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ICR Review

Operations Evaluation Department

Report Number: ICRR12193

1. Project Data:		Date Posted: 08/26/2005		
PROJ ID:	P080827		Appraisal	Actual
Project Name:	Brazil First Programmatic Loan For Sustainable And Equitable Growth (FPLSEG)	Project Costs (US$M)	US$505.05 million	US$516.1 million
Country:	Brazil	Loan/Credit (US$M)	US$505.05 million	US$516.1 million
Sector(s):	N/A	Cofinancing (US$M)	None	None
L/C Number:	L7218			
		Board Approval (FY)		04
Partners involved :		Closing Date	12/31/2004	12/31/2004

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2. Project Objectives and Components

a. Objectives

FPLSEG consists of a subset of a larger set of microeconomic and institutional reforms to foster long -term growth and reduce poverty:
(i) reducing logistic costs, (ii) improving the business environment, (iii) enhancing financial efficiency and depth, and (iv) transforming knowledge into productivity gains.

b. Components

Logistic cost: (i) cuts in selectivity rates for cargo inspections, (ii) reductions in port labor redundancy, (iii) further concession to the private sector, and (iv) transfers to states of specific trenches of the federal road network.
Business environment: (i) replacing the existing antitrust and bankruptcy regimes, (ii) facilitating business registration and operation (cutting down the time to register a new firm to 76 days), and (iii) strengthening infrastructure regulations for private sector participation, through completion of the legal framework for private sector participation in selected sectors, as well as the provision of the appropriate legal basis for efficient public -private partnerships (PPPs).
Financial sector: (i) the extension of the antitrust legislation to the banking industry and related legal reforms, and (ii) the approval of a new factoring law and better use of credit registries.
Knowledge into productivity: (i) a change in the legal regime that created several obstacles to PPPs, and (ii) a more efficient use of public incentives to R&D activities.

c. Comments on Project Cost, Financing and Dates

None

3. Achievement of Relevant Objectives:

Logistics: 3432 km and 3446 km were transferred from the federal government to the states in 2004 and 2005, respectively, increasing the potential for road maintenance activities. The second phase of the federal road concession program of 3059 km is to be launched. In addition, new contracts for efficient highway maintenance and rehabilitation were signed in 2004.
Business environment: The PPP Law and a Career Development Plan of Regulatory Agencies' Staff were approved. Bankruptcy and Insolvency Law was also approved after 10 years. A law providing for the opening of reinsurance market was sent to Congress. The Federal Government launched the National Program of Oriented Productive Micro Credit aimed at expanding access to productive credit for formal and informal small entrepreneurs. A Law was passed to finance and securitize instruments for the real estate segments. Furthermore, two new instruments, the Real Estate Credit Bill and the Real Estate letter of Credit were created to complete the existing framework.
Knowledge: An Innovation Law that includes the possibility of agreements between public entities and private companies and the transfer of technology and sharing the public infrastructure of laboratories was approved.

4. Significant Outcomes/Impacts:

This is the first of three annual programmatic loans. The PAD identified well-selected, clear and monitorable outcome indicators for the end of program period. As mentioned above, many important laws needed to achieve these outcomes were passed. For example, one of the expected outcome (under business environment) is to have

five public-private partnerships approved. At the time of the ICR evaluation, the Law on PPP (the first step toward this outcome) was approved. It is only at the end of 2006 that it would be possible to assess the impact of the operation.

5. Significant Shortcomings (including non-compliance with safeguard policies):
None

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Satisfactory	Significant progress achieved in business environment and innovation. Progress achieved in logistics and financial sector has been slower. Whether or not the objectives would be fully achieved will be known at the end of the Program period (end-2006). The operation does not include a best practice outcome, at this stage. So, at this point in the implementation of the Program, there is no basis to rate the outcome as HS.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Highly Likely	Likely	As the ICR notes, as the Program moves from legal to policy changes, the implementation of the Program may slow down. Even the legislative activity may slow down because of presidential elections, and also because the Congress is busy with other priorities.
Bank Performance :	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:
It pays off to limit the objectives of an operation to a few that are feasible, realistic, and have the Government's political commitment.

8. Assessment Recommended? ● Yes ○ No
Why? As with any other multi year programmatic lending, it would be useful to assess the outcomes at the end of the Program.

9. Comments on Quality of ICR:
The ICR rated almost every aspect of this operation as HS, at times with no convincing justification for these high ratings.