: Portfolio Status Indicators by Year, FY03-07 (in US\$ millions)**

Country		2003	2004	2005	2006	2007
<b>Brazil</b>	# Proj	54.0	48.0	49.0	48.0	46.0
	Net Comm Amt	4,880.4	4,074.7	4,948.4	4,429.2	4,315.9
	# Proj At Risk	4.0	9.0	9.0	3.0	7.0
	% At Risk	7.4	18.8	18.4	6.3	15.2
	Comm At Risk	363.4	685.8	626.7	63.1	1,221.5
	% Commit at Risk	7.4	16.8	12.7	1.4	28.3
<b>China</b>	# Proj	89.0	83.0	80.0	71.0	66.0
	Net Comm Amt	13,954.1	12,297.7	11,200.8	9,953.8	9,109.1
	# Proj At Risk	0.0	3.0	2.0	1.0	3.0
	% At Risk	0.0	3.6	2.5	1.4	4.5
	Comm At Risk	0.0	350.0	425.0	199.0	388.3
	% Commit at Risk	0.0	2.8	3.8	2.0	4.3
<b>India</b>	# Proj	68.0	60.0	61.0	53.0	65.0
	Net Comm Amt	12,854.3	11,911.1	12,638.7	11,129.2	14,123.4
	# Proj At Risk	8.0	10.0	9.0	6.0	8.0
	% At Risk	11.8	16.7	14.8	11.3	12.3
	Comm At Risk	1,154.7	2,621.2	1,102.0	1,735.9	2,555.2
	% Commit at Risk	9.0	22.0	8.7	15.6	18.1
<b>Mexico</b>	# Proj	20.0	18.0	16.0	18.0	16.0
	Net Comm Amt	4,139.9	3,527.4	2,766.7	2,630.2	2,178.3
	# Proj At Risk	3.0	2.0	1.0	2.0	2.0
	% At Risk	15.0	11.1	6.3	11.1	12.5
	Comm At Risk	954.1	750.0	350.0	371.3	270.0
	% Commit at Risk	23.0	21.3	12.7	14.1	12.4
<b>Colombia</b>	# Proj	20.0	16.0	18.0	17.0	17.0
	Net Comm Amt	1,096.7	1,146.9	1,351.4	1,322.9	1,899.7
	# Proj At Risk	2.0	0.0	2.0	0.0	0.0
	% At Risk	10.0	0.0	11.1	0.0	0.0
	Comm At Risk	120.0	0.0	48.0	0.0	0.0
	% Commit at Risk	10.9	0.0	3.6	0.0	0.0
<b>Argentina</b>	# Proj	30.0	31.0	29.0	25.0	26.0
	Net Comm Amt	3,854.7	5,169.3	4,569.3	3,437.9	3,866.8
	# Proj At Risk	25.0	12.0	14.0	13.0	11.0
	% At Risk	83.3	38.7	48.3	52.0	42.3
	Comm At Risk	3,386.0	1,600.3	1,714.3	1,312.1	832.3
	% Commit at Risk	87.8	31.0	37.5	38.2	21.5
<b>LCR</b>	# Proj	285.0	265.0	268.0	256.0	247.0
	Net Comm Amt	19,480.0	18,911.1	18,595.3	16,208.0	16,408.1
	# Proj At Risk	70.0	46.0	59.0	44.0	58.0
	% At Risk	24.6	17.4	22.0	17.2	23.5
	Comm At Risk	5,836.2	3,580.1	3,831.7	2,557.7	3,584.2
	% Commit at Risk	30.0	18.9	20.6	15.8	21.8
<b>BankWide</b>	# Proj	1,395.0	1,346.0	1,332.0	1,345.0	1,347.0
	Net Comm Amt	94,772.5	92,554.3	93,211.7	92,888.8	97,790.5
	# Proj At Risk	218.0	228.0	224.0	188.0	224.0
	% At Risk	15.6	16.9	16.8	14.0	16.6
	Comm At Risk	14,141.5	14,742.1	12,552.7	10,849.8	15,175.6
	% Commit at Risk	14.9	15.9	13.5	11.7	15.5

Source: WB Business Warehouse table 3a.4 as of December 18, 2007

**Annex Table 5. Brazil: IBRD / IDA Net Disbursements and Charges (US \$ millions), FY03-07**

<b>Fiscal Year</b>	<b>Disb. Amt.</b>	<b>Repay Amt.</b>	<b>Net Amt.</b>	<b>Charges</b>	<b>Fees</b>	<b>Net Transfer</b>
2003	1,291.2	1,633.3	-342.0	358.2	18.3	-718.6
2004	1,447.0	1,563.5	-116.5	271.9	15.2	-403.6
2005	768.3	1,028.6	-260.3	297.4	9.1	-566.8
2006	2,202.8	742.7	1,460.1	419.6	12.1	1,028.4
2007	538.0	784.3	-246.3	519.3	3.4	-769.0
<b>Total</b>	<b>6,247.3</b>	<b>5,752.3</b>	<b>495.0</b>	<b>1,866.5</b>	<b>58.1</b>	<b>-1,429.7</b>



**Annex Table 6. External Assistance to Brazil, Total Net Disbursements, 2003-2006 (in US\$ millions)**

Donors	2003	2004	2005	2006	Total
Australia	0.5	0.56	0.42	0.24	1.72
Austria	1.56	1.65	1.99	2.77	7.97
Belgium	3.81	4.78	4.48	4.39	17.46
Canada	8.13	9.12	8.64	7.11	33
Czech Republic	..	..	..	0.12	0.12
Denmark	-0.03	-0.03	-0.03	..	-0.09
Finland	1.46	1.67	0.24	0.27	3.64
France	30.95	31.09	28.69	30.91	121.64
Germany	49.2	51.94	76.98	65.62	243.74
Greece	0.07	0.09	0.99	0.67	1.82
Ireland	1.04	1.15	1.34	1.56	5.09
Italy	5.41	12.59	1.54	8.12	27.66
Japan	92.21	41.71	30.75	-13.03	151.64
Korea	0.05	0.19	0.19	0.22	0.65
Luxembourg	1.22	1.14	1.21	1.83	5.4
Netherlands	13.53	16.3	15.44	1.95	47.22
New Zealand	0.2	0.24	0.29	0.24	0.97
Norway	3.88	3.06	2.82	2.8	12.56
Poland	0.12	0.05	0.14	0.05	0.36
Portugal	0.37	0.88	1.14	1.2	3.59
Spain	7.08	9.85	10.16	17.22	44.31
Sweden	2.08	2.47	2.36	3.19	10.1
Switzerland	4.16	3.32	4.49	3.98	15.95
Turkey	..	..	..	0.03	0.03
United Kingdom	13.5	11.05	6.54	1.58	32.67
United States	-56.08	-57.46	-25.93	-67.86	-207.33
Other Bilateral Donors	1.4	1.29	0.97	0.88	4.54
<b>Bilateral, Total</b>	<b>185.82</b>	<b>148.7</b>	<b>175.85</b>	<b>76.06</b>	<b>586.43</b>
EC	21.45	7.27	17.07	8.64	54.43
GEF	1.98	9.38	17.52	8.08	36.96
IDB Spec. Fund	-21.72	-16.44	-24.74	-20.26	-83.16
UNDP	0.99	1.11	0.67	0.96	3.73
UNFPA	0.65	0.92	1.11	1.28	3.96
UNHCR	..	0.31	1.64	2.04	3.99
UNICEF	1.13	1.7	2.7	2.2	7.73
UNTA	3.89	4.13	3.72	3.42	15.16
<b>Multilateral, Total</b>	<b>8.37</b>	<b>8.38</b>	<b>19.69</b>	<b>6.36</b>	<b>42.8</b>
<b>All Donors, Total</b>	<b>194.19</b>	<b>157.08</b>	<b>195.54</b>	<b>82.42</b>	<b>629.23</b>
DAC Countries, Total	184.25	147.17	174.55	74.76	580.73
DAC EU Members, Total	131.25	146.62	153.07	141.28	572.22
Non-DAC Countries, Total	1.57	1.53	1.3	1.3	5.7
G7, Total	143.32	100.04	127.21	32.45	403.02

Source: OECD DAC Online database, Table 2a. Destination of Official Development Assistance and Official Aid - Disbursements as of December 18, 2007

**Annex Table 7. Brazil: Key Economic and Soc**

Series Name	Brazil					Average 2003-2006					
<b>Growth</b>											
GDP growth (annual %)	1.2	5.7	2.9	3.7	3.4	10.3	8.8	6.9	3.3	5.1	8.9
GDP per capita growth (annual %)	-0.3	4.3	1.6	2.4	2.0	9.6	7.3	7.4	2.2	3.6	7.8
GNI per capita, Atlas method (current US\$)	2,960.0	3,320.0	3,890.0	4,730.0	3,725	1,630	678	4,065	7,118	2,248	4,215
GNI per capita, PPP (current international \$)	7,420.0	7,970.0	8,230.0	8,800.0	8,105	6,455	3,285	10,118	10,440	6,868	13,025
Agriculture, value added (% of GDP)	7.4	6.9	5.7	5.2	6.3	12.5	18.9	5.3	3.9	12.4	9.9
Industry, value added (% of GDP)	27.9	30.1	30.3	30.9	29.8	46.6	27.2	35.7	26.2	33.4	35.3
Services, etc., value added (% of GDP)	64.8	63.0	64.0	64.0	63.9	40.8	53.9	58.9	69.9	54.2	54.7
<b>Macroeconomic Indicators</b>											
Gross capital formation (% of GDP)	15.8	17.1	16.0	16.8	16.4	42.1	30.6	20.8	21.6	19.0	19.2
Gross domestic savings (% of GDP)	18.7	21.0	19.6	19.7	19.7	45.7	28.6	33.4	20.0	18.7	26.2
Inflation, consumer prices (annual %)	14.7	6.6	6.9	4.2	8.1	2.1	4.4	11.7	4.2	5.6	8.5
Real effective exchange rate index (2000 = 100)					..	93.7	..	144.4	..	96.7	
Official exchange rate (LCU per US\$, period average)	3.1	2.9	2.4	2.2	2.655	8.2	45.3	28.7	11.0	2,547.1	2.9
Gross national expenditure (% of GDP)	97.1	96.1	96.4	97.1	96.67	96.5	102.0	87.4	101.6	100.3	93.0
<b>External Balance</b>											
Exports of goods and services (% of GDP)	15.0	16.4	15.1	14.7	15.3	34.4	17.8	34.5	29.8	21.2	24.5
Imports of goods and services (% of GDP)	12.1	12.6	11.5	11.7	12.0	30.9	19.8	21.9	31.4	21.5	17.6
Current account balance (% of GDP)	0.8	1.8	1.6	..	1.4	4.5	1.1	9.7	-0.8	-1.5	3.8
Total debt service (% of GNI)	11.1	8.3	7.4	..	8.9	1.6	3.1	4.6	6.7	9.4	8.9
External debt (% of GNI)	48.5	37.7	24.4	..	36.9	12.7	17.4	35.6	24.9	40.6	106.4
Total reserves in months of imports	6.9	6.1	5.1	..	6.0	12.0	12.2	10.4	3.3	5.9	6.6
IBRD loans and IDA credits (PPG DOD, mn current US\$)	8,588.2	8,668.4	..	..	8,628.3	21,185.5	28,155.0	6,016.3	10,141.9	3,546.7	7,477.5
<b>Public Finances (% of GDP) *</b>											
Total revenues	21.2	21.8	22.8	23.4	22.3						
Total expenditures	24.8	23.4	26.3	26.7	25.3						
Of which: interest	5.9	4.1	6	5.4	5.35						
Overall balance	-4.6	-2.4	-3	-3	-3.25						
<b>Social Indicators</b>											
<b>Health</b>											
Immunization, DPT (% of children ages 12-23 months)	96.0	96.0	96.0	..	96.0	86.7	59.0	97.7	98.0	89.0	90.3
Improved water source (% of population with access)	..	90.0	..	..	90.0	77.0	86.0	97.0	97.0	93.0	96.0
Improved sanitation facilities (% of population with access)	..	75.0	..	..	75.0	44.0	33.0	87.0	79.0	86.0	91.0
Life expectancy at birth, total (years)	..	..	71.2	..	71.2	71.6	63.5	65.3	75.1	72.8	74.8
Mortality rate, infant (per 1,000 live births)	..	..	31.0	..	31.0	23.0	58.8	14.3	22.0	17.2	15.0
<b>Population</b>											
Population, total (in million)	181.4	183.9	186.4	188.7	185.1	1,300.2	1,087.1	143.5	102.6	44.6	38.6
Urban population (% of total)	83.0	83.6	84.2	84.7	83.9	39.9	28.6	73.0	75.9	72.6	90.0
Population growth (annual %)	1.4	1.4	1.4	1.2	1.3	0.6	1.4	-0.5	1.0	1.4	1.0
Literacy rate, adult total (% of people ages 15 and above)	..	88.6	..	..	88.6	..	..	..	91.3	92.8	..
<b>Education</b>											
School enrollment, preprimary (% gross)	67.5	62.9	..	..	65.2	36.7	37.1	83.9	86.2	38.1	63.2
School enrollment, primary (% gross)	141.0	140.4	..	..	140.7	115.1	114.3	123.1	109.2	111.2	112.5
School enrollment, secondary (% gross)	102.0	105.7	..	..	103.8	72.4	54.1	92.6	79.6	74.5	86.2

Source: World Bank DDP except where indicated, as of September 18, 2007

\* Public Finances indicators from Article IV Consultation with Brazil, IMF Report as of July 30, 2007

**Annex Table 8. Brazil: Millennium Development Goals**

	1990	1995	2000	2005
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Income share held by lowest 20%	2.3	2.5	2.5	2.8
Malnutrition prevalence, weight for age (% of children under 5)	7	5.7	..	..
Poverty gap at \$1 a day (PPP) (%)	4.3	1.4	2.1	3.4
Poverty headcount ratio at \$1 a day (PPP) (% of population)	14	6.9	8.2	7.5
Poverty headcount ratio at national poverty line (% of population)	..	..	22	21.5
Prevalence of undernourishment (% of population)	12	10	..	7
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth total (% of people ages 15-24)	92	..	..	97
Persistence to grade 5, total (% of cohort)	73	..	..	..
Primary completion rate, total (% of relevant age group)	..	90	108	108
School enrollment, primary (% net)	85	..	92	93
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliament (%)	5	7	6	9
Ratio of girls to boys in primary and secondary education (%)	..	..	104	105
Ratio of young literate females to males (% ages 15-24)	103	..	..	102
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	40.2	44.1	45.1	46.7
<b>Goal 4: Reduce child mortality</b>				
Immunization, measles (% of children ages 12-23 months)	78	90	99	99
Mortality rate, infant (per 1,000 live births)	50	41	35	31
Mortality rate, under-5 (per 1,000)	60	48	39	33
<b>Goal 5: Improve maternal health</b>				
Births attended by skilled health staff (% of total)	72	88	96	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	260	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Contraceptive prevalence (% of women ages 15-49)	59	77	..	..
Incidence of tuberculosis (per 100,000 people)	92	79	69	60
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	0.5
Tuberculosis cases detected under DOTS (%)	..	..	7	53
<b>Goal 7: Ensure environmental sustainability</b>				
CO2 emissions (metric tons per capita)	1.4	1.5	1.8	1.6
Forest area (% of land area)	61	..	58	56
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	7.2	7.2	6.8	6.8
Improved sanitation facilities (% of population with access)	71	..	..	75
Improved water source (% of population with access)	83	..	..	90
Nationally protected areas (% of total land area)	..	..	..	18.1
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	1	2	1	1
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	18.5	23.5	45.8	29.8
Fixed line and mobile phone subscribers (per 1,000 people)	63	90	311	587
Internet users (per 1,000 people)	0	1	29	195
Personal computers (per 1,000 people)	3	17	49	105
Total debt service (% of exports of goods, services and income)	22.2	36.6	93.7	44.8
Unemployment, youth female (% of female labor force ages 15-24)	6.8	14.1	22.4	23.3
Unemployment, youth male (% of male labor force ages 15-24)	6.7	9.7	14.6	14.2
Unemployment, youth total (% of total labor force ages 15-24)	6.7	11.4	17.9	18.1
<b>Other</b>				
Fertility rate, total (births per woman)	2.8	2.5	2.4	2.3
GNI per capita, Atlas method (current US\$)	2,770	3,650	3,590	3,550
GNI, Atlas method (current US\$) (billions)	414.5	589.6	623.8	662
Gross capital formation (% of GDP)	20.2	22.3	21.5	20.6
Life expectancy at birth, total (years)	66	68	70	71
Literacy rate, adult total (% of people ages 15 and above)	82	..	..	89
Population, total (millions)	149.4	161.4	173.9	186.4
Trade (% of GDP)	15.2	17.2	22.8	29.2

Note: Figures in italics refer to periods other than those specified.  
Source: World Development Indicators database, April 2007

**Annex 9. Brazil: Results Matrix**

<b>Pillar 1: A More Equitable Brazil</b>			
	<b>Outcomes</b>	<b>Actual Results</b>	<b>Comments</b>
<b>Main Outcomes</b>	Reduced poverty, vulnerability and exclusion		<b>Achieved</b>
	Better Knowledge and Skills		<b>Achieved</b>
	Longer and Healthier Lives		<b>Not Achieved</b>
<b>Measurable Outcomes</b>	<b><u>1. Reduced poverty and vulnerability</u></b>		
	Extreme poverty to be halved from 15%	Poverty declined to 11% in 2005	<p><b>Achieved</b></p> <p>The Bolsa Familia Program had significant impact in reducing poverty and inequality. The Bank supported the program through partnership and AAA (Brasa Social Assistance).</p> <p>Youth unemployment has increased during the CAS period despite overall improvement in employment. There has not been much demand for the Bank's sector work and dialogue in this area. In the area of gender, there has been an increase in opportunities for women. However, this area is one where the Bank has had minimal impact.</p>
	GDP convergence in NE Brazil with the rest of Brazil from 0.47 to 1.0	Some convergence from 0.47 to 0.51	<p><b>Partially achieved</b></p> <p>NE has received a-third of Bank lending to Brazil. Lending has had an impact on basic services , health and education. Some productive subprojects have been less successful.</p>
	<b><u>2. Better Knowledge and Skills</u></b>		
	Primary enrollment universalized from 97%	Not reported The data suggests that Brazil is on track to meet the MDG in 2015.	<p><b>Partially achieved</b></p> <p>There has been very limited progress on quality and access of early childhood programs but there have been improvements in quality of education.</p>
	Increase secondary enrollment from 36%	Increased to 46%	<p><b>Achieved</b></p> <p>Legislation passed in 2006 has extended the FUNDEP program that directs a greater share of earmarked subnational govt resources to education to expand early child development, secondary and adult education. The Bank has supported this effort</p>
	Progress on illiteracy from 1.03 to 1	The ratio is at parity	<b>Achieved</b>
	Progress on adult literacy from 88%	Some progress but not quantified	<b>Achieved</b>

	<b><u>3. Longer, healthier lives</u></b>		
	Decrease infant mortality from 29 per 1000 births	Reduced to 24 per 1000 births	<b><i>Achieved</i></b>
	Maternal mortality decreased (from 56 per 100,000),	No change	<b><i>Not achieved</i></b>
	New AIDS cases reduced (from 15.9 per 100,000)	Very slight decrease in new AIDS cases and decrease in AIDS mortality	<b><i>Not achieved</i></b>
<b>Ongoing Pre-CAS Support</b>	Bahia Development Health Brazil Poverty Reduction Project Bahia Rural Poverty Reduction Ceara Rural Poverty Reduction Paraiba Rural Poverty Reduction Maranhao Rural Poverty Red. NE Microfinance Development Piaui Rural Poverty Reduction Pernambuco Rural Poverty Red. Sergipe Rural Poverty Reduction Brazil Disease Surveillance Fundescola II,IIIA Health Sector Reform Bahia Education APL 2 AIDS and STD Control III Family Health Extension RGN Rural Poverty Ceara Urban Development and Water		
<b>Lending</b>	<b><u>Planned</u></b> 1. HD TAL 2. Social Assist. I APL (swap) 3. Vigisus II APL (swap) 4. PE Integ (Educ Quality) 5. HD Programmatic Ref II 6. Employ/Youth (swap) 7. State A Integ (Ed, WRM) 8. State B Integ (Health) 9. Pernambuco Educational 10. 10 Quality Improvement 11. Family Health II APL (swap) 12. Social Assist II APL (swap) 13. Municipal ECD 14. HD Programmatic Ref III 15. HD TAL II 16. State F Integ (Ed.Youth) 17. State E Integ (Ed.) 18. State C Integ (Health II) 19. Rio Munic. ECD 20. Health Quality Project (QUALISUS) 21. Family Health Extension II 22. Amazonas: Regional Dev Project 23. HD Programmatic Sec. Ref. II DPL	<b><u>Actual</u></b> 1. HD TAL (CRL 1) 2. Bolsa Familia 1st APL 3. BR Disease Surveillance & Control APL 2 4. PE Integ. Dev. 5. Education Quality Improv. 6. Pernambuco Educational Quality Improvement	
<b>AAA</b>	<b><u>Planned</u></b> 1. Health/Non-Communicable Diseases 2. Social Assistance (BRASA I) 3. NOS Capacity Building Seminars 4. Rural Education 5. Health Expenditure Tracking 6. Poverty Measurement Study 7. Hospital Performance 8. Social Exclusion	<b><u>Actual</u></b> 1. Non-communicable Diseases - Health 2. Social Protection I 3. Rede NOS 4. Poverty Measurement 5. Hospital Finance Performance Phase I / Phase II 6. Social Exclusion 7. Youth at Risk 8. Social Protection 2	

	9. Youth at Risk 10. Social Assistance (BRASA II) 11. Education Policy Review 12. Education Positive Deviance 13. State HD report I 14. Poverty: Impact of Shocks and Vulnerability Transforming Brazil's School System 15. Private health insurance markets 16. Market structure for professional services in health State/Municipal Safety Net 17. Evaluation of municipal development councils 18. Reducing Barriers to Employment 19. BRAVA Programmatic Phase I 20. BRASA Phase 3 21. BRAVA Programmatic II 22. Labor Markets and Jobs Program. 23. Human Capital, Educ. Innov. Program. 24. Quality of Education Spending	9. Education Positive Deviance 10. BRAVA Program Phase 1 11. Social Protection 3 12. BRAVA Phase 2 - Programmatic AAA to Support M&E in Brazil 13. Labor Markets and Jobs 14. Human Capital Programmatic AAA	
Unplanned AAA		1. Technical and Social Assistance Project of the Urban Poverty Reduction Program in the Ribeira Azul Area of Salvador, Bahia 2. Sao Paolo Study 3. Building Capacity of the Demand Side of Governance in the Health Sector in Brazil 4. Governance in Brazil's Unified Health 5. Salvador, Bahia Upgrading	
<b>Pillar 2: A More Sustainable Brazil</b>			
	<b>Outcomes</b>	<b>Actual Results</b>	<b>Comments</b>
<b>Major Outcomes</b>	More equitable access to local services		<b>Limited progress</b>
	Better Water Quality and Water resource management		<b>Substantial Progress</b>
	More sustainable land management, forestry and biodiversity		<b>Limited progress</b>
<b>Measurable Outcomes</b>	<b><u>1. More equitable access to local services</u></b>		
	Increased access to permanent dwelling (from 93%)	Not reported	<b>Limited progress</b>
	Increased access to safe water (from 78%)	Increase in access to safe water from 78% to 83%	<b>Achieved</b>
	Increased access to sanitation (from 69%)	Slight improvement but the results are still off track compared to the MDG 2015 target of 20%	<b>Limited Progress</b>
	Increased access to electricity (from 78%)	Not reported	<b>Not Achieved</b>
	<b><u>2. Better water quality and water resource management</u></b>		
	Legal allocation of water rights (from 10% of basins)	Legal allocation of water increased to 23% of all water basins in Brazil	<b>Achieved</b> Major water management institutions at the Federal and State level have been put in place.
	<b><u>3. More sustainable land management, forestry and biodiversity</u></b>		
	Increased protected area from 8% and indigenous from 11%	Increase in protected areas from 8% to 13% and indigenous lands from 11% to 12%	<b>Achieved</b>

	Increase forest area under management from 190,000	Certified forest management doubled to 400,00 ha	<b>Achieved</b> A national Forest Law and Mata Atlantica Law were passed and the Brazilian National Forest Service was established.
<b>Ongoing Pre-CAS Support</b>	SP-TSP Belo HM TSP Bahia Water Resources Ceara Water Management Emergency Fire Prevention Project Federal Water Management National Environment Project National Environment 2 PROSANEAR 2 National Biodiversity Parana Biodiversity Ceare Urban Development and Water Caixa Water Water 2 Santa Catarina Natural Biodiversity		
<b>New Lending</b>	<b><u>Planned</u></b> 1. Espirito Santo (sanitation) 2. Housing I (swap) 3. Ceara Rural Poverty Reduction II 4. Brasilia Environmentally Sustainable 5. Environmental Sust. Agenda TAL 6. (CRL 2) Bahia State Integ. Proj. Rur. Pov 7. Para Integrated Rural Development 8. Piaui Rural Poverty Reduction II 9. Pernambuco Rural Pov. Reduction II 10. Sustainable Development Reform II 11. Water/Sanitation (swap) 12. Small Municipalities 13. Alagoas Rural Poverty 14. National Forest I 15. Power Access (swap) 16. Tocantins Integ (Rural) 17. Rio Grande do Norte Integrated (water res.) 18. Munic. Integ (III) 19. PROAGUA 2 20. (CRL2) Sergipe Integrated Rural Poverty 21. Maranhao Integr (rural/ed) 22. Sustainable Development Reform I 23. Amapa Sust Comm Munic. Integ (I- Betim) 24. BR(CRL1)Prog Growth for Housing 25. MG Rural Poverty 26. Housing/Urban TAL 27. Munic. Integ (II - Urb Environment)	<b><u>Actual</u></b> 1. Espirito Santo 2. Water & Coastal Pollution. 3. Integ.Munic.Proj.-Betim Municipality 4. Ceara Rural Pov. Add'l Financing 5. Brasilia Environmentally Sustainable 6. ENVIRONMENTAL SUST. AGENDA TAL 7. Bahia State Integ Proj Rur Pov 8. Part of the State H Integrated project 9. Piauí Rural Pov Add'l Financing 10. Pernambuco Rural Pov. Add'l Financing 11. BR Maranhao Integrated: Rural Dev 12. 1st. PRL for Environmental Sustainab. 13. Amapa Sustainable Communities 14. Integ.Munic.Proj.-Betim Municipality 15. Minas Gerais Poverty Reduction 16. Housing Sector TAL 17. Uberaba Municipality Project 18. Fed Wtr Res Mgmt Add'l Financ (PROAGUA) 19. National Environment	

	<p>28. Northeast Water Resources - SF APL (swap)</p> <p>29. National Environment III</p> <p>30. RGN State Integrated Water Res Mgmt</p> <p>31. RS Integrated Municipal Development</p> <p>32. Guara Vermelho Mun. Cubatso</p> <p>33. RS Integrated Reg Development</p> <p>34. State N Integrated (urban water quality)</p> <p>35. State H Integrated (Nat Res)</p>		
<b>AAA</b>	<p><b><u>Planned</u></b></p> <p>1. Irrigation Social Externalities</p> <p>2. Spatial Approach to Poverty Reduction</p> <p>3. Contributions to Amazon Strategy</p> <p>4. Northeast Strategy</p> <p>5. Urban Strategy</p> <p>6. Sao Francisco TA</p> <p>7. Safeguards Assessment</p> <p>8. Sustainable Development</p> <p>9. Public Services for the Poor</p> <p>10. Forestry Report</p> <p>11. Tourism</p> <p>12. Brown Agenda-Solid Waste</p> <p>13. Environmental Safeguards</p> <p>14. ESMAP - Energy Work</p> <p>15. Regulation for Infrastructure</p> <p>16. Sao Paulo Strategy</p> <p>17. Regional Development Study</p> <p>18. Country Environmental Analysis (CEA)</p> <p>19. Drivers of Growth: Local Productive Arrangements/ Clusters</p>	<p><b><u>Actual</u></b></p> <p>1. Irrig. Social Externalities in BR NE</p> <p>2. Spatial Approach to Poverty Reduction Amazon Strategy –</p> <p>3. Toward a More Equitable, Productive, and Sustainable Amazon: Input to CAS 2004-2007</p> <p>4. CA: Brazil- National Urban Dev Strategy</p> <p>5. Sao Francisco River Technical Assistance</p> <p>Environmental Safeguards</p> <p>6. Brazil Environmental Safeguards</p> <p>7. ESMAP Energy Work Program for Brazil</p> <p>8. Regulation for Infrastructure</p> <p>9. Sao Paulo Study</p> <p>10. Environmental Licensing Study</p>	
<b>Unplanned AAA</b>		<p>1. Environmental Mitigation</p> <p>2. CA: Brazil- Housing &amp; Urban Dev Policy</p> <p>3. Brazil Multi-Sectoral Program of Support for Evaluation</p> <p>4. Clean Air Initiative in Rio de Janeiro</p> <p>5. Environment in Fiscal Reform and Water Pricing</p> <p>6. Analyses of Environmental Impacts of Government's Eixos in the Amazon Region</p> <p>7. Priorities and Long term Strategies for Ministerio do Meio Ambiente</p> <p>8. Brazil- SISNAMA National Ministry of Environment Capacity Development Program</p> <p>9. Brazil: Energy Efficiency Strategic Appraisal</p> <p>10. Second Fee Based Contract for the Concession of Public Irrigation Perimeters</p> <p>11. Energy Development</p>	



Pillar 3: A More Competitive Brazil			
	Outcomes	Actual Results	Comments
<b>Major Objectives</b>	Improved Infrastructure		<b>Limited progress</b>
	Broader, more efficient financial sector		<b>Modest progress</b>
	Improved investment climate and competition		<b>No progress</b>
	More modern innovation policy		<b>No progress</b>
<b>Measurable Outcomes</b>  <b>Ongoing Pre-CAS lending</b>	<b>1. Improved Infrastructure</b>		
	Increased trade volume from 24% of GDP	Not reported	<b>Achieved</b> While the changes have not been reported, exports doubled and trade balance tripled
	Increased investment from 19% of GDP	No change	<b>Not achieved</b> A landmark PPP law was passed in 2005 but the framework does not get around the rigid fiscal constraints for public investment or poor regulatory framework.
	<b>2. Broader, more efficient financial sector</b>		
	Lower spreads for enterprises from 22%	Lower interest rate ranging from just under 20% to 11% achieved	<b>Not achieved</b> While the interest rates have been lowered, the interest rate spreads have been very high. The high cost of borrowing continues to hamper investment and growth. SMEs are particularly credit constrained.
	Increased access to banking services from 95 million bank accounts	Credit increased to 30% of GDP. Bank accounts expanded from 95 million to 140 million	<b>Achieved</b> The credit volume has increased and housing finance credit tripled but it is not clear that this has targeted the poorest groups
	<b>3. Improved investment climate and competition</b>		
	Increased ranking on World Competitiveness Survey from 15 out of 59	Worsened from 37 in 2002 to 52 in 2005 (out of 60 countries)	<b>Not achieved</b> A banking sector bankruptcy law was passed in 2005 to enhance competition but the Bank's impact has been limited.
	<b>4. More modern innovation policy</b>		
	Increased patents issued to Brazilians from the US (over 150)	No substantial increase in patents	<b>Not achieved</b>
<b>Ongoing Pre-CAS Lending</b>	Sao Paulo Metro Line Goias State Highway Management Fortaleza Metropolitan Dev Energy Efficiency Energy Sector TA Salvador Urban Transport RJ Transit Project Microfinance Development Agricultural Technology 2		

<b>New Lending</b>	<b><u>Planned</u></b> 1. Road Transport SWAP 2. Bahia Integrated State Highway Managmt. 3. State O Integ (Hwys-APL) 4. State I Integ (Regional) Recife, Belo Horizonte, Teresina 5. Municipal Integ (transport) 6. Growth Agenda I 7. Tocantins Integr (Rur Infr) 8. Growth Agenda TAL I 9. Bahia Integrated (Urban) 10. State E (Adjust/Guar) 11. Growth Agenda II 12. Uberaba Municipal APL 13. Financial Sector TAL 14. State D (Integ) 15. Growth Agenda TAL II 16. Science & Tech 17. Infrastructure Guarantee 18. Highways maint (swap) 19. Municipal APL (Uberaba, )	<b><u>Actual</u></b> 1. Road Transport Project 2. Bahia Integrated Highway Managementt. 3. Loan for Sustainable and Equitable Growth DPL 4. Tocantins Sustainable Regional Dev 5. Sustainable and Equitable Growth TAL 6. Bahia Poor Urban Areas Int. Dev. 7. MG Partnership for Development DPL 8. 2nd Programmatic Sust. and Equitable Growth	
<b>AAA</b>	1. Local Economic Development 2. Regulation for Infrastructure 3. Access to Financial Services 4. Investment Climate Survey 5. Skills, Trade and Growth 6. Financial Sector I (Intermediation Spreads) 7. Debt Markets/Capital Markets 8. Property Rights, Bureacracy 9. Dynamic Gains from Trade 10. Infrastructure Investments 11. Financial Sector II 12. FP Report 13. Knowledge Society Assessment 14. Transportation Logistics, 15. Corridors and Infrastructure Investments 16. Improving Expenditures 17. Energy Security 18. Deepening and Broadening Financial Markets 19. City Economic Growth and Competitiveness	1. Local Economic Development 2. Access to Financial Services 3. Brazil Investment Climate Assessment 4. Brazil Financial Sector Non Lending Technical Assistance 5. Bankruptcy and Collateralized Cred. 6. Regulation of Infrastructure 7. Brazil Financial Sector Non Lending Technical Assistance 8. Improving quality of road transport investments 9. Energy Security (Joint) 10. City Econ Growth and Competitiveness	
<b>Unplanned AAA</b>		1. FSE: Collateralized Secured Lending 2. Brazil FSAP Follow Up 3. FSE: Credit Co-ops and Access to Financial Services 4. Brazil Municipal Development Network 5. FSE: BR Bankruptcy & Collateralized Credit 6. Brazil - Insolvency ROSC 7. Brazil A&A ROSC 8. (LOCKED) CCGPP: BRAZIL 3 Country Assessment 9. Brazil Gas Pipeline 10. Implementation Support for PROESCO	

		11. Industry Structure of Banking Services 12. Brazil BM&F Strengthening carbon market infrastructure and institutions 13. Energy Development 14. Urban Policy 15. National Urban Strategy 16. State Strategy	
<b>Pillar 4: Macro Foundations</b>			
	<b>Outcomes</b>	<b>Actual Results</b>	<b>Comments</b>
<b>Outcomes</b>	1. Sound macroeconomic management and fiscal reforms		<b>Substantial Progress</b>
	2. More efficient public expenditure management		<b>No Progress</b>
	3. Good Governance		<b>No Progress</b>
<b>Measurable Outcomes</b>	<b><u>1. Sound macroeconomic management and fiscal reforms</u></b>		
	Lower public debt ratio (from 57%)	Lowered public debt to 50% (and subsequent adjustments to 50.5	<b>Achieved</b>
	Lower share of public debt due within a year (from 43%), and share of debt foreign exchange indexed (from 36%)	Domestic Public debt has improved from 43% to 38% and foreign exchange debt has fallen from 35% in 2003 to 0 in 2007	<b>Achieved</b>
	<b><u>2. More efficient public expenditure management</u></b>		
	Lower ratio of state personnel costs to net current revenues (varies by state, target below 0.6, 7 states exceeded target in 2002)	Not reported	<b>No progress</b>  The lack of progress is indicated by the planned DPL on public spending that is yet to be approved
	<b><u>3. Governance</u></b>		
	Rank of WBI Government Effectiveness (50 out of 199)	Brazil has remained at the same level (50 out of 122) on the Government Effectiveness Index	<b>No progress</b>
<b>Ongoing Pre-CAS support</b>	Fiscal and Financial Management TAL INSS Reform LIL Land Management 3 Pension Reform LIL RGS Land Management/Poverty Reduction Highway Decentralization Financial Sector TA Municipal Pension TAL		
<b>Lending</b>	<b><u>Planned</u></b> 1. Fiscal III (Pension) 2. Public Sector/Expenditure TAL I 3. Fiscal IV (Expenditures) 4. Social Security TAL 5. Judiciary TAL 6. Public Sector/Expenditure TAL II 7. Fiscal V 8. Ceara Multi-sector Social Incl. Dev. 9. State Pension Reform TAL II	<b><u>Actual</u></b> 1. Fiscal Reform: Social Security Reform 2. Ceara Multi-sector Social Inclusive Development 3. State Pension Reform TAL II	
<b>AAA</b>	<b><u>Planned</u></b> 1. Federal Public Expenditures I 2. Fiscal Policy for Investment Grade 3. Social Security Reform Update 4. Judicial Performance and Investment Climate	<b><u>Actual</u></b> 1. Federal Pub. Expenditures I - Pernambuco 2. Fiscal Policy for Investment Grade 3. Social Security Reform Update 4. Judicial Performance & PS Impacts	

	<ul style="list-style-type: none"> <li>5. State CFAA (each FY)</li> <li>6. State CPAR (each FY)</li> <li>7. MG SEM</li> <li>8. Judicial Reform</li> <li>9. Governance, Social Inclusion and Investment Climate</li> <li>10. Federal Public Expenditures II</li> <li>11. Programmatic State Integration I</li> <li>12. MuniNet TA</li> <li>13. Monitoring and Evaluation</li> <li>14. Trade, Competitiveness, and Vulnerability</li> <li>15. Debt Management</li> <li>Federal Public Expenditures III</li> <li>16. State CFAA (each M)</li> <li>17. State CPAR (each FY)</li> <li>18. Crime and Violence</li> <li>19. Programmatic State Integration II</li> <li>20. Policy Notes/CEM/DPR</li> <li>21. Programmatic State Integration III</li> <li>22. Strength. Plann. Capacity in Sao Paulo FY06</li> <li>23. Interest Rate</li> <li>24. BRAPOV I Poverty Measurement Study</li> <li>25. Health PETS</li> <li>26. Social Security Ref. for Equity and Growth</li> <li>Policy Notebook</li> <li>27. Enforcing Fiduciary Responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>4. State CFAA</li> <li>5. State CPAR</li> <li>6. Judicial Reform</li> <li>7. Good Governance AAA I &amp; II</li> <li>8. Federal Public Expenditures</li> <li>9. Crime and Violence in Brazil</li> <li>10. Prog. State Integration I &amp; Governance</li> <li>11. Debt Management</li> <li>12. Federal Public Expenditures</li> <li>13. Crime and Violence in Brazil</li> <li>14. Prog. State Integration II (Health in Curitiba &amp; SP)</li> <li>Brazil PFM Policy Note</li> <li>15. Strength. Plann.Capacity in Sao Paulo</li> <li>16. Interest Rates</li> <li>17. Social Security</li> </ul>	
<b>Unplanned AAA</b>		<ul style="list-style-type: none"> <li>1. CA: Sao Paulo (Brazil) "Bairro Legal"</li> <li>2. Governance (Programmatic)</li> <li>3. Towards a Sustainable &amp; Fair Pension</li> <li>4. Strengthening Macro Monitoring</li> <li>5. Land Administration TA</li> </ul>	

<b>1. CAS Data</b>	
<b>Country: Brazil</b>	
<b>CAS Year: 2003</b>	<b>CAS Period: FY2004-2007</b>
<b>CASCR Review Period: FY2004-FY2007</b>	<b>Date of This Review: March 3, 2008</b>
<b>IEG-IFC CASCR Reviewer: Jan Peter Wogarft, Hiroyuki Hatashima</b>	
<b>2. Assessment of the CASCR's Coverage of IFC Activities</b>	
<p>The CASCR only provides limited information on IFC activities. The original CAS, The Country Partnership Program for Brazil (CPS), the CAS Progress Report (CASPR) of May 2006 as well as IFC investment and advisory service project supervision reports served as surrogates.</p> <p>IFC was expected and did contribute to all four of the CAS' "thematic pillars" on which the Bank Group CAS for Brazil was conceived. The CAS had considered the IFC contributions modest but catalytic in pursuing a more equitable and sustainable economy (goals 1 and 2). However, according to the CAS, IFC's contribution was perceived to be crucial in pursuing a more competitive and better governed economy (goals 3 and 4). In the case of furthering increased competitiveness, IFC's projects and Advisory Services boosted the Brazilian firms' access to finance. IFC's projects in the real sector provided long term support to such growth generating industries as agribusiness and food processing, as well as chemicals and petrochemicals. That together with the numerous Bank efforts in strengthening private sector activities was not enough to have the CASCR coming to a positive outcome for improving the economy's competitiveness (goal 3). The conclusion is that the overall result of Bank Group support to goal 3 "has been disappointing," with Brazil's world competitive score falling from rank 37 in 2002 to 52 in 2005.</p> <p>In the infrastructure area a similar dilemma exists. IFC was quite active in both, Advisory Service and Investment projects to improve the business environment in general and the infrastructure and logistics development in particular, where the IFC has been active as an advisor to government on Public Private Partnerships. However, progress has been slow, with "broad reform of the regulatory and administrative environment not having advanced" and the country's infrastructure still being ranked 71 out of 125 participants.</p> <p>This being said, the CAS Progress Report fully and adequately represents the good fit between IFC CAS objectives and the FY2004-07 activities, both in the text (Annex 7) and tabular form (Annex 3). The dichotomy between IFC's large investment and advisory contribution (as well as its joint work with the rest of the World Bank Group) on the one hand and its limited overall impact on Brazil's economic performance on the other is a reminder that external assistance, however well executed, has its limits in large countries.</p>	
<b>3. IFC Objectives over the CASCR Period</b>	
<p>Based on the four pillars of the 2003 CAS, IFC stated as its strategic focus to "play a strong role under the competitiveness theme, and support private sector development that cut across three key dimensions of the CAS," which meant not only "enhancing the prospects for competitiveness and growth but also improving social equity through voluntary actions by the private sector." The Country Partnership Program (CPP) for Brazil acknowledges IFC's focus on four major areas within which IFC planned to be most active, i.e. development of financial markets, infrastructure, manufacturing and agribusiness, and as the accompanying graph indicates, these four sectors indeed made up over 86% of IFC's lending program. The CASPR correctly restates IFC objectives for the FY2004-07 period. It contains a matrix of Bank Group (including IFC) objectives and intermediate results. Similar to the CPP, the CASPR maintains that results of goals 1 and 2 were positive for Brazil, but the more relevant outcomes of goals 3 and 4 for IFC were not, although there was progress in financial markets, with interest rates and spreads falling from over 20 to less than 15%, and increased access for poor to</p>	

banking services. IFC did contribute to the latter improvement through a microfinance project and two operations in housing finance. CASPR does not state, if IFC engagement was appropriate in terms of increasing exports, employment, and productivity of the financial and real sectors given the multiple choices IFC had in the area of investments. In the case of advisory services, IFC continued to engage in operations furthering the environmental and social development. It is not clear the extent to which the further engagement of private sector in social equity issues was progressing as promised in the CAS.

#### **4. Relevance of IFC Objectives**

Neither the CPS nor the CASPR explicitly mention the relevance of IFC objectives in the context of Brazil. The country's policy makers were concerned first and foremost with the twin goals of macroeconomic stability and decrease in poverty, both of which experienced significant progress between 2002 and 2007. Having achieved that, attention has shifted towards broader and more rapid economic growth, and there are first signs that this is occurring right now. In that context, IFC's traditional contributions have been useful in the past and should become even more relevant in the coming CAS period. Both documents point also out that, consistent with Brazil's maturing role in the global economy, the Bank Group partnership with Brazil also needs to evolve and that means for IFC indeed to see if the involvement with second tier companies can be strengthened despite past experiences in which IFC equity contributions were less successful than expected.

#### **5. IFC Activities During Period under Review**

##### **A. Investment Projects**

IFC committed over US\$1.4 billion for 41 projects during the 2004-07 CAS period. A distinct acceleration of commitments, both in numbers of projects and total amounts have been taken place since FY 2005, when annual outlays averaged over \$400 million compared to \$160 million in FY 2003/04. As outlined in the CAS, IFC was predominantly active in industry and finance, which accounted for nearly two thirds of total project amounts. This was followed by infrastructure projects, which approached a quarter of both total project amounts and number of projects. Once major constraints in those areas, which are crucial for the country's future development are relaxed, it is expected that IFC will commit increased resources. In addition to three projects in the primary sectors (agribusiness and oil/gas/mining), IFC proceeded carefully – as indicated in the CAS – in the social sector, committing substantial sums to two hospitals and one university. A breakdown of projects in the financial sector (the dominant sector in terms of number of projects) reveals the versatility of serving both large (trade finance) and small (microfinance) customers. In contrast to that it is not made clear to what extent the selection of major investments in such manufacturing subsectors as chemicals and pulp and paper as well as a number of consumer goods industries contribute to increasing industrial employment or exports, two major goals explicitly mentioned in the CAS

##### **B. Advisory Services**

IFC engaged in 18 advisory service activities, ranging from infrastructure over finance and mining industry to the environment and business climate issues with relevant government agencies. In translating the emphasis in the CAS to support the country's efforts in creating a solid base for private sector infrastructure projects, IFC put substantial resources into advisory services operations concerning that issue. In FY 2005. Also in connection with CAS goals and similar to earlier work on the environment, further efforts were made in undertaking environmental and social sustainability studies, supporting both private business and government agencies. Those came on top of the necessary environmental work in the major industrial and financial sector projects. Of interest are also to realize the joint Bank-IFC efforts in supporting local and state governments to eliminate administrative barriers at the "sub-national" level, which have been and still are cumbersome and too numerous for a country with rich entrepreneurial talent. In connection with the microfinance projects, IFC's advisory services supported grass roots developments.

## **6. IFC Contribution to CAS objectives**

In the context of private sector development, the CPS is clearly expressing IFC's strategic change from a demand-responsive, transaction oriented focus being balanced by a stronger set of supply imperatives defined by IFC as "engaging more with second tier companies, more through long term relationships with specific clients and industries, and a focus on corporate governance and sustainability." While the list of projects does indeed reveal the specific relationships with IFC client companies, the concern with 2tier companies is less obvious and must still be assessed in some detail, as has to be "IFC support for taking more Brazilian companies global". CASPR assesses a number of individual contributions to each CAS objective, but it does not specify the degree of progress made or lack of it. What it engages in is reviewing a number of activities in progress, such as the FIAS review of administrative procedures and regulations in 12 Brazilian municipalities, the co-operation with WB on agribusiness/environment and proposing an integrated WBG approach and executing joint strategies in (a) BEE; (b) access to finance, especially SMEs; and (c) private investment in infrastructure. Similarly, the CPS is also alluding to the emerging strong synergies between the IBRD (which works on the enabling environment) and IFC (which worked with the private sector directly) in the areas of agribusiness, the Amazon, infrastructure and the business climate. There is indeed evidence that IFC efforts in infrastructure, still constrained in the project area by governance and administrative problems of Brazilian state and local governments, go hand in hand with Bank efforts to resolve those problems by intensive advisory service work on both sides. The CASCR will have to draw the line between progress and problems in ongoing activities more clearly.

## **7. Lessons and Challenges from Experience**

The CASCR does not draw lessons from the experience in the FY2004-07 period, but puts some useful questions for IFC, the most important of which is: Should the Bank move forward in the absence of a framework, which makes intervention of external assistance useful and successful? The answer is provided in the CPS for Brazil. The Bank Group is a niche player, providing about \$2billion of financing a year in an economy of \$1000billion. In contrast, the country's National Development Bank annually provides roughly \$35billion. What follows then are a number of suggestions for the Bank, which has a more difficult task to identify areas of expertise than IFC in the years to come. As a matter of fact in TABLE 1 the paradigmatic challenges are enumerated, listing the very same objectives for IFC already taken up in this and the previous CASs; from improving corporate governance and the business climate on all government levels to promotion of environmental and social sustainability and access to finance and capital market development.

The last CIR for Brazil was undertaken in August 2003. That review attested IFC pursuing relevant and appropriate strategies in Brazil, which required adaptation to rapidly changing country and market conditions. While development outcome and loan portfolio performance was above average, losses in the FY90-02 equity portfolio outweighed the better-than-average earnings from loans. External factors and IFC's move into second-tier companies were made responsible for those results. With a much more favorable external environment and the ever increasing experience in dealing with supporting the second-tier firms, this picture should be changing, and it might be interesting to have IFC briefly discuss the lessons learned in that area, which remains a major pillar of IFC's contribution to Brazil's private sector development.