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IMPLEMENTATION COMPLETION REPORT

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROGRAM

SERGIPE, RIO GRANDE DO NORTE, BAHIA AND CEARA PROJECTS

(Loans 2523-BR, 2524-BR, 2761-BR and 2763-BR)

December 20, 1996

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Natural Resources, Environment and Rural Poverty Division
Country Department I
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

Local Currency Unit: ¹		Cruzeiro (Cr\$)
Rate at Appraisal:	Bahia (November 1984)	US\$1/Cr\$2,714
	Ceará (November 1985)	US\$1/Cr\$8,891
	Rio Grande do Norte (June 1984)	US\$1/Cr\$1,640
	Sergipe (June 1984)	US\$1/Cr\$1,640
Rate at Completion:		US\$1/R\$0.968

WEIGHTS AND MEASURES

Metric System

¹ A new currency, the Cruzado, was introduced in 1986, followed by another new currency, the Real, in 1994

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ABBREVIATIONS AND ACRONYMS

AACC	Association for the Support of Rural Communities
APCR	Support for Small Rural Communities
CAR	Bahia State Regional Development Company
CEPA	State Agricultural Planning Commission (Tech. Unit, Bahia and Ceará)
CMDR	Municipal Rural Development Council
CODEC	Project Coordinating Unit for State of Rio Grande do Norte
CPATSA	Center for Agricultural Research on the Semi-Arid Tropics
EMBRAPA	Brazilian Agricultural Research Company
FAO	Food and Agriculture Organization
FETARN	Federation of Agricultural Workers of Rio Grande do Norte
FINSOCIAL	Social Investment Fund
FUMAC	Pilot Municipal Community Schemes
IERR	Internal Economic Rate of Return
IICA	Inter-American Institute for Agricultural Cooperation
IRD	Integrated Rural Development
MINTER	Ministry of the Interior
NGO	Non-Governmental Organization
NRDP	Northeast Rural Development Program
OED	Operations Evaluation Department
PAC	State Community Schemes
PAPP	Program of Support for the Small Producer
PCU	Project Coordination Unit
POLONORDESTE	Program for the Development of the Integrated Northeast
PRONESE	Project Technical Unit for the State of Sergipe
RPAP	Rural Poverty Alleviation Program (successor to NRDP)
SAR	Staff Appraisal Report
SEPLAN	State Planning Secretariat
SETAS	State Secretariat of Labor and Social Action
SSMP	Simplified Project Monitoring System
SUDENE	Superintendency for the Development of the Northeast
TOR	Terms of Reference
TU	Technical Unit

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PREFACE

1. This is the Implementation Completion Report (ICR) for four projects under the Northeast Rural Development Program (NRDP) in the States of Sergipe (Ln. 2523-BR), Rio Grande do Norte (2524-BR), Bahia (2761-BR) and Ceará (2763-BR). Loans in the amounts of US\$61.3 million, US\$61.4 million, US\$171.0 million and US\$122.0 million, respectively, were approved by the Board on April 30, 1985 (Sergipe and Rio Grande do Norte) and October 21, 1986 (Bahia and Ceará). The projects became effective on December 12, 1985 (Sergipe), May 7, 1986 (Rio Grande do Norte) and October 19, 1987 (Bahia and Ceará).

2. The four Loans closed on December 31, 1995. The original Closing Dates were respectively, June 30, 1993 for Sergipe and Rio Grande do Norte, and March 31, 1995 for Bahia and Ceará. Final disbursement took place as follows: Sergipe (May 31, 1996), Rio Grande do Norte (July 10, 1996), Bahia (June 10, 1996) and Ceará (May 21, 1996). Cancellation of the respective Loan balances (Rio Grande do Norte US\$0.2 million, Bahia US\$3.8 million and Ceará US\$7.1 million) occurred on November 12, 1996. Sergipe did not have an outstanding balance.

3. This ICR was prepared by Anna Roumani, Consultant, Natural Resources, Environment and Rural Poverty Operations Division, Department I of the Latin America and Caribbean Region (LAC). The ICR was reviewed by Constance Bernard, Chief, LA1ER; Luis Coirolo, Brazil Portfolio Manager, LA1ER; Tulio Barbosa, Acting Head, Bank Recife Office; and Orville Grimes, Project Advisor, Country Department 1.

4. The ICR is based on material in the project file and discussions with Bank staff and consultants who were involved in the projects. It draws on the Mid-Term evaluation of the NRDP, including a study by the Operations Evaluation Department of the Bank, and other recent evaluations by: the Food and Agriculture Organization (FAO/UN) jointly with the World Bank; the Massachusetts Institute of Technology (MIT); the University of Michigan; and the Superintendency for the Development of the Northeast (SUDENE) as the representative of the Federal Government. These, and other internal Bank reports on rural poverty programs in the Northeast, are on file in the LAC Information Services Center.

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EVALUATION SUMMARY

Introduction

1. The Northeastern region of Brazil comprises nine states and the northern, semi-arid zone of the central state of Minas Gerais, totaling about 1.7 million sq. km. The Region's immense concentration of rural poor and persistent under-development result from geographic, economic and political factors evidenced in the harsh climate and poor natural resource base, inequitable land tenure and distribution, a traditional and clientilistic culture, illiteracy and lack of basic infrastructure and services. The Bank has financed rural development in the Brazilian Northeast since the 1970s. The Northeast Rural Development Program (NRDP) -- of which projects in the States of Sergipe, Rio Grande do Norte, Bahia and Ceará are reviewed in this report -- sought to alleviate rural poverty by improving the productivity and incomes of small farmers. The Program was a component of a larger package of Federally-funded sectoral programs to improve regional socio-economic conditions, and was consistent with government's new rural development strategy for the Northeast initiated in 1982. The NRDP acknowledged that in aggregate, the special programs, sectoral projects and Federal irrigation projects until that time, had not reduced rural poverty (Part I, paras. 1-6).

Project Objectives

2. **Original Objectives.** The initial objectives of the NRDP through its component state projects were to: (i) increase regional agricultural production and productivity; (ii) generate employment for low-income farm families; (iii) increase the states' capacity to provide efficient agricultural services to small farmers; and (iv) promote water resource development and technology generation and diffusion to reduce small farmers' vulnerability to drought (Part I, para. 7).

3. **Project Components.** To meet these objectives, the original projects had seven components: (i) water resources development, including irrigation and feasibility studies; (ii) agricultural research and basic seed production; (iii) agricultural extension for basic food and commercial crops, small livestock and social forestry; (iv) agricultural credit, for investments in crop and livestock production and on-farm water resource development; (v) marketing services including training; (v) support to small rural communities (known

by its Portuguese acronym as APCR), to promote the mobilization and participation of small farmers, to finance small rural investments in production, processing and rural infrastructure, and to create employment; and (vii) project administration (Part I, para. 8)..

4. Hindsight and current practice tend to color assessments of the NRDP projects at entry. It should be noted that the Program was developed and its component projects appraised under a centralized military government in which public agencies controlled most development activity. Concepts like participation, organization and decentralization entailed political difficulties in Brazil, had yet to enter the Bank's lexicon, and were largely experimental in project design (e.g., the Latin American social funds, and the APCR itself). Nevertheless, there was a conscious attempt to innovate. Greater flexibility, accountability from below, more narrowly-focused activities, and improved planning and coordination were ingredients believed likely to improve the outcome of the Program (Part I, para. 9).

5. On the other hand, project objectives still depended on the synergy between many complementary activities both within each project and in other Federal Government programs meant to interact with the NRDP (known collectively as *Projeto Nordeste*). Numerous components and agencies required effective services and coordination. Administrative, financing and implementing arrangements were complex, multilayered and centralized, and left little room for beneficiary involvement. While there were variations in project design between states, the projects could have gone further to calibrate design to the institutional, political and agronomic environment of each state. Land tenure improvement depended on progress under a separate operation (the Northeast Region Land Tenure Improvement Project, Ln. 2593-BR). The focus was on small farmers, excluding other segments of the rural poor. Measures to address potential counterpart funding delays and shortfalls were unlikely to be effective and indeed, certain aspects of project design had the potential to aggravate those delays. On balance however, appraisal of the projects was satisfactory given existing constraints, and subject to two caveats: evident pressures to lend to Brazil in the mid-1980s; and, an apparent uncritical acceptance of the capacities of implementing agencies, although some federal agencies did have considerable technical capacity (Part I, paras. 10-19).

6. As with earlier operations, the loans were made to the Federal Government which coordinated the Program, approved its annual operating plans and budgets, and provided counterpart funds, monitoring and evaluation. While it is technically true that most project activities were implemented by state, not federal agencies, the Federal Government exercised dominant control over these projects both from Brasilia and through the Superintendency for the Development of the Northeast (SUDENE), (Part I, para. 20).

7. **Post-Reformulation Objectives.** Delayed, uneven project implementation and the results of a Mid-Term Review (1991) launched a process culminating in reformulation of all ten NRDP projects in 1993. The focus changed from rural/agricultural development emphasizing small farmers and agricultural production, to rural poverty alleviation emphasizing poor rural communities and investments in their productive, infrastructural and social priorities. The comparatively successful APCR component, which stressed community planning and organization, acknowledged community needs and contracted out for technical expertise, essentially became the leading edge of the NRDP. While still

evolving and not without problems, its poverty alleviation impact was positive, the cost per family relatively low, and disbursement and commitment rates far exceeded those of other components. In contrast, the other components relying mostly on public sector implementation -- extension, credit, research, water supply and irrigation -- showed serious delays. A high proportion of their resources financed recurrent costs -- less than one-third of project funds reached the beneficiaries -- and their poverty impact was slight.

8. Project objectives were re-framed to: (i) provide basic social and economic infrastructure, and employment and income-generating opportunities for the rural poor (not only small farmers); (ii) support rural community groups in identifying, planning and implementing their own subprojects; and (iii) involve state governments more directly in decision-making and financing the Program. Both the Federal Government and the States agreed with the Bank that a more cost-effective, participatory method for poverty alleviation was needed and that the features of the proposed model matched a growing sentiment in Brazil for decentralization, the elimination of public agencies from the development process, transparency, accountability and local empowerment (Part I, paras. 21-25).

9. **The New Mechanism.** The new scheme incorporated the following features, replicated in all ten states: (i) state, as opposed to federal, responsibility for counterpart funding; (ii) more streamlined flow of funds to the states, eliminating SUDENE from the chain and reducing its role overall; and (iii) two new programs: **State Community Schemes (PAC)**, where rural community associations submitted subproject investment proposals directly to State Project Technical Units (TUs) which screened, approved and released funds for subprojects, interacting directly with the beneficiaries; and **Pilot Municipal Community Schemes (FUMAC)**, in which subprojects identified and prepared by rural communities were reviewed by specially-created project Municipal Councils (MC), with members drawn from the community, local government and civil society. MCs promoted local consensus-building on priority needs through open 'town meetings', screening and submitting subprojects to the State (TU) for approval and financing. FUMAC's basic difference from and advantage over PAC, is its provision for direct municipal involvement in community mobilization, organization and priority-setting, which fosters participation and transparency (Part I, paras. 26-29).

Implementation Experience and Results

10. **Achievement of Objectives Prior to Reformulation.** The four projects reviewed were unable to achieve their original objectives. Public investment and project counterpart funding were choked off and public agencies were severely affected by rising fiscal deficits, macro-economic distortions and successive reform programs. The NRDP's centralized "machinery" and delivery of services by public agencies ran counter to the new Constitution (1988) which decentralized government and foresaw a greater role for the private sector. Inter-agency coordination was exceptionally difficult, agencies' implementing skills were limited and excessive loan funds went for their operating costs. Beneficiary participation was lacking and thus project "ownership" and maintenance of investments, were negligible. Project benefits (especially credit and extension) were frequently appropriated by larger farmers, while multiple components served different target groups without being mutually reinforcing, scattering resources and impact. Other

issues included institutional, policy and functional problems affecting extension, credit and the land tenure project, and performance problems with the choice and sustainability of investments (Part I, paras. 35-41).

11. **The Post-Reformulation Experience.** In marked contrast to the initial phase, the four projects successfully achieved their objectives following reformulation. First, through effective targeting, they reached their intended beneficiaries, including the landless. Investment subprojects -- categorized as productive, infrastructure and social -- are generating employment and economic growth, and improving the incomes and welfare of large numbers of rural poor, including women. Poor communities are willing to share the cost of investments and maintain them, fostering sustainability. Benefits are largely concentrated in the poor communities, with multiplier effects on local economies and early signs of stemming migration. Project-funded investments hastened communities' recovery from the 1993 drought and promoted more intensive use of land. In the poorest municipalities/communities, PAC and FUMAC have been the most important and often, the only source of funding for basic needs.

12. Second, community empowerment prospered under the four projects. The FUMAC Municipal Councils are a viable means of giving the rural poor greater control over planning and investments affecting their well-being, and participation has had sustainable political effects. The now numerous community associations congregate a large number of voters, and politicians are aware of their influence. The states intensified efforts towards closing to train and mobilize municipalities and associations, specifically to incorporate them into FUMAC which stresses greater participation, transparency and local decision-making.

13. Third, the projects have earned strong support from state and municipal governments. They are, not surprisingly, seen as a means of increasing political constituencies. Equally, however, they are valued as a critical resource for investment in poor communities; as representing potential, significant cost-savings (on average 30% to 40%) on the provision of infrastructure and water supply by public agencies; and, as generating tax revenue for state and municipal governments from the sale of productive outputs. State project units are providing services more rapidly in response to communities better equipped to demand and choose. State counterpart funding performance was good in all four states, and disbursements accelerated -- a dramatic break from past performance. Finally, an increasing number of municipalities are willing to share the counterpart funding burden, seeking greater accountability and cost-effectiveness from state governments in return (Part I, paras. 42-64).

14. **Sustainability.** Cost-sharing and better choice and prioritization of subprojects have promoted the sense of ownership and control which builds sustainability. Commitment to the operation and maintenance of investments is shown by associations signing legally-binding agreements, and in the many associations which have accumulated substantial reserve funds to cover maintenance. Subproject investments have been of good or satisfactory quality, favoring sustainability. However, some earlier productive subprojects may not be sustainable, their future affected by a variety of factors. Corrective measures to counter such risks were prioritized in the later stages of these projects and are stressed in the new Rural Poverty Alleviation Projects, under

implementation in Sergipe, Bahia and Ceará and approved by the Board on December 12, 1996 for Grande do Norte, Pernambuco and Piauí (Part I, paras. 68-69).

15. **Project Costs, Financing and Timetables.** Loans totaling US\$415.7 million were made to the States of Sergipe (US\$61.3 million), Rio Grande do Norte (US\$61.4 million), Bahia (US\$171.0 million) and Ceará (US\$122.0 million) to benefit some 255,300 small farm families, about 45% of the NRDP target population. Partial cancellations of the Loans occurred on December 21, 1994 as follows (same order): US\$1.0 million; US\$10.0 million; US\$60.0 million; and US\$30.0 million. Final Loan balances of US\$0.2 million, US\$3.8 million and US\$7.1 million (Rio Grande do Norte, Bahia and Ceará respectively) were cancelled on November 12, 1996. The actual cost of each project was: Sergipe US\$113.8 million, Rio Grande do Norte US\$97.4 million, Bahia US\$198.5 million and Ceará US\$156.5 million. The reformulation resulted in a markedly different allocation of project financing relative both to categories and costs estimated at appraisal.

16. **Loan Covenants.** The key legal covenants in the pre-reformulation phase concerned the Borrower's obligation to provide counterpart funds, and to ensure proper functioning of the rural credit component. Compliance was deficient in both areas, in the four states. Post-reformulation, the states assumed legal responsibility for counterpart funds (through Letters of Amendment) and the credit component was discontinued. Covenant compliance post-reformulation was satisfactory in the states reviewed (Part I, para. 90).

17. **Bank Performance.** Preparation and appraisal of the original projects showed a thoughtful attempt to innovate and counter risk in a difficult environment, but the framework, concept and mechanisms retained many of the characteristics which had prejudiced the outcome of earlier projects in the region, the fiscal and macro-economic environment merited greater attention, and institutional capacity, especially state, was over-estimated. Key federal agencies, however, had considerable technical capacity. Realistically, the Bank would have been clairvoyant to foresee the full nature and implications of pivotal events which came to affect project execution, especially after 1988.

18. The Bank's choice was essentially to cancel these projects or try to improve their impact and cost-effectiveness, a protracted design and dialogue process which culminated in dropping all the traditional integrated rural development (IRD) components, focusing fully on a new mechanism and making it work. Clearly there was no mechanism in the Bank at the time for coming to quick closure on project reformulation; constitutional changes were a reality from 1988, counterpart funding shortages were evidently chronic, and project execution was troubled. Yet, reformulation did not occur until seven years after effectiveness, a situation which would be unlikely to occur under the Bank's implementation culture of the 1990s.

19. The Bank has, through the PAC/FUMAC model, made a major technical contribution to Brazil, based on its own experiences; launched a more democratic and effective process of rural poverty alleviation; and perhaps more importantly, supported the decentralized allocation of resources in the rural Northeast. Obviously, the dramatic shift did not imply that the rural poor no longer needed credit, extension and other services or

that smallholder agricultural production had lost currency. Indeed, having gained confidence in the capacity of the community-based investment mechanism to satisfy a range of basic needs, the Bank is now addressing several critically important subsectors in the Northeast: market-based land reform, integrated water management, and rural financial market development.

20. The World Bank Recife Office (established in 1974), has been fundamental to the implementation and supervision of the reformulated NRDP. The Recife Office has three task managers dedicated exclusively to working with the Northeastern states, handling all supervision activities including procurement reviews and field visits. In this manner, Bank support has been better tailored to the decentralized structure of the reformulated program. The Recife Office also updates and manages a global database, the Simplified Project Monitoring System (SSMP) which provides detailed information on individual state projects and serves as a monitoring tool for the Bank and the state TUs (Part I, paras. 72-75).

21. **Borrower Performance.** Macro-economic, fiscal and political crises rapidly eroded the Federal Government's (FG) support for these projects in the first phase of the NRDP. Post-reformulation, with counterpart funding responsibilities transferred to the states, the FG periodically delayed the release of loan funds and/or advances of Federal (Treasury) funds to them, whether for political reasons (notably in Rio Grande do Norte in 1994) or to promote financial discipline. The flow of funds improved, especially in 1995/96. The Federal and State Governments' willingness to support a radically new approach to rural poverty alleviation was instrumental in the success of these projects.

22. SUDENE's performance prior to the reformulation was mixed. Its control over the use of Federal funds, maintaining a certain equilibrium in the Program, and provision of TA for training and monitoring, were satisfactory. However, its guidance and supervision were weak, its operational rigidity curbed the intended flexibility of the Program, and it lacked sufficient trained staff for its role even though it was grossly over-staffed. Project-funded TA had little institutional impact on SUDENE. Its role was reduced to ex-post evaluation following reformulation. Performance improved and it provided an insightful, timely Completion Report on behalf of the Federal Government.

23. TU performance depended on the availability of qualified staff, good leadership, the equipment and budget to operate as planned, and the degree of administrative and financial independence from parent State Secretariats. Pre-reformulation, the TUs, while administratively and legally strong, lacked the political and fiscal power to influence the powerful state implementing agencies, and their role was diminished as a result. Post-reformulation, generic problems variously affected each of the four TUs in the initial stages. These included overstaffing, inadequate field presence, supervision, monitoring and evaluation, and a tendency for TUs to assume responsibility for the subproject planning and implementation cycle at the expense of the local context and beneficiary participation. However, the outcome of the latter was at times quite favorable, depending on the circumstances.

24. The Bahia and Sergipe TUs, unlike Ceará and Rio Grande do Norte, enjoyed considerable independence but were not entirely comfortable with the decentralized

project design which followed reformulation. In Bahia, there was much more participation by the mayors and performance in the field, measured by the flow of funds to poor rural communities, showed dramatic improvement over the past. In a significant innovation, the Rio Grande do Norte TU sought the assistance of NGOs to bolster its supervision and implementation of the project, bringing political support and credibility for the project in the communities, allowing it to survive and indeed, to become a model for other states. The Sergipe TU was outstanding for its small size, rational organizational structure, well-trained and dedicated staff and strict adherence to project guidelines. The Sergipe project was the only one to disburse close to 100% of the original loan, canceling only US\$1.0 million in 1994 (Part I, paras. 76-84).

25. **Project Outcome.** Staff Appraisal Reports for the original projects contain internal economic rates of return (IERR) for the four states ranging from 13% to 19%. It is implicit from the history of these projects and their radical re-design in 1993 that they were unsatisfactory and their IERRs pre-reformulation have not been re-calculated. The Mid-Term Review of the original projects (1991) noted that the impact of the Program on production, income and employment was difficult to assess due to the lack of concrete information and data, in spite of considerable effort to institute good monitoring and evaluation.

26. The reformulated projects fell under the rubric of targeted interventions and thus IERRs were not calculated, or accordingly, re-calculated. However, recent evaluations (Bank/FAO 1995 and 1996) have addressed the poverty alleviation impact, cost-effectiveness and sustainability of a range of commonly-demanded infrastructure, productive and social subprojects. The 1995 evaluation looked at all ten state projects under the NRDP, while in 1996, the States of Rio Grande do Norte, Pernambuco and Minas Gerais were the main focus. While primarily illustrative, given the newness of most of these subprojects, and in the case of the 1995 evaluation, the quest for a satisfactory evaluation methodology, the results are nevertheless promising.

27. Evaluations show that: (i) internal economic rates of return (IERR) for productive subprojects in most cases ranged from 30% to 50% in financial terms, and 40% to 50% in economic terms; (ii) in terms of the sensitivity of the IERRs to the distorting effects of publicly-funded grants, stemming from costs associated with raising these funds (i.e., taxation), using the shadow price of public funds reduced the respective IERRs, but they remained significantly positive and exceeded 17% in all cases; and (iii) the initial investment per additional job created was low (at least 10 times lower than in the industry and service sectors) and benefit/cost ratios were satisfactory (between 1.0 and 3.0).

28. Analysis of cost recovery indicated that user fees from beneficiary associations adequately covered operation and maintenance (O&M) and the costs of replacing worn equipment. Findings were fairly uniform across states, that the net income of beneficiary associations is sufficient, after deducting all O&M expenses, to cover replacement of the investment in 5-7 years, compared to its useful life of 10 years.

29. Each of the four projects is rated Satisfactory reflecting its achievement of objectives, sustainability and exit ratings in final supervision Forms 590 (Part I, paras. 91-98).

Summary of Findings, Future Operations and Lessons Learned

30. **Main Findings.** Despite the effort to innovate and to head off counterpart funding and other potential problems, the original projects remained fairly traditional conceptually and operationally. Deteriorating fiscal and macro-economic conditions had a devastating effect on counterpart funding and the ability of these projects to make headway. The highly-centralized project design could not function as envisaged in face of momentous changes in the political economy which demanded a more decentralized, participatory rural development model. Thus, while the Bank could not control the larger forces at play in Brazil, project design created its own set of problems.

31. The reformulated projects successfully reached their objectives because their design and implementation strategy fit the evolving political, economic and social context. This legacy resulted from "revolutionary" decisions: (i) by the Bank, to take a poverty alleviation approach, with all its implications of decentralization, grants, ownership and participation, instead of a rural/agricultural development approach; and (ii) by the Federal and State Governments, to relinquish a significant measure of political control by empowering rural communities and, more importantly, by acknowledging the ability of the rural poor to establish their own priorities and make decisions. Nevertheless, community-based development is not a "magic bullet" for poverty reduction in the Northeast, which is why the Bank, having launched a significant process with measurable impact on beneficiaries, is now turning its attention to other major constraints in the sector.

32. Among the project-specific findings were the following. FUMAC proved more effective than PAC. This was demonstrated in greater participation and transparency; larger numbers of subprojects per municipality; more beneficiaries overall; and lower cost both per subproject and per beneficiary. While FUMAC has proven capable of eroding the traditional "clientelism" of the Northeast, it cannot alone transform long-standing political, economic and social patterns. Organized communities can influence the allocation and use of municipal financial resources, and NGOs can provide vital project services and help organized communities to maximize project benefits. The environmental impact of the generally small-scale PAC and FUMAC subprojects was insignificant but certain subprojects, e.g., manioc mills, are likely to have environmental side-effects needing attention. Finally, modifications designed to address identified shortcomings have been incorporated into the new RPAP. States and municipalities have proven willing to make needed corrections (Part I, paras. 99-110).

33. **Future Operations.** There was no legal requirement for the four states to prepare a plan for future operations, and no plans were prepared (except for one set of activities in Bahia). The same is true for monitoring of future operations. Nevertheless, prospects for maximizing project benefits appear good. The States and their Governors are supporting policies and actions which promote decentralized decision-making and management. Communities have demonstrated their willingness to operate and maintain their investments responsibly. Further, given the radical change in approach to rural poverty

alleviation, there is considerable interest in the Bank, in Brazil and elsewhere, to track the evolution and impact of these projects. In the case of Bahia, the State has prepared an action plan and committed funds for the future operations and sustainability of the Pascoal Limoeiro and Itapera irrigation subprojects, initiated pre-reformulation (Part I, paras. 70-71).

34. **Lessons Learned.** The lessons, substantiating Bank-wide experience, are as follows:

- (a) Even the best-designed RD projects will falter under severe **macro-economic and fiscal pressures**, and a **policy environment unfavorable to agriculture**;
- (b) Project design should anticipate and be sufficiently flexible to permit, and project staff should be alert to the potential need to undertake, **significant changes of course or complete reformulation if necessary, within a reasonable timeframe**;
- (c) The reformulated projects were scaled up from a **successful pilot experience (APCR)**, further refined by incorporating wider experiences. They in turn piloted a more progressive mechanism (FUMAC), with significant impact. The new RPAP projects take this further, piloting FUMAC-P as a vehicle for greater local control of budget resources;
- (d) **Grant-based investment is a legitimate and effective tool** for jump-starting capital accumulation by the rural poor, and the matching grant approach has contributed to sustainable local development in the four states;
- (e) **Decentralization** of fiscal and investment decision-making to state and local government and beneficiaries improves project administration and subproject quality. This process needs clearly-defined operational incentives and penalties to counter departures from project guidelines. **Beneficiary participation** in subproject selection, implementation, financing and supervision generates "ownership", sound O&M, quality investments, cost savings and local accountability. Vigilance and appropriate controls are needed to prevent political interference in the participatory process;
- (f) **Poverty targeting mechanisms** should be simple, explicit and monitorable; be based on objective criteria; foster transparency and minimize political interference in project resource allocation and subproject selection; and be accompanied by well-designed **publicity campaigns** which ensure transparency and a proper knowledge of program/project objectives, content and access, bolster poverty targeting;

- (g) **Sustainability** of project investments is enhanced by municipal and community cost-sharing, beneficiary involvement in local public investment allocations, and when TA is provided throughout the subproject cycle;
- (h) Successful community-based investment requires quality **technical assistance throughout the subproject cycle**, specifically for: improving the outcome of productive subprojects; community mobilization and organization; association planning, management and financial skills development; marketing strategies; and institutional development of the TU; “on-the-job” training for communities is equally valuable but not risk-free; sourcing TA in rural areas needs creativity;
- (i) **Supervision** is indispensable for subproject and overall project success and should be strengthened, and involve local entities closest to the communities, particularly Municipal Councils and NGOs;
- (j) **Productive subprojects need rigorous selection, preparation, TA and supervision** to maximize their commercial potential and sustainability; their inherent social objectives in a poverty context should not imply “softer” analysis of their feasibility, cost-effectiveness and rates of return;
- (k) Related to the above, project design should **pay careful attention to baseline studies** as the springboard for well-designed monitoring and evaluation and for assessments of the **economic and financial rates of return** on a range of productive subprojects; and accessible, comprehensive **monitoring and evaluation** improves subproject assessment, targeting and efficiency and is an essential planning and management tool;
- (l) **Standardization of documents, designs and unit costs** simplifies subproject preparation and evaluation, facilitates procurement, prevents faulty design and reduces processing bottlenecks;
- (m) **Dissemination of “best practices”** such as the collaboration with NGOs in Rio Grande do Norte through information exchanges among TUs, at training seminars and workshops, can hasten learning and reward innovation; and
- (n) **Graduation of some communities may be necessary** as the aggregate benefits of several subprojects equip them to leverage funds from other sources; the pervasiveness of rural poverty in the Northeast indicates the need for a carefully crafted strategy based on defining practical, operational ways of identifying communities which are close to achieving this status (Part I, para. 111).

IMPLEMENTATION COMPLETION REPORT

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROJECTS

SERGIPE, RIO GRANDE DO NORTE, BAHIA AND CEARÁ PROJECTS

(Loans 2761-BR, 2763-BR, 2524-BR and 2523-BR)

PART I: PROJECT IMPLEMENTATION ASSESSMENT

Background

1. The Northeastern region of Brazil comprises nine states¹ and the northern, semi-arid zone of the central State of Minas Gerais, totaling about 1.7 million km². The Northeast has long been the single largest regional concentration of rural poverty in Latin America. In the mid-1980s when the ten projects under the Northeast Rural Development Program were appraised -- projects in the States of Bahia, Ceará, Rio Grande do Norte and Sergipe are assessed in this report -- more than one-third of all Brazilians living in poverty, and almost two-thirds of the rural poor, were living in the Northeast. The region has absorbed an immense amount of budget resources over several decades in the quest for solutions to its persistent poverty and under-development. A combination of geographic, economic and political factors, reflected in the harsh climate and poor natural resource base, inequitable land tenure and distribution, a traditional, paternalistic culture, illiteracy, and the lack of basic infrastructure and services, explains the predicament of the rural poor. Rural incomes are generally low and highly variable. Periodic or permanent outmigration of large numbers of the rural poor to bigger centers in the Northeast or the South, is common.

2. **Profile of the States Reviewed.** Bahia is the largest state in the Northeast in terms of both area (560,000 km²) and population (9.5 million at the outset of the NRDP, and 11.9 million today), and contains the most extensive semi-arid zone in the region. Close to 70% of the state - chiefly the central and northern regions - falls within the Northeast "drought polygon". At the time of project appraisal, the rural urban population was divided roughly 50/50, with urban centers growing rapidly due to poverty- and drought-induced rural migration. Some 660,000 rural families, or about 70% of Bahia's rural population, had an annual income below the relative poverty line, determined at the time of appraisal to be about US\$330 per capita.

¹ The States of Bahia, Ceará, Rio Grande do Norte, Sergipe, Maranhao, Piauí, Paraíba, Pernambuco and Alagoas

3. With a total area of about 148,000 km², **Ceará** is the fourth largest state in the Northeast. Rainfall varies from about 1600 mm in the few, fertile highlands to about 660 mm in the drought-prone semi-arid zone which covers the major part of the state, and where soils are of medium and low fertility. At the time of project appraisal, the population of some 5.3 million was about 47% rural, with high rates of malnutrition, infant mortality and illiteracy and a per capita income among the lowest in the region. As in the other three states reviewed, small farmers, lacking adequate technology and other inputs, were producing low-yield crops incapable of generating even minimal working capital.

4. With an area of only 22,000 km², **Sergipe** is Brazil's smallest state. Three broad areas define the state: the coast, which has moderate temperatures and rainfall and plentiful underground water; the inland semi-humid area with variable rainfall; and the semi-arid zone, about 47% of the state, which constitutes part of the "drought polygon" and where subsistence farming predominates. The population of almost 1.3 million at the time of appraisal, was about 46% rural. Rural poverty in Sergipe, as in the other three states under review, is closely linked to agro-climatic conditions, the poor natural resource base and skewed farm size distribution. While per capita income overall at the time was about US\$ 1,100 (1980), one of the highest in the Northeast, most of the rural population earned less than the relative poverty level of about US\$330.

5. **Rio Grande do Norte**, with an area of 53,000 km², is one of Brazil's smallest states. Rainfall ranges from over 1400 mm in coastal areas to less than 500 mm in the semi-arid regions. Barely one-fifth of the state is suitable for cropping, soil quality is highly variable and erosion widespread. At the time of NRDP appraisal the state had a population of around 2.0 million, about 42% of which was rural. As in the other three states under review, rural outmigration had progressively enlarged the urban population and diminished the proportion of the work force engaged in agriculture. At the time of project appraisal, rural incomes averaged about US\$200 per capita/year and the incidence of illiteracy, infant mortality, waterborne diseases and malnutrition was widespread.

6. **Bank Support to the Northeast.** Rural development of the Brazilian Northeast, focusing on poor farm families, has been assisted through Bank projects since the mid-1970s. The strategy and design of these projects have changed over time, building on the lessons of experience. The Northeast Rural Development Program (NRDP) launched in the mid-1980s, had a 15-year horizon and sought to alleviate poverty among the rural poor (mainly small farmers). It was one important element in a larger package of Federally-funded sectoral programs known as *Projeto Nordeste*, designed to improve regional socio-economic conditions through interactive, complementary effects across sectors.² The Staff Appraisal Report (SAR) states that it was based on a broad regional policy framework, a set of sub-sectoral guidelines, and multi-year state rural investment plans. It was consistent with the new rural development strategy for the Northeast initiated

² *Projeto Nordeste* was never intended to be limited to the agricultural sector or to alleviating rural poverty. As it turned out however, NRDP was one of the very few programs in *Projeto Nordeste* to actually be implemented.

in 1982 and acknowledged that in aggregate, the special programs, sectoral projects and federal irrigation projects up till that time, had had little impact on rural poverty.

Project Objectives and Design under the Original NRDP

7. **Objectives.** The main objectives were to: (i) increase regional agricultural production and productivity; (ii) generate employment for low-income farm families; (iii) increase the states' capacity to provide efficient agricultural services to small farmers; and (iv) promote water resource development and technology generation and diffusion to reduce small farmers' vulnerability to recurrent drought. The NRDP was also intended to strengthen SUDENE (Superintendency for the Development of the Northeast) to regionally coordinate, monitor and evaluate the NRDP, promote regional agricultural research appropriate for small farmers, and strengthen the states' capacity to deliver agricultural services.

8. **Components.** All ten projects of the NRDP were virtually identical (except for Sergipe and Bahia). Project objectives would be achieved through seven components: (i) water resources development, including irrigation and studies; (ii) agricultural research and basic seed production; (iii) agricultural extension for basic food and commercial crops, small livestock and social forestry; (iv) agricultural credit, for investments in crop and livestock production and on-farm water resource development; (v) marketing services, including training; (vi) support to small rural communities (*apoio as pequenas comunidades rurais* - APCR), to promote small farmer mobilization and participation, finance small rural investments by farmer groups for production, processing and rural infrastructure, create employment and foster accountability of public agencies; and (vii) project administration. In addition to state-specific components, the Sergipe project included regional coordination and administration and regional research components, the former implemented by SUDENE and the latter by the regional Agricultural Research Center for the Semi-Arid Tropics (CPATSA); and the Bahia project included a regional research component under the Brazilian Agricultural Research Company (EMBRAPA).

9. **Design and Strategy.** Hindsight and current practice tend to color assessments of these projects at entry. They were developed and appraised under a centralized military government in which public agencies controlled most development activity. Concepts like participation, organization and decentralization entailed political difficulties in the Brazil of this period, had yet to enter the Bank's lexicon and were largely experimental in project design (e.g., the Latin American social funds, and the APCR itself). Even so, there was a conscious attempt to innovate: greater flexibility, accountability from below, more narrowly-focused activities, and improved planning and coordination, were ingredients believed likely to improve the outcomes of these projects.

10. This signaled change but did not go far enough. Project objectives still depended on the synergy between many complementary activities dependent in turn, on efficient systems of service delivery, and effective coordination between numerous agencies and several layers of the Brazilian government. The weaknesses of such a framework had undermined previous programs. The preparation file record indicates that warnings were

sounded and questions raised about: the capacity of state and regional agencies to cope financially and institutionally with ten new IRD projects; the dismal record of credit lines under previous projects; the size of the recurrent costs portion of total project costs;³ agricultural area and production assumptions, especially in the Bahia and Ceará projects, implying substantial changes in small farmers' behavior without discussion of how this would occur; and, whether the beneficiaries could realize economic benefits within a reasonable timeframe.

11. The overall design was not sufficiently participatory even though the NRDP was considered groundbreaking at inception because of features permitting and requiring beneficiary participation (e.g., APCR, and state-level regional committees with rural union and NGO participation). In fact, apart from APCR and water supply activities, there was little room for beneficiaries to express their needs and influence the shape and outcome of project activities.

12. Despite assertions that NRDP project execution and expected benefits were not directly dependent on other sub-sectoral projects in the short-term, nevertheless, the SARs are clear that increased access to land was essential for sustained rural development in the Northeast and would increase the expected impact and benefits of the four projects. Assurances were obtained from all four states, that specified amounts of land would be available for distribution to project beneficiaries, by target dates, via the complementary Northeast Region Land Tenure Improvement Project (Loan 2593-BR). Further, the implications of the other projects and programs under *Projeto Nordeste* not materializing to provide the desired interactive effects with the NRDP, was not given adequate attention.

13. The Bank was satisfied that potential counterpart funding delays and shortfalls would be reduced through provisions for new channels and procedures, the merging of special rural programs and the addition of FINSOCIAL (Social Investment Fund) resources. Further, the Federal government in 1986 had *inter alia*, established an ad-hoc inter-departmental working group in Brasilia to resolve the delays in the flow of Federal funds to the Northeast project units. The focus on a few key production constraints to concentrate funds on activities which provided direct benefits, the regional scope of the NRDP, and broad support for the program among senior government officials and local leaders, were also expected to reduce the risk.

14. However, the erratic counterpart funding situation which emerged revealed several problems: states' total dependence on the effective and timely release by the Federal Government of both counterpart and loan funds (an aspect of design which was not optional at the time of appraisal); the complexity of the bureaucratic machinery for release of funds; annual budget allocations below appraisal estimates, vulnerable to inflation and to over-control by SUDENE; and, cumbersome accounting systems and procedures.

³. Memorandum, October 26, 1986 Recurrent costs would be "amply covered by increased tax revenues arising from the projects' incremental agricultural production"

15. The macro-economic and policy context, perhaps the dominant factor affecting project implementation in all four states, was mentioned only obliquely in the SARs. The Northeast's abundant supply of cheap labor made it vulnerable to an over-valued exchange rate, while the inflationary environment was bound to affect the credit component. Planned increases in agricultural production and productivity were foiled by policies which penalized agriculture -- exchange rate over-valuation reduced returns to agricultural exports, tariff protection increased the cost of inputs, and administered prices for farm produce, below market levels, depressed returns to farmers.⁴

16. As documented in the Mid-Term Review of the NRDP (1991), the concept envisaged various components being implemented simultaneously through different state agencies, with their impact being the increased production and income of beneficiaries in a particular area. Not all components would benefit all small farmers; rather, a package of tailored, complementary actions was targeted at identified groups. Such an approach assumed relatively sophisticated joint planning and design of "instruments" for a given group and strong coordination during implementation. However, the state Technical Units (TU) lacked the political strength to control the often quite powerful executing agencies and thus project components devolved to independent sub-programs of the agencies, which tailored work programs to their own interests, not those of the projects.

17. The NRDP recognized from the outset that detailed operational planning including monitorable goals was needed, to prevent dispersion and ensure coordination of activities. However, while promising results were obtained in some states with a "programming by objectives" approach, in general, objectives were not translated into specific area and group targets for desired outputs and while this was intended to provide flexibility over time, there was no concrete and meaningful way of measuring progress or impact. The executing agencies and SUDENE clung to the traditional component approach, and resisted detailed planning and programming for sub-areas and sub-groups.⁵

18. The beneficiary population of "small farmers" targeted was quite heterogeneous, in terms of land size, aspirations, needs and capacities. Program design admitted that different components would apply to different groups of small farmers. In practice, and in the absence of detailed operational planning, the concept of differentiated targeting of beneficiaries and components was unworkable and was ignored.⁶ Differentiation of overall project design between states would have been prudent. The Program adopted a homogeneous approach to the projects, not calibrating them sufficiently to the

4. Dynamics of Rural Development in Northeast Brazil: New Lessons from Old Projects, OED 1991

5. NRDP, Mid-Term Review, November 1991

6. Ibid

institutional, political and agronomic environment in each state, with projects constructed from a menu of financeable activities.⁷

19. The rural credit component encountered problems stemming from its design: participating banks were reluctant to contribute their own funds to the Program as required due to their high opportunity cost; state government banks could not participate because budget regulations prevented them from handling non-repayable (subsidy) funds; the credit component was relatively isolated from the other components and there was little collaboration between the banks and the TUs on credit activities; and farmers were, not surprisingly, unwilling to incur debt without knowing what their repayments would be, since outstanding balances would be adjusted for inflation and they feared the adjustments would exceed their product price increases in spite of the 30% subsidy. Project personnel appear to have not understood, and did not tell farmers, that the credit terms remained fairly attractive even under the circumstances.⁸

20. **The Loans.** Loans totaling US\$415.7 million (about 50% of the NRDP total) and financing 50% of project cost net of taxes, were made to the States of Bahia, Ceará, Rio Grande do Norte and Sergipe to benefit some 255,300 small farm families, about 45% of the NRDP target population (some 568,000 small farm families). Projects were to be implemented over a period of about eight years. While it is technically true that most project activities were implemented by state agencies, not federal, the Federal Government both in Brasilia and through its regional agency SUDENE, exercised dominant control over these projects, coordinating the program, approving annual operating plans and budgets, providing counterpart funds and monitoring and evaluation services. Delayed approval of budgets, in turn, delayed implementation and reduced project purchasing power due to the inflation effects.

Reformulation of the NRDP

21. Despite successful experiences in different States and activities, the original NRDP foundered in all ten states and did not achieve its basic objectives. The fundamental problem was the escalating macro-economic and fiscal crisis in Brazil and the incompatibility of the projects' centralized structure and administrative arrangements with the rapidly changing political, economic and social context. This was borne out by a comprehensive Mid-Term Review (1991) and an OED study,⁹ which prompted an agreement between the Bank and Borrower to reformulate the Program, a protracted process which lasted until 1993.

7. Dynamics of Rural Development in Northeast Brazil: New Lessons from Old Projects, OED, December 16, 1991

8. Ibid

9. Ibid

22. The focus changed from rural/agricultural development, with the emphasis on small farmers and agricultural production, to rural poverty alleviation, emphasizing poor rural communities and varied productive, infrastructure and social investments. The comparatively successful APCR community-based investment component was the starting point for the complete re-design of the Program to reflect the growing sentiment in Brazil for decentralization, transparency, accountability and local empowerment.¹⁰

23. **New Objectives.** These were to: (i) provide basic social and economic infrastructure, and employment and income-generating opportunities for the rural poor (not only small farmers); (ii) support rural community groups in identifying, planning and implementing their own subprojects; and (iii) involve state governments more directly in decision-making and financing the Program. While maintaining the fundamental program objectives albeit in different form, both Bank and Borrower saw the reformulated NRDP as part of a policy of compensatory actions responding to an emergency, i.e., the devastating impact on the rural poor of economic and climatic crises and macro-economic and fiscal adjustment (SUDENE 1996).

24. The reformulation process had two distinct phases. The first, protracted and “painful” phase started in June 1990 and culminated in the formal re-design of the Sergipe project (Ln.2523-BR) effective in early 1992. Expecting replication of the Sergipe model in all other nine states, most of the original state-executed project components were discontinued from June to November, 1992 (e.g., water resource development, agricultural research, seed production, extension, credit, marketing services and the APCR component). Remaining funds would be allocated to productive¹¹ investment subprojects to be executed by beneficiary communities. These were larger-scale investments involving small farmers from several communities and managed by “apex” beneficiary organizations. They were largely residual components from the earlier phase of the projects and included only subprojects at a relatively advanced stage of preparation or implementation.¹²

25. From November 1992 onwards, reformulation entered its second phase.¹³ The emphasis shifted markedly towards further decentralization (towards the states, municipalities and communities), transparency in funds allocation and greater beneficiary control over project identification and implementation. Drawing upon the successful APCR component and similar schemes elsewhere in Latin America, the NRDP was converted into a community-based development program, dropping all components targeting agricultural production, and incorporating new features: (i) State as opposed to

10. Study of Popular Participation in the Northeast, C Kottak and A Costa, University of Michigan, February 7, 1994

11. The emphasis was still agricultural production and income generation

12. Kottak and Costa., Ibid

13. The Solidaridad program in Mexico was an important influence. A study tour to Mexico, sponsored by the Bank, was a critical step in gaining acceptance for the new approach and fostering Brazilian ownership of the reformulation.

Federal, responsibility for providing counterpart funds; (ii) streamlined flow of funds to the States by the National Treasury, through the Ministry of Rural Integration, without having to go through SUDENE, whose role was reduced; and (iii) two new programs: State Community Schemes (PAC) and Pilot Municipal Community Schemes (FUMAC).¹⁴

26. **The Mechanism.** The re-designed projects provided matching grants to rural community associations to finance small-scale subprojects identified by those groups as priority investments for community well-being. Grants (with a community contribution of 10-20% depending on the type of subproject, to enhance "ownership") were justified as permitting access of the poorest to resources for needed facilities and services without their having to repay at high nominal interest rates.

27. Community subprojects would be screened, approved and implemented through two different mechanisms: (i) **State Community Schemes (PAC)** in which rural communities submitted their subproject investment proposals directly to the State Project Technical Unit (TU) which, screened, approved (on a first-come, first-served basis) and released funds for subprojects, interacting directly with the beneficiaries; and (ii) **Pilot Municipal Community Schemes (FUMAC)**, in which subprojects identified and prepared by rural communities were presented to project Municipal Councils for review.¹⁵ The Councils, composed of community members, local government representatives and members of civil society, promoted local consensus-building on priority needs through open "town meetings", and screened and submitted subprojects to the State (TU) for approval and financing. A municipality participating in FUMAC could not have PAC, nor was it necessary to have had PAC in order to adopt FUMAC -- in this sense, the system was not graduable. FUMAC is a more progressive model than PAC and the Bank has always pushed for its expansion.

28. Decision-making and implementation devolved to the municipalities and communities, the state governments were more directly involved in financing and administration, and the responsibilities of public agencies were reduced. An action plan, translated into a set of monitorable indicators, was agreed with each state. Eligibility for project benefits included community associations and cooperatives which might include small farmers, artisans and fishermen, living in communities with less than 7,500 persons or district centers with less than 5,000 inhabitants. Subproject cost could not exceed US\$40,000 equivalent, including community contributions. Beneficiaries had (under Brazilian law) to legally register as associations in order to receive public funds, had to accept full liability through an agreement with the TU for O&M of the investment, and had to make cash or kind contributions of at least 10% of subproject cost.

29. These two programs became the core of the reformulated NRDP. All PAC and FUMAC subprojects were ultimately approved by the State TU and operated under the

¹⁴. Memorandum June 29, 1994.

¹⁵. Project Municipal Councils are a separate entity from the municipal councils arising out of the normal political process.

same ground rules. The basic difference was that FUMAC directly involved the municipality whose role it was to mobilize and organize communities and help them to define priorities. This evolved over time to the point where the FUMAC Municipal Councils, not the TUs, approved community subprojects. With certain modifications (including a new, pilot version of FUMAC further decentralizing resource allocation and control), this remains the model for projects under the new Rural Poverty Alleviation Program (RPAP) in the Brazilian Northeast.

30. The reformulated Program became effective on September 28, 1993, and became operational in all ten Northeast states (Sergipe was reformulated a second time to conform to the new model) by January 1994. Due to the increased focus on poverty alleviation and conforming to a previous amendment to the Sergipe project, overall funding was increased from 50% to 60% of project cost, net of taxes. At the time the amendments were submitted to the Board, the ten loans were 41% disbursed and a further 11% committed, leaving an unused balance of US\$398.0 million, of which US\$235.2 million (59%) represented the four states reviewed.

Achievement of Project Objectives

31. It is generally agreed that prior to 1993, the projects in Sergipe, Rio Grande do Norte, Bahia and Ceará were not achieving their objectives, in common with the rest of the states under the NRDP. This changed following project reformulation. Project achievements are summarized below.¹⁶

32. **Socio-Economic Benefits for the Rural Poor.** Community-based development reached its intended beneficiaries, including the landless, generating economic growth and better quality of life for large numbers of rural poor in each of the four states. Increased income and employment opportunities for diverse family members including women are emerging, raising at times remarkably, the living standards of beneficiary families. This trend is expected to gain momentum as productive subprojects, most of which are fairly recently implemented, consolidate and mature.¹⁷ Capital accumulation has started at both the local and household levels, fostering, *inter alia*, the sustainability not provided by previous development efforts in the Northeast. Beneficiaries saw a high proportion of project funds (about 93%, compared to about 30% before) and subproject benefits, in

^{16.} Evaluations of the reformulated NRDP include the following: World Bank/FAO, "The Reformulated NRDP: Performance and Evaluation, February 1995; World Bank/FAO, "NRDP: Performance and Evaluation", March 1996; University of Michigan, "Baseline and Popular Participation Study" initiated in 1993 by Kottak and Costa, followed by a community impact evaluation in July-October 1994; studies under the "ARIDAS Project on Regional/Municipal Development in Semi-Arid Areas of the Northeast"; an evaluation of NRDP commissioned in 1994 by the Federal Secretariat of International Affairs (SEAIN), Ministry of Planning; MIT working draft for the World Bank Brazil Implementation Commission, February 1996; and Superintendency for the Northeast (SUDENE) Borrower Completion Report on the NRDP, 1996.

^{17.} Brazil: Northeast Rural Development Program - Performance and Evaluation, World Bank/FAO, March 14, 1996.

general, remained with targeted populations. Investments satisfied priority needs and are of good or satisfactory quality. Consequently, poor communities are willing to share the costs of investments, and to operate and maintain them. Multiplier effects on local economies are evident and there are early signs that migration has slowed. Communities with project-funded investments recovered faster from the 1993 drought and used their land more intensively. In the poorest municipalities (and in the States of Sergipe and Rio Grande do Norte in particular), PAC and FUMAC were the main, and often the only source of funding for rural infrastructure, productive and social investments.

33. **Support for Community Empowerment.** The states intensified efforts to train and mobilize municipalities and community associations, specifically to incorporate them into the FUMAC program which stresses participation, transparency, and local control over decision-making and subproject implementation. Without doubt, participation in the reformulated projects has had sustainable political effects. The FUMAC municipal councils are a viable means of empowering the rural poor. The now numerous community associations congregate many voters, and politicians are aware of their influence. Further, the State Technical Units have developed standard designs for a broad range of subprojects to simplify preparation, and established technical and cost standards to foster quality and sustainability. The formal involvement of NGOs in the provision of technical assistance and monitoring services in Rio Grande do Norte was an important ingredient in that State's successful experience and a model for other states seeking to strengthen these services.

34. **Involvement of State Governments in the Program.** The projects have attracted strong political support from the States and municipalities. Aside from their political benefits, they are also valued as a supplementary resource (and possibly the only assured one) for investment in basic community needs; as representing potential, significant cost-savings (on average, 30%-40%) on infrastructure and water supply put in by public agencies; and, as generating tax revenue for State and Municipal governments from the marketing of productive outputs.¹⁸ Further, they have prompted more rapid and efficient provision of services by the state project units and participating public enterprises, e.g., electricity and water (services commonly requested by communities), in response to communities prepared to be more demanding. State governments have provided counterpart funds more promptly, accelerating disbursements -- a dramatic break from past performance -- and municipalities have been willing (and urged) to share the counterpart funding burden with the States, seeking in return, greater accountability and cost-effectiveness from state governments.¹⁹

^{18.} The 25 cashew nut processing subprojects financed to date in Rio Grande do Norte, for example, are estimated to generate about US\$2.2 million per year in tax revenue, boosted by the export value of cashew nut and the higher rate of taxation (17% and 12% for state and national markets, respectively) on processed cashew nut.

^{19.} World Bank Policy Research Paper No 1498, August 1995.

Implementation Record and Major Factors Affecting the Projects

35. **State Performance Prior to Reformulation.** Major policy changes and economic uncertainties created a climate in which these projects could not be implemented as originally planned. Several critical factors had an adverse impact on the projects in all four states. First, rising fiscal deficits and macro-economic distortions severely limited Federal capacity to invest and to provide counterpart funding for the projects, and caused the deterioration of public agencies responsible for project investment and services delivery. Meanwhile, coordination between the numerous public agencies responsible for implementation, especially with irregular funding, was (as always) difficult to achieve, and too high a proportion of project funds supported recurrent expenditures.

36. Second, significant changes in the political economy of Brazil entailed in the new Constitution of 1988 saw power and fiscal resources shift from the Federal level to the states and localities, which further impaired the Federal Government's ability (and willingness) to fund many existing programs. However, the design of project decision-making, administrative and financing arrangements, which largely pre-dated these changes, remained centralized at the Federal level, and the provision of services rooted in public agencies when support was shifting towards a greater role for the private sector. As part of the overall process of change, successive reforms abolished key Federal agencies, contributing to the uncertainties delaying implementation of the projects.

37. Third, liberalization of agricultural marketing and trade policies resulted in record harvests and the perception that agriculture was resilient to the unfavorable macroeconomic context, causing longer-term sectoral programs such as land reform and rural development to lose priority in funding decisions. However, policy-makers were forced to re-examine this stance when continued instability caused a marked decline in the sector from 1990. Further, the failure of most component programs of *Projeto Nordeste* to materialize focused attention on the NRDP as the pivotal poverty alleviation strategy, creating unrealistic expectations, and criticism of its design and implementation.

38. Beneficiary participation, an innovative feature of NRDP project design and philosophy, was steadily eroded as executing agencies, confronting increasingly erratic funding for these projects, were reluctant to engage in participatory planning. Investments frequently deviated from beneficiary priorities and thus neither the beneficiaries, nor the states, felt much sense of ownership or obligation to maintain them. Multiple components tended to serve different target groups without being mutually reinforcing, pulverizing resources and impact, while measures to foil the access of large farmers to project benefits were ineffective.²⁰

39. The Mid-Term Review of 1991 revealed that the implementation performance among projects varied less than among project components, i.e., in addition to major themes affecting all the projects, component-specific problems were important

²⁰ Memorandum, May 28, 1993.

contributing factors in the delays experienced Program-wide.²¹ These included: the states' limited capacity to plan and implement irrigation development ventures; institutional problems in agricultural extension; and virtual paralysis of the agricultural credit program in each state. Performance problems relating to the choice of investments and their sustainability were also experienced in irrigation, water supply and in the APCR component. Finally, the complementary land tenure improvement program fell short of its targets because of continuing institutional and policy struggles, and this hindered rational planning and implementation under the NRDP projects. However, Rio Grande do Norte stands out for exceeding, by a wide margin, its goal for the number of families settled on land acquired under that project. Results of individual state project implementation up to reformulation are contained in Table 5.A.

40. **The APCR Component.** The APCR component (and its related water supply component) supporting small community investments based on community planning, organization and out-sourcing of needed technical expertise, became the leading edge of the NRDP in each state. Still evolving and by no means trouble-free, the APCR acknowledged the expressed needs of the communities, its poverty alleviation impact was positive, the cost per family relatively low, and disbursement and commitment rates far exceeded those of other components. The project record conveys the relative dynamism of this component from Program start-up.

41. Such was not the case with components which relied heavily on public sector implementation -- extension, credit, research and irrigation schemes. These showed the worst delays, notwithstanding considerable variation state to state based on local circumstances. A high proportion of their resources financed recurrent costs, and their poverty impact was slight. Project administration by the Federal Government and the states continued, as in previous programs, to absorb a high proportion of loan funds relative to actual investments.

42. **State Performance Since Reformulation.** Disbursements accelerated under the reformulated projects. The release of Loan funds by the Federal Government was intermittently delayed but the situation improved markedly from mid-1995 after new state governments addressed the administrative and political constraints responsible. Bahia, Sergipe and Ceará were able to cover 100% of the municipalities they had slated for inclusion, while 86% were covered in Rio Grande do Norte. Notably, beneficiary coverage under the reformulated projects in all four states exceeded targets set at reformulation and under the original projects.

43. Initial promotional campaigns by the TUs generated a tremendous response by the communities, presenting a challenge for the limited cohort of technical agents in each state. Once subproject proposals were approved, completion took about four months.

²¹. Regional activities were controlled by Federal agencies as follows: production-oriented research (EMBRAPA and CPATSA); overall policy and planning responsibility and regional coordination of the NRDP (SUDENE); and land-related actions, under a separate, complementary project (INCRA).

Lags in all four states between approval and completion derived mainly from TUs lacking funds (loan and counterpart) immediately available to transfer to the communities.

44. Overall, basic and social infrastructure subprojects predominated in Sergipe and Bahia, while productive subprojects were prioritized in Ceará and Rio Grande do Norte. The diversity of subprojects demanded -- about 120 different types whose relative importance varied state to state -- illustrates the deprivations of rural poverty. Certain kinds predominated: (i) in infrastructure -- rural water supply and electrification; (ii) in productive -- tractors for communal use, manioc flour mills, small-scale irrigation, clothesmaking, cashew nut processing (typical of Rio Grande do Norte) and dairying; and (iii) among social subprojects -- health-related house improvement, latrines, school rehabilitation and day care centers. Proposals for productive subprojects surged in 1995, the result of poor communities prioritizing economic activity and capital formation.

45. Community choices were influenced in several ways, depending on the state and the period. In Bahia and Sergipe for example, especially in the period immediately following reformulation and less so as the projects evolved, elected state and municipal officials acted as intermediaries between the communities and state project units. Many mayors for example, promoted the creation of associations to present proposals which were essentially municipal initiatives. In some cases, the resulting subprojects did not reflect true community priorities and certainly the participatory, organizational element was weak in these cases. However, in the case of Bahia for example, whose performance in getting funds out to the communities was impressive and a dramatic break with the past, the benefits of mayoral involvement are apparent in the positive impact on beneficiary communities. It is also clear that acceptance of both the concept and practice of community-based development is an evolutionary process, not a *fait accompli* from the moment of its introduction.

46. Evaluations suggest that communities' inability to influence the process stemmed from having inadequate information about the process itself and eligible subprojects. Information campaigns were sometimes less effective than direct communication between political leaders (who tended to hear about the projects first), and the communities. In such cases, the choice of subprojects tended to be skewed by state policies favoring certain investments, e.g., productive subprojects in Ceará and Rio Grande do Norte or water supply in Sergipe. Nevertheless, in many of these cases, the participation of local political leaders was a positive development and important for the sustainability of decentralized implementation. The main issue is the need to curb breakdowns in transparency which can lead to negative political influence.²² Other influences on communities' selections included observing which subprojects in neighbouring communities tended to be approved; and the apparent biases of technicians in the project units (in Bahia, against social subprojects²³ and in Sergipe and Ceará, against tractors²⁴).

²². Memorandum, April 9, 1996 and MIT evaluation.

²³. The Bahia State Planning Secretariat (SEPLAN), in its comments on the Bank's draft ICR, states that there was not bias per se, but that demand for social subprojects was low due to communities being able to satisfy social needs through other financing sources and programs, including Bank-

Measures were taken during project implementation to improve information availability and dissemination, and this is being stressed in the new Rural Poverty Alleviation Projects in the Northeast.

47. The average cost of subprojects, both PAC and FUMAC, significantly exceeded the ten-state average in Ceará, Rio Grande do Norte and Sergipe, but was markedly lower in Bahia (see Part II, Table 14). There were sharp variations between the four states in the cost of similar investments due to differences in design and technical specifications. For many commonly-requested types of subprojects, the cost tended to be lower in Bahia (Part II, Table 14): a manioc flour mill cost around US\$18,700 in Rio Grande do Norte but only US\$7,400 in Bahia; similarly, a simplified water supply system cost US\$30,000 in Sergipe, US\$17,000 in Rio Grande do Norte and about US\$14,000 in Bahia. A resume of state performance follows.

48. **Bahia.** Bahia's performance improved remarkably after reformulation and the project achieved its development objectives. State counterpart funding was both timely and adequate. Subproject demand was exceptionally strong, far outstripping other Northeastern states (Bahia also being the largest state). Some 14,076 subprojects were at various stages of processing at the Closing Date, far more than the loan and respective counterpart funding could finance. Under the new Rural Poverty Alleviation Project (Loan 3917-BR), all subproject proposals remaining in the pipeline would be re-submitted by the communities for financing.

49. The project financed 2,701 subprojects of which 2,297 were PAC (85%) and 404 FUMAC (15%), and benefited some 380,350 rural beneficiaries in 264 municipalities, more than five times the number anticipated at reformulation (and vastly exceeding numbers reached under the project, pre-reformulation). Of these subprojects, some 59% represented small rural infrastructure, 36% were productive ventures and 5% were social investments. In addition, five large-scale subprojects, already existing before reformulation, resulted in the irrigation of 1,438 ha; and the construction of 242 small dams and 1,737 home cisterns (post-reformulation) reached a further 2,430 rural beneficiaries. The combined impact has been a measurable and visible improvement in quality of life and well-being, and increased income and employment opportunities.

50. At the request of the Federal Government, and due to the delayed project implementation caused by lack of counterpart funding, a massive, partial cancellation of

financed projects with the Federal Government SEPLAN also mentions a joint program, financed by the NRDP and the National Health Foundation, to combat Chagas disease through improvements to some 454 houses in 4 municipalities.

24. The Sergipe State Technical Unit (PRONESE) in its comments on the draft ICR, explains the bias against tractor subprojects as being due to their observed lack of sustainability in earlier cases. Today, such subprojects have strict requirements for beneficiary organization, regulations concerning their use and maintenance, and they are still seen as having special operational difficulties and limitations.

US\$60.0 million occurred in 1994. Final disbursement totaled US\$107.2 million and cancellation of US\$3.8 million was effected on November 12, 1996.

51. **Ceará.** By the Closing Date, the project had financed 3,025 subprojects, some 62% more than the goal established at reformulation and the highest number among the four states (and indeed, of the whole Program). This performance resulted from: (i) the priority assigned to the project by a new Governor, reflected in the prompt release of counterpart funds; (ii) the administrative arrangements agreed with the Bank requiring all concerned agencies to fully support the project in the field; (iii) the strengthening of the TU; (iv) the state administration's decentralized development strategy and planning which prioritized participatory decision-making; and, (v) the focus of public policy on social conditions and poverty alleviation.

52. Of the completed subprojects, 2,695 (89%) were financed under PAC and 330 (11%) under FUMAC. Infrastructure subprojects dominated (56%) followed by productive (39%) and social (5%). The project benefited about 178,800 families in 2,962 rural communities and 176 municipalities. As reported in the Bank/FAO evaluation of 1995, improved beneficiary quality of life was visible in the field and the 45% of subprojects which were productive were accompanied by improved income and employment opportunities. The FUMAC approach was pushed hard by the TU and expanded substantially.

53. Disbursement was satisfactory, and State counterpart funding performance was good in the post-reformulation period. At the time of reformulation, Ceará had disbursed US\$45.1 million of the original loan amount of US\$122.0 million. The Federal Government requested a partial cancellation of US\$30.0 million in December 1994 for the same reasons as Bahia. Final disbursement amounted to US\$84.86 million and cancellation of US\$7.14 million was made on November 12, 1996.

54. **Sergipe.** The State's disbursement performance both under the original and the reformulated NRDP was among the best of the Program. State counterpart was provided efficiently. Of the original loan amount of US\$61.3 million, almost US\$40.0 million had been disbursed by the time of reformulation in 1993. The balance of the loan, with the exception of a partial cancellation of US\$1.0 million, was fully disbursed.

55. The commitment of the State Government and the long experience of the TU with rural development, explain project success. Subproject approval and completion rates were high. The TU received 1,565 community proposals post-reformulation, of which 1,347 were approved and 600 were financed -- of which PAC 83.5% and FUMAC 16.5% --benefiting some 79,000 rural families. The State's loan balance was insufficient to finance the full 747 subprojects remaining and they were held over for financing under the new project (Loan 3919-BR).

56. Of the subprojects financed, 398 (about 66%) were small community infrastructure (rural electrification, water supply, street paving), 80 (about 13%) were productive subprojects (tractors, manioc flour mills and small irrigation schemes) and 122 (some

20%) were social subprojects (house improvements, schooling and health posts), the strongest demand for social subprojects in the NRDP. Demand focused on electrification (223 subprojects), water supply (56), manioc flour mills (31) and the purchase of ambulances (para. 43). Rural electrification subprojects benefited about 20,300 poor families in about 200 rural communities, while water supply projects benefited about 9,200 families in 50 communities. The benefits of these and other investments, while not yet formally measured, are expected to be substantial.

57. Notwithstanding the excellent performance of Sergipe, several issues merit comment. The FUMAC program was not expanded beyond the seven original municipalities, despite the recommendations of Bank missions to identify new municipalities for FUMAC and establish new project Municipal Councils. The TU focused its efforts on the PAC program (which represented 93% of all subprojects), consciously restricting FUMAC to the pilot number agreed at reformulation. This was not due to a failure to recognize the advantages of FUMAC, but rather reflected the State's characteristic adherence to the letter of an agreement. Even under PAC, communities did participate in subproject decision-making and execution, and there was an impressive degree of decentralization and local involvement. All the same, missions believed various problems under PAC -- concentration of demand and excessive demand for certain kinds of subprojects -- might have been minimized if priorities had been discussed in FUMAC municipal councils. It appears that political influence may have skewed community decision-making away from their genuine priorities. FUMAC expansion is a key feature of the new project in Sergipe and was accepted by the state unequivocally.

58. Unlike other states, the municipalities' participation in the allocation of counterpart funds was minor.²⁵ The State was willing to provide the counterpart and did not involve the municipalities, although this meant reduced funding for other state investment programs in order to free funds for NRDP. Missions urged the TU to promote municipal co-financing in preparation for the new project. In the current fiscal downturn, Sergipe is likely to look for municipal counterpart to lessen its own burden.

59. **Rio Grande do Norte.** The reformulated NRDP in Rio Grande do Norte surpassed all the implementation benchmarks established at the time of the reformulation. The project's performance stood out among its counterparts for the unique, collaborative relationship between the Project Coordinating Unit (CODEC) and the NGO community, part of a tradition of NGO involvement in public programs in that state. The main NGOs, which include FETARN (*Federação dos Trabalhadores do Agricultura do Rio Grande do Norte*), AACC (*Associação de Apoio as Comunidades do Campo*), the Catholic Church, the Rural Workers' Union and FOCAMPO (*Forum do Campo Potiguar*), an umbrella organization representing diverse groups, have provided expert assistance in the project areas for community mobilization, technical assistance, training, monitoring and

²⁵ Supervision Report (update), June 1996.

supervision. This also had the effect of enabling the Technical Unit (TU) to remain small and focused.

60. The TU pioneered the subcontracting of monitoring and supervision services to the NGO community, which increased the frequency of subproject visits and thus improved the prospects for proper operation and maintenance of subprojects. The State Government also introduced Municipal Rural Development Committees (CMDRs) into all participating municipalities so that all community subproject proposals (not only rural) were screened at the municipal level.

61. By the Closing Date, 769 subprojects had been financed of which productive accounted for 75%, infrastructure 24% and social 1%, and of which 90% were PAC and 10% FUMAC. Community demand favored 9 subproject types,²⁶ which accounted for almost 70% of total subprojects financed to date. Some 71,600 families in 620 rural communities, representing 28% of eligible beneficiaries -- more than four times the reformulation estimate -- benefited from the project. The project produced tangible evidence in the field that beneficiaries' incomes and standard of living had improved.

62. Of the original NRDP loan amount of US\$61.4 million, US\$36.1 million was disbursed by reformulation (Part II, Table 12). Partial cancellation of US\$10.0 million occurred in December 1994. Final disbursement amounted to US\$49.2 million and cancellation of US\$2.2 million was effected on November 12, 1996.

63. **Serra do Mel.** The impact of the successful collaboration with NGOs in Rio Grande do Norte is exemplified in the much-praised and -visited municipality of Serra do Mel. This municipality has benefited from FUMAC subprojects and advanced sufficiently to *inter alia*, leverage other sources of funds for community development and to assert that its participatory institutions and processes are sufficiently mature to counter any political manipulation.

64. Several factors explain this favorable status: (i) many years of cooperation between the State Government and NGOs; (ii) astute guidance from a prominent, well-connected NGO (AACC) which sought to transform the municipality from a centrally-managed, high-cost land reform settlement, into a self-sustaining and community-managed unit based upon the micro industrial production of cashew nut for export; (iii) a successful, long-standing contractual relationship between AACC and the State extension agency EMATER, resulting not only in the successful cashew technology but also the piloting of other economic activities involving small-scale, individual irrigation systems. Extension was initially paid for by AACC and later taken over by the municipality with excellent

²⁶. Water supply, rural electrification, cashew nut processing, clothesmaking, communal tractors, manioc flour mills, small-scale irrigation, dairying and latrines.

results; and (iv) economic activities included high-value products, part of which was exported as a result of community action.²⁷

Use of Consultants

65. All four states depended at different times and for varying purposes, on consultant services. In the initial years, UNDP was contracted by SUDENE to provide TA to the states for training and planning, through a core group of consultants stationed within that agency. These contracts ended in 1990 and were not renewed. While the quality of service provided was satisfactory, it did not equip SUDENE institutionally, to deliver the same services without UNDP assistance. Although contracted personnel were capable, they did not leave behind a body of trained permanent staff. The follow-up contract with IICA, again signed with SUDENE, stationed the consultants in each participating state. Sergipe was an exception, contracting separately with FAO. Prior to the reformulation, almost all of these consultancies were associated with the Water Resources component where consultant expertise was a key factor; few, if any, worked on community organization, mobilization or other activities. The quality of consultant services in this second phase was good or satisfactory.

66. At reformulation, the umbrella IICA contract was replaced by individual IICA/state contracts. Bahia, Ceará and Rio Grande do Norte contracted with IICA, while Sergipe continued with FAO. The new project design required a dramatic change in the content of technical assistance, away from water resources toward demand-driven, highly-decentralized projects; the transition occurred in all cases except Sergipe, which made little use of consultants in this process. In Rio Grande do Norte, NGOs were also contracted as consultants, with significant benefits for the project. Bahia made extensive and successful use of private consulting firms outside the IICA contract for the large irrigation subprojects.

67. In general, the quality of consultant services was higher under the reformulated projects. While the need for consultant expertise is unquestioned, it is unclear whether this need is better satisfied under umbrella contracts with international groups such as IICA, UNDP or FAO, or direct contracting between the States and consultants drawn from a broad pool of expertise. The observed trend is towards the latter. Under the new RPAP, community associations and FUMAC and FUMAC-P (a pilot, more decentralized variant of FUMAC) Municipal Councils will closely control the selection and contracting of TA providers.

Project Sustainability and Future Operations

68. **Sustainability.** Final supervision missions worked to ensure that decentralization and participation were deepened and expanded. State campaigns sought to mobilize

²⁷. For a fuller description of Serra do Mel, see Working Draft for the World Bank Brazil Implementation Commission, MIT, 1996.

communities, disseminate information on the program, promote the formation of project Municipal Councils and expand FUMAC (including paving the way for the FUMAC-P approach) and to prepare standard subproject designs. Bank/FAO evaluations (1995 and 1996) found that beneficiary communities' had a strong proprietary interest in their investments from having selected and implemented them, and contributed to their cost. Their potential sustainability appears good. In the four states reviewed, and in other states under the Program, many water supply subprojects initiated under the APCR are still well-maintained with secure communal arrangements. Beneficiaries' readily commit to the operation and maintenance of their investments through up-front signature of legally-binding agreements, while many associations have accumulated substantial reserve funds to cover maintenance costs.²⁸

69. Nevertheless, at the beginning of the process, when the first productive subprojects were implemented, the sustainability of some of them was uncertain (e.g., clothes-making, bakeries, fruit processing). Contributing factors included inadequate technical and managerial know-how, competition from large firms, the lack of organizational skills to market production and because some products such as manioc have limited commercial potential. Lack of beneficiary participation, and inadequate supervision and TA were also factors. Corrections were introduced including technical assistance throughout the subproject cycle, and the new RPAP includes additional remedies for these deficiencies.

70. **Plans for Future Operation.** The four states were not legally required to prepare plans for future operations and no such plans exist (with the exception of Bahia, and for one set of activities). The same is true for monitoring future operations of the projects. Nevertheless, prospects for maximizing project benefits appear good. The States and their Governors are supporting policies and actions which stress decentralized decision-making and management. Communities are signing O&M agreements and are setting up reserve funds, evidence of intent to honor these arrangements. Further, ex-post evaluation studies such as those already done in 1995 and 1996, are an important tool for monitoring the operational phase of subprojects and for determining whether things were well done.

71. In the case of Bahia, an important issue is the future sustainability and operations of the Pascoal Limoeiro and Itapera irrigation subprojects, initiated before NRDP reformulation. The State committed assistance to both systems, for which all infrastructure was completed and equipment acquired, and included funds in its 1996 budget to support their operation. The State also prepared an action plan involving the Secretariats of Agriculture and Planning to provide the necessary TA for these systems.

Bank Performance

72. The Bank has sought for several decades to improve the outcome and impact of rural poverty programs in the Northeast. Until 1993 however, many design and

²⁸. Brazil: Northeast Rural Development Program - Performance and Evaluation, World Bank/FAO, March 14, 1996.

administrative problems and the macroeconomic and fiscal context limited their potential. Preparation and appraisal of the original projects showed a thoughtful attempt to innovate and counter risk, but the framework, concept and mechanisms remained conceptually and operationally traditional, the macro-economic and policy context was not given enough attention, and undue faith was placed in the Federal Government's commitment to the Program and willingness to find the funds, regardless of the economic circumstances. It is a truism that chronic shortages of counterpart funds are either indicative of deficient commitment to project objectives or that the project exceeds fiscal capacity. Realistically, however, the Bank would have been clairvoyant to foresee the nature of certain pivotal events which had such a powerful impact on these projects, especially after 1988. Appraisal, on balance, was satisfactory, subject to certain caveats: lending pressures in the mid-1980s played a role; and evidence suggests the Bank accepted somewhat uncritically, the capacities of institutions to carry out the projects, although it is also true that key federal agencies did have considerable technical capacity.

73. The Bank's choice following the Mid-Term assessment was essentially to cancel these projects or try to improve their impact and cost-effectiveness, a protracted dialogue and design process which culminated in stripping away the IRD components, to focus fully on a new mechanism and make it work. The period which elapsed prior to definitive reformulation – seven years from effectiveness, is problematic. There was no mechanism in the Bank for coming to quick closure on reformulation and no indications that either the Bank or Borrower sensed any great urgency or had established a time frame for action. This would be unlikely to occur in the "implementation culture" of today's Bank.

74. There are indications that supervision timing was irregular, mostly in the case of Rio Grande do Norte and to a lesser extent the other states.²⁹ Further, the supervision record itself, both in the Bank and in Recife, is incomplete in terms of consistent sets of documentation for every mission or update. From 1989 onwards, these projects entered their period of poorest performance marked by an acute lack of counterpart funds and institutional disarray. Increasing amounts of time were spent by Bank and especially Recife Office staff visiting all ten northeast states to devise an acceptable reformulation package, as opposed to carrying out formal supervision. This became a protracted process when a second reformulation was undertaken.

75. There is no doubt that timeliness -- the meshing of project design with the changing political economy and national sentiment-- was a central factor in the successful outcome of the reformulated projects, and this is a key lesson. Through the community-based development model, the Bank made a major technical contribution to Brazil based on its own experience; launched a more democratic process of rural poverty alleviation; but perhaps more important, as stated in the 1996 Bank/FAO evaluation, the main achievement of the reformulated projects has been to support the decentralized allocation of resources in the rural Northeast. Obviously, the dramatic shift did not imply that the

²⁹ In the case of Rio Grande do Norte, supervision in the period from early 1988 to mid-1990 (see Table 11) was handled from Bank headquarters.

rural poor no longer needed credit, extension and other services or that smallholder agricultural production had lost currency. Indeed, having gained confidence in the capacity of the community-based investment mechanism to satisfy a range of basic needs, the Bank is now addressing several critically important subsectors in the Northeast: market-based land reform, integrated water management, and rural financial market development.

76. The World Bank Recife Office has been fundamental to the implementation and supervision of the reformulated NRDP projects. The Recife Office, established in 1974 has three task managers dedicated exclusively to working with the Northeastern states, handling all supervision activities including procurement reviews and field visits. In this manner, Bank support has been better tailored to the decentralized structure of the reformulated Program. The Recife Office also updates and manages a global database, the Simplified Project Monitoring System (SSMP) which provides detailed information on these projects and serves as a monitoring tool both for the Bank and for the individual state TUs.

Borrower Performance

77. Economic, fiscal and political factors which boiled over in the latter part of the 1980s, steadily sapped the commitment of the Federal Government (as Borrower) to these projects, reflected in the erratic and corrosive counterpart funding situation. In the post-reformulation phase, with counterpart funding responsibilities transferred to the states, the Federal government periodically delayed the release of loan funds and/or advances of Federal (Treasury) funds to them, sometimes for political reasons (notably in Rio Grande do Norte in 1994) but more often to promote financial discipline in state performance. Overall, the Federal and State Governments' willingness to support a radically new approach to rural poverty alleviation was instrumental in the success of the reformulated projects.

78. SUDENE performed well in several key areas: control over the use of Federal funds; maintaining steadiness and regional uniformity in program strategy and objectives; technical assistance (TA) for training; the provision of specialist consultants; and continuous state and regional monitoring. However, SUDENE's overall ability to guide and supervise was weak and its operational rigidity, stemming from excessively bureaucratic systems and regulations, curbed the intended flexibility of the Program. While TA had some successes in individual states, SUDENE itself absorbed little benefit institutionally. SUDENE was overstaffed, but lacked sufficient trained personnel for its role, which was sharply reduced under the reformulation as many of its responsibilities devolved to the states. SUDENE's performance post-reformulation was satisfactory, and it produced an insightful, timely Completion Report on behalf of the Federal Government.

79. **Technical Units.** The relative efficiency of the TUs depended on the availability of qualified people, the material and financial deficiencies affecting their operations, and the degree of administrative and financial independence from their parent State Secretariats. Despite their substantial size and tendency (with the exception of Sergipe) to be

overstaffed, their capacity to process a large number of subproject proposals, and provide TA and supervision, was taxed. All four TUs received TA for institutional development, contracted mostly from international organizations. Under the original NRDP, while legally and administratively strong, the units lacked the political and fiscal power to influence the state implementing agencies, particularly when fiscal circumstances prevented them from honoring their funding commitments to these agencies. Their role devolved to drafting annual operating plans, channeling funds to the agencies, and tracking expenditures and physical implementation.

80. In the post-reformulation phase, problems included the general overstaffing of TUs, their inadequate field presence, supervision capacity and monitoring and evaluation. There was also a tendency for TUs to assume responsibility for important steps of the subproject planning and implementation cycle. This sometimes inhibited community participation, but on occasions was a valuable means of launching the subproject identification, selection and approval process in the absence of community leaders or NGOs,³⁰ of enhancing work content and of substituting for non-performing agencies. The results were sometimes quite successful. An assessment of the Technical Unit in each of the four states, follows.

81. **Bahia.** The State Company for Regional Development Action (CAR), under the State Secretariat of Planning, was the project's TU for the duration. Its size reflected the fact that Bahia had the largest project in the Program. Like the Sergipe TU, and in marked contrast to Ceará and Rio Grande do Norte, CAR enjoyed considerable administrative and financial independence and its coordinator had greater decision-making power than his counterparts. Technical personnel were always high-caliber. Most advances in first-phase project implementation took place from 1986/87 to 1991; thereafter, until reformulation, the project was plagued by the general "crisis" experienced by the entire program. CAR pursued project goals in a determined fashion and was creative in its problem-solving, but adjusting to a highly-decentralized project design (through reformulation) was not an easy transition for Bahia/CAR, which clung to a traditional, paternalistic view of poor, small communities, discounting their ability and wish to be pro-active. Nevertheless, with the strong involvement of the mayors, state performance in getting project funds out to the beneficiary communities was dramatically better than in the past, when little more than 30% of the funds reached the poor. Attitudes towards participation are changing. Progress was also hampered up to 1995 by CAR's inadequate field presence to receive, appraise, approve and supervise a huge number of community proposals and subprojects.

82. **Ceará.** Prior to reformulation, the State Agricultural Planning Commission (CEPA) as project TU, was under the Secretariat of Agriculture, at that time a politicized and ideological agency. Performance, judged on the basis of loan disbursement, was poor. CEPA was dismantled in 1990. The new TU also remained within Agriculture and many staff left as implementation continued to deteriorate. At

³⁰. Comments on draft ICR by Sergipe State Technical Unit, PRONESE, October 2, 1996.

reformulation, a new TU was established as a Directorate within the State Secretariat of Planning, with some former staff being absorbed by the new unit. Although well-run by a committed, capable Coordinator, the TU lacked administrative and financial independence from the Planning agency, and the State delayed the release of counterpart funds in the first months of the reformulated project. The TU's performance turned the corner in mid-1995. While its lack of independence did not improve, a good working relationship between the state Secretary of Planning and the TU Coordinator, coupled with the State's renewed commitment to the project, and to the principles of decentralization, galvanized project implementation.

83. **Rio Grande do Norte.** The State Agricultural Planning Foundation (CEPA) as TU, was a dependency of the Secretariat of Agriculture until reformulation. Until 1990, the TU's performance was satisfactory, but it deteriorated sharply in the period from 1991 to reformulation despite retaining most of its original technical staff, again, most probably a reflection of the crisis affecting the entire NRDP. The reformulation transferred the TU to the Secretariat of Planning and Finance, along with a small cadre of its technical people but until the end of 1994, staffing and internal organization of the TU remained inadequate.

84. In what was to have significant consequences for the project, NGOs were called upon to bolster the TU's capacity to supervise and ensure proper project implementation which ultimately allowed the project to survive, mainly through the political support and credibility the NGOs brought to the project in the communities. The release of project loan funds was also politicized by the Federal Government (the Ministry of Regional Integration) causing further pressure on the project. A new State administration in 1995 transferred the TU to the State Secretariat of Labor and Social Action (SETAS), the core staff were retained and the NGOs, in view of their demonstrated successful collaboration with the TU, consolidated their role. Performance improved markedly and the NGO partnership with the TU and the communities is a distinguishing feature of the State's project experience.

85. **Sergipe.** The project unit (PRONESE) except for changes in its coordinator, was technically and administratively stable throughout. The outstanding features of PRONESE were its small size -- overstaffing of TUs was common -- rational organizational structure, well-trained and dedicated staff, and strict adherence to project guidelines and agreed covenants. The unit used its energies to implement a quality project post-reformulation. Of the four states, Sergipe alone disbursed almost 100% of its original loan, canceling only US\$1.0 million (in 1994). The TU experienced no noticeable growth pains in its start-up phase under the reformulation and no special technical assistance or institutional development were required by the unit. Nevertheless, evidence suggests that the Sergipe TU was quite politicized and project operations were, on earlier occasions, inconsistent with Program objectives. The TU was slow to embrace decentralization, but its recent performance under the RPAP suggests this is changing.

86. State Secretariats of Agriculture (SSA) controlled the NRDP up to reformulation. The original NRDP was a secure and timely source of funding for their extension,

research, marketing services and irrigation agencies, but this disappeared in 1993. The re-designed NRDP left no room for their direct participation and in any case, assisted poor rural communities, not only small farmers. It also transferred to communities the choice and implementation of their own subprojects, including contracting TA, which in the case of several states is provided by EMATER -- an agency of SSA -- but contracted locally by the communities. There was (and remains) no objective reason for SSA involvement in the program.

87. **Procurement.** Post-reformulation procurement, in which small-scale contracts predominated, progressed smoothly in all four states. Community associations proved adept, with little or no assistance, at obtaining the best deal for project funds. Supervision missions did not encounter any significant problems or anomalous situations involving procurement. Neither the Technical Units, nor the beneficiary associations, had significant problems interpreting Bank procurement guidelines. Small-scale, direct shopping and contracting for goods and services by beneficiaries proved to be efficient - because associations obtained their needs more cheaply for the same quality, than those procured by public entities (federal, state and municipal) - and monitorable.

88. In all the states, except Bahia, acquisitions were made directly by the associations, whereas in Bahia, a high proportion of the acquisitions were undertaken by the Municipal Government (MG) on behalf of the beneficiary associations. More commonly, an agreement was signed between the state (TU) and the association through which funds were transferred to the association, which proceeded to acquire needed goods and services. The option existed, however, of tripartite agreements between the TU, association and MG and of the four states, Bahia made considerable use of this option. Approval of a community subproject was followed by signature of a tripartite agreement under which the association asked the MG to acquire goods and services on its behalf; the TU released the funds to the municipality, which purchased the goods and/or services and transferred them to the association.

89. By doing this, the associations lost the opportunity to be more deeply involved in their own subprojects, to learn how to handle procurement themselves and, to capture the cost savings from purchasing on their own account at lower prices. Under the new project in Bahia (Ln. 3917-BR), the State is being encouraged to use the tripartite system as an exception, through a limit in the Loan Agreement on total funds usable for acquisitions by parties other than the associations.

90. **Audits.** In the cases of Ceará, Rio Grande do Norte and Sergipe, auditing of project accounts was carried out by the Federal Government. Bahia was an exception, with auditing entrusted to the State Court of Accounts. The Federal Government tended to be late in submitting audits while the states (Bahia and others) tended to be good audit performers. The quality of project auditing improved steadily over time, reflected, ironically, in the number of qualified statements. All four states had a good record of satisfactorily resolving problems raised in audit reports.

91. **Covenant Compliance.** The key legal covenants pre-reformulation concerned the Borrower's obligation to provide counterpart funds, and to ensure proper functioning of the rural credit component. The Borrower's performance was deficient in both cases. A joint Aide Memoire of March 8, 1993 transferred counterpart funding responsibility to the States, whose performance in all four cases has since been both superior to the pre-reformulation phase and generally satisfactory.³¹ The credit component was discontinued.

Assessment of Outcome

92. SARs for the original projects contain internal economic rates of return (IERR) for the four states ranging from 13% to 19%.³² It is implicit from the complete re-design of the projects in 1993 that they were unsatisfactory, and their IERRs have not been re-calculated. The Mid-Term Review (1991) of the original projects noted that their impact on production, income and employment was difficult to assess due to the lack of concrete evaluation results, in spite of considerable effort to devise a methodology for evaluation studies. Statistical data on inputs and beneficiaries in each state were considered unreliable due to double-counting and overlap among years and components, but tended to confirm the general shortfall in achievements. Information recently provided by the States shows that this situation persisted up to the effective reformulation in September 1993, with variations between states.

93. The reformulated projects fell under the rubric of targeted interventions based on a demand-driven mechanism of which the costs, benefits and rates of return could not be determined with any certainty, *ex ante*, and thus no IERRs were calculated (or accordingly, re-calculated). While this report is technically exempt from re-estimating an IERR, the results of the two major Bank/FAO evaluations of the Program are relevant and interesting.³³ Both evaluations calculated the socio-economic benefits and cost effectiveness of PAC/FUMAC subprojects based on a range of the more commonly demanded infrastructure, productive and social investments.

31. The Aide Memoire was jointly signed by all state governors, representatives of the Federal Government and the Bank, during negotiations of the reformulation, and before the Amendment letters were approved by the Bank (June 1993).

32. Ceará 13% (due to its poorer resource base), Bahia 17%, Sergipe and Rio Grande do Norte 19%.

33. These evaluations (1995 and 1996) were carried out as part of project preparation for two new loan packages under the Rural Poverty Alleviation Program. It was agreed prior to preparation of the first new package (Bahia, Ceará and Sergipe) that the first evaluation would look at all ten states. The 1996 analysis for the second package covered Rio Grande do Norte, Pernambuco and Minas Gerais. The ranges provided are indicative only given the sampling nature of the analysis, the variations which exist between subprojects in terms of cost and performance and, in the case of the 1995 evaluation, the relatively short time between reformulation and evaluation. The sampling methodology used for the 1996 evaluation can be found in Brazil: Northeast Rural Development Program-Performance and Evaluation, World Bank/FAO, March 14, 1996.

94. Internal economic rates of return (IERR)³⁴ were found to be quite high, investment per job created was low and social benefit-cost ratios were satisfactory (see Tables 15-18). The analysis of sample cases surveyed showed that the NRDP projects had a positive impact on quality of life, and in the case of productive subprojects, on employment and incomes of beneficiaries.³⁵

95. The 1996 analysis shows that internal economic rates of return for productive subprojects in most cases ranged from 30% to 50% in financial terms, and 40% to 50% in economic terms. Both analyses assumed constant benefits over an eight-year project life. In most cases, the estimated economic IERRs were higher than the financial ones: while the economic cost of labor -- the most important input in smallholder agriculture -- was very low due to severe unemployment, economic prices of outputs which are produced in small quantities and all traded internally except for rice and cashew nut, are virtually the same as their financial prices.³⁶ An analysis was also carried out to determine the sensitivity of the IERRs to the distorting effects of publicly-funded grants, stemming from the costs associated with raising these funds (i.e. taxation). While using the shadow price of public funds reduced the respective IERRs, these remained significantly positive and exceeded 17% in all cases.

96. The analysis also revealed satisfactory cost-effectiveness results both in terms of employment creation and social benefit/cost ratios. The methodology for determining cost-effectiveness involved estimating, where appropriate, the total investment cost per additional job created by the various types of subprojects, and social benefit/cost ratios. For all subprojects analyzed (including under the 1995 evaluation) the initial investment per additional job created was low (at least 10 times lower than in the industry and service sectors) and benefit/cost ratios were satisfactory (between 1.0 and 3.0).³⁷

34. Evaluations use IERR as opposed to ERR terminology in SARs.

35. The Bank/FAO socio-economic analysis for Rio Grande do Norte, covered nine types of subprojects in the three main categories: in infrastructure these were rural water supply, street paving, and rural electrification; in productive, manioc mills, cashew nut processing, tractors for communal use, dairying and clothes making; and, under social, the analysis looked at latrine construction. In the analysis for Pernambuco and Minas Gerais, the analysis also reviewed small-scale irrigation under infrastructure, and analyzed rehabilitation of rural schools and health-related house improvement, under the social category.

36. The IERRs were calculated not for all subprojects among the selected productive types, but for sample subprojects visited either by State Technical Units or Bank/FAO researchers, during which beneficiaries and other local stakeholders were interviewed. There was no systematic recording of poorly-performing subprojects in each state and thus the relative percentages of such are guesstimates at best. Productive subprojects which performed well in one state might have a poor record in another. The IERR of one subproject versus another may not be the best indicator of performance, especially if subproject size differs. Similarly, subprojects showing very high IERRs may have only a small impact on family net income.

37. The SUDENE report steers away from estimating income, production and job generation, citing methodological difficulties and relies on interviews with association/community members concerning subproject benefits: of the most-frequently-cited, employment and income generation

97. In respect to cost recovery, the 1996 evaluation concluded that user fees from beneficiary associations adequately covered O&M and replacement of worn equipment. Findings have been fairly uniform across states, that the net income of beneficiary associations is sufficient, after deducting all O&M expenses, to cover replacement of the investment in 5-7 years, compared to its useful life of 10 years. Manioc mills were similarly found to be sustainable, with associations retaining sufficient funds to amortize the mill complex in 7 years compared to its useful life of 12 years.

98. Both the original and reformulated projects were problematic, to varying degrees and for different reasons, when it came to economic assessment, highlighting the need for greater attention during project design, to baseline studies, and to monitoring and evaluation methodologies. In particular, Borrowers' commitment and capacity to undertake evaluation (which remains a weakness of Bank-financed projects) throughout the project cycle, should be high on the checklist for project supervision.

99. Each of the four reformulated projects is rated Satisfactory, reflecting their achievement of objectives, project sustainability and exit ratings in final supervision Forms 590.

Main Findings and Lessons Learned

100. **Main Findings.** This was a longer-term program, planned and implemented in a complex and dynamic environment. Despite the effort to innovate and to head off counterpart funding and other problems, the original projects were too cumbersome and complex for the deteriorating fiscal, macro-economic and institutional conditions and were not compatible with the momentous changes after 1988 in the national political economy, which demanded a more decentralized, participatory project design. Thus, while the Bank could not control the larger forces at play in Brazil, project design created its own set of problems.

101. The reformulated projects in the four states successfully achieved their objectives because their design and implementation strategy fit the evolving political, economic and social context. This legacy resulted from "revolutionary" decisions: (i) by the Bank, to take a poverty alleviation approach, with all its implications of decentralization, grants, ownership and participation, instead of a rural/agricultural development approach; and (ii) by the Federal and State Governments, to relinquish a significant measure of political control by empowering rural communities and, more importantly, by acknowledging the right and ability of the rural poor to establish their own priorities and make decisions.

102. Community-based development is not a "magic bullet" for poverty reduction in the Northeast, which is why the Bank, having launched a significant process with measurable impact on beneficiaries, is now turning its attention to other major constraints in the

is ranked first, followed by better family nutrition, increased family production (in Rio Grande do Norte, cashew processing, cattle-raising, and clothesmaking) and transportation of production and people (prominently-ranked in Bahia and Sergipe).

sector. But beneficiaries themselves feel that the projects are generally delivering the benefits they promised, unlike earlier efforts, and demand for such subproject investments is strong. Modifications designed to address identified shortcomings have been incorporated in the new generation of Rural Poverty Alleviation Projects. States and municipalities have proven willing to make needed corrections.

103. **Grants.** Grant-based investment in productive subprojects is a legitimate mechanism for jump-starting capital accumulation by the rural poor, a process usually limited by their inability to generate savings and gain access to the formal credit system. Grants have made an important contribution to sustainable local development in the states reviewed. Concerns about potentially inefficient investments and producers, are being addressed. New projects in Bahia, Sergipe and Ceará, and projects upcoming in other states including Rio Grande do Norte, contain design improvements to rationalize the use of grants, including additional eligibility criteria for all productive subprojects, and a *regulamento de uso* authorizing the Municipal Councils (FUMAC and FUMAC-P) and the TUs to reject some types of productive subprojects.

104. **PAC and FUMAC.** FUMAC is more effective than PAC in important ways, demonstrating a larger number of subprojects per municipality and beneficiaries per subproject; greater community participation and transparency; improved community capacity to identify, select and implement priority investments; and, lower cost per beneficiary. The stronger institutional element, the Municipal Councils, has fostered community organization and ensured a more rigorous subproject selection process and thus better-quality investments overall. It would be an exaggeration to claim that the FUMAC Municipal Councils have changed the balance of power in the Northeast, but they have already contributed to effecting such change in the longer-term.

105. **Graduation.** It may be necessary to progressively graduate some communities and municipalities as the aggregate benefits of several subprojects (and benefits from other programs) equip them to leverage funds from other sources. However, the pervasiveness of rural poverty in the Northeast indicates the need for a carefully crafted strategy based on defining practical, operational ways of identifying communities which are close to achieving this status. Profiles of beneficiary communities would be developed to demonstrate: capacity for sustainable savings; adequacy of social and economic infrastructure; access to social and other services; community organization; incomes and nutritional/health status. Communities with superior ratings would progressively contribute a higher percentage to, and eventually cease to be eligible for, project matching grants.

106. **Environment.** The environmental impact of the generally small-scale PAC and FUMAC subprojects was insignificant, but certain kinds of subprojects are more likely to have environmental side-effects, e.g., the sludge from manioc processing, a situation which is well-known and for which counter-measures have been in place, even since the APCR component.

107. **Participation.** While providing a forum for local decision-making, the FUMAC municipal councils remain sensitive to political interference from local power groups, especially the mayors, (but the PACs are even more vulnerable). While vigilance is needed to combat such political tampering, many mayors in the four states are working closely with MCs for legitimate community ends. There are benefits from local political involvement, including sustaining the projects' decentralized implementation (MIT 1996). Local governments are committing financial and institutional resources to approved community subprojects, even though neither PAC nor FUMAC legally requires this, and even adopting the FUMAC approach to decision-making for other municipal investments. PAC's primary justification at this point is to allow associations in communities where the political leadership opposes FUMAC, to bypass the municipal authorities and work directly with the state TUs, but there are limitations on its use, which is seen as residual.

108. **Technical Assistance.** Project funding for TA does not ensure its availability in rural areas. Resourcefulness is needed to obtain TA for the many aspects of the subproject cycle which require it. Replication of the successful alliances between the TU and NGOs in Rio Grande do Norte is one solution; making greater use of state extension agencies (EMATER) is another;³⁸ and subcontracting to private providers as was done successfully in Bahia, is a further option. The overdesign of subprojects and insufficient TA have led to marked divergence in the size, cost, quality and sustainability of similar investments. Over-design and poor quality design can be mitigated by developing standard designs and technical standards. The TUs stressed this activity in all four states in the final year, especially in preparation for new projects under the RPAP. Finally, under the reformulated projects, TA funding was tied to subproject approval; non-approval meant associations still had to pay out of their own pockets for the TA used in preparation of the proposal, a potent source of frustration for poor communities, and one which has been resolved under the new RPAP.

109. **Organization.** Well-organized rural communities can influence the allocation and use of municipal funds. Experience in Rio Grande do Norte, Sergipe and other states shows that about 10% of all associations, especially those with an organizational history and well-established distribution of responsibilities and benefits, fared better in getting first access to subprojects and obtaining more than one subproject (SUDENE 1996). The cumulative benefits (and multiplier effects) have accelerated local development and raised the issue of graduation from the program. Concentration of investments or logistical limitations of the TUs meant many communities were not reached. Many associations were rapidly and legally/bureaucratically organized in 1993/94 to access project funds, but lacked the "glue" of having evolved consensually over time. But it is not clear that permanence should be a paradigm. The demands of subproject identification, execution and maintenance are considerable and risks are attached to the on-the-job stage, i.e., when "organized" communities must operate and maintain an investment on their own and it is shared objectives which bind them together. Sequential mobilization, organization

³⁸ The EMATER in Minas Gerais provided high quality TA to communities but across the Northeast, service quality is a major problem.

and training of communities as a prerequisite for receiving project funds cannot guarantee that an association will perform well and/or stay together.

110. **Integration.** These projects did not attempt to integrate small farmers (pre-reformulation) and the rural poor (post-reformulation) into the more dynamic economy of the region, or to restructure semi-arid agriculture, nor have they sought integration with other Northeast rural poverty programs. Raising small farmers' productivity by financing inputs including water was an initial, basic step, but the projects did not target specific crops, and anticipated fairly traditional cropping patterns.³⁹ In any case, many small farmers chose to stay with their subsistence crops rather than access project-financed credit lines in an inflationary economy. The reformulated projects funded collective investments in agro-processing rather than production, as in the case of cashew processing in Serra do Mel in Rio Grande do Norte. In this case, the project directly assisted poor communities to transform a low income activity into a thriving export item with significant revenue potential, but such cases remain few. Nevertheless, the provision of start-up capital, water, electricity and other inputs including TA, has opened the door to future economic integration.

111. Finally, there is considerable overlap between programs seeking to combat rural poverty, but little interaction to magnify effects. The SUDENE report describes the TUs as being almost unanimous that the lack of integration constrained full development of these projects, but this view is not widely shared. Actually, these projects were the only ones with assured funding and genuine targeting of beneficiaries, thus attracting criticism for being "isolated" and "self-contained" from entities involved with other programs whose underlying objective may have been to use "integration" to

gain access to the projects without the yoke of their strict rules and criteria. Evidence suggests that few other projects have the potential for integration with these projects.

112. **Lessons Learned.** The lessons, substantiating Bank-wide experience in many cases, are as follows:

- (a) Even the best-designed RD projects will falter under severe **macro-economic and fiscal pressures**, and a **policy environment unfavorable to agriculture**;
- (b) Project design should anticipate and be sufficiently flexible to permit, and project staff should be alert to the potential need to undertake, **significant changes of course or complete reformulation if necessary, within a reasonable timeframe**;
- (c) The reformulated projects were scaled up from a **successful pilot experience** (APCR), further refined by incorporating wider experiences,

³⁹.

They did, however, assume quite dramatic production increases in some crops on the basis of pasture conversion and greater area, combined with project inputs.

and they also, piloted a more progressive mechanism (FUMAC) with significant impact. The new RPAP projects take this further, piloting FUMAC-P as a vehicle for greater decentralization of resource allocation and control. The willingness to experiment benefits projects Bank-wide;

- (d) **Grant-based investment is a legitimate and effective tool** for jump-starting capital accumulation by the rural poor, and the matching grant approach contributed to sustainable local development in the four states;
- (e) **Decentralization** of fiscal and investment decision-making from Federal to state and local government and beneficiaries improves project administration and subproject quality. This process needs clearly-defined operational incentives and penalties to counter departures from project guidelines. **Beneficiary participation** in subproject selection, implementation, financing and supervision generates “ownership”, sound O&M, quality investments, cost savings and local accountability. Vigilance and appropriate controls are needed to prevent political interference in the participatory process; **community organization** heightens the awareness of available programs and services, facilitates participation and increases subproject cost-effectiveness;
- (f) **Poverty targeting mechanisms** should be simple, explicit and monitorable; be based on objective criteria; foster transparency and minimize political interference in project resource allocation and subproject selection; and ensure that project resources reach the poorest communities; and be accompanied by well-designed **publicity campaigns** which ensure transparency and a proper knowledge of program/project objectives, content and access, bolster the targeting process;
- (g) **Sustainability** of project investments is enhanced by municipal and community cost-sharing, beneficiary involvement in local public investment allocations, and when TA is provided throughout the subproject cycle;
- (h) **Technical assistance** should be prioritized throughout the subproject cycle for: improving the outcome of productive subprojects; community mobilization and organization; planning, management and financial skills development for municipalities and community associations; marketing strategies; and institutional development of the TU; “on the job” training for communities is equally valuable but not risk-free; sourcing TA in rural areas needs creativity;
- (i) **Supervision** is indispensable for subproject and overall project success and should be strengthened, and involve local entities closest to the communities, particularly Municipal Councils and NGOs;

- (j) **Productive subprojects need rigorous selection, preparation, TA and supervision** to maximize their commercial potential and sustainability; their inherent social objectives in a poverty context should not imply “softer” analysis of their rates of return, cost-effectiveness and feasibility;
- (k) Related to the above, project design should pay **careful attention to baseline studies** as the springboard for well-designed monitoring and evaluation and for *ex post* assessments of the **economic and financial rates of return** of a range of productive subprojects; and, accessible, comprehensive **monitoring and evaluation** improves subproject assessment, targeting and efficiency and is an essential planning and management tool;
- (l) **Standardization of documents, designs and unit costs** simplifies subproject preparation and evaluation, facilitates procurement, encourages community participation, prevents faulty design and reduces processing bottlenecks; and
- (m) **Dissemination of “best practices”**, such as the collaboration with NGOs in Rio Grande do Norte,⁴⁰ through exchanges of information among Technical Units, at training seminars and workshops, can hasten learning and reward innovation.

⁴⁰

Other examples of successful actions include the collaboration of EMATER, the State agricultural extension service, in community mobilization, technical assistance and supervision, and other states which have adopted technical parameters or developed training materials which have had positive results.

IMPLEMENTATION COMPLETION REPORT

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROGRAM

PART II: STATISTICAL INFORMATION

**TABLE 1. SUMMARY OF ASSESSMENTS
SERGIPE PROJECT (Ln. 2523-BR)**

A. <u>Achievement of Objectives</u>	Pre-Reformulation				Post-Reformulation and Summary Assessment ¹			
	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)
Macro Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/> ²	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Development	<input type="checkbox"/>	<input checked="" type="checkbox"/> ³	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical Objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Social Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public Sector Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Sector Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments of the entire project.

² Credit Component

³ Regional Agricultural Research component to strengthen CPATSA, and State research agencies in the Northeast. Also institutional strengthening of SUDENE in support of state rural development activities.

⁴ Mainly through the APCR component, up to 1993

TABLE 1. SUMMARY OF ASSESSMENTS
SERGIPE PROJECT (Ln. 2523-BR) - Continued

	Pre-Reformulation			Post-Reformulation and Summary Assessments ¹				
B. <u>Project Sustainability</u>	Likely (✓)	Unlikely (✓)	Uncertain (✓)	Likely (✓)	Unlikely (✓)	Uncertain (✓)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
C. <u>Bank Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Appraisal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Supervision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
D. <u>Borrower Performance</u> ²	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Preparation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Covenant Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
E. <u>Assessment of Outcome</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments of the entire project.

² Borrower pre-reformulation was the Federal Government, and post-reformulation, the State of Sergipe.

TABLE 1. SUMMARY OF ASSESSMENTS
RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

A. <u>Achievement of Objectives</u>	Pre-Reformulation				Post-Reformulation and Summary Assessments ¹			
	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)
Macro Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Objectives ²	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Development ³	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty Reduction ⁴	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Social Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public Sector Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Sector Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments.

² Credit Component

³ Strengthening of technical unit.

⁴ Mainly through the APCR component, up to 1993.

TABLE 1. SUMMARY OF ASSESSMENTS
RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR) - Continued

	Pre-Reformulation			Post-Reformulation and Summary Assessments ¹				
B. <u>Project Sustainability</u>	Likely (✓)	Unlikely (✓)	Uncertain (✓)	Likely (✓)	Unlikely (✓)	Uncertain (✓)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
C. <u>Bank Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Appraisal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Supervision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
D. <u>Borrower Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Preparation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Covenant Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
E. <u>Assessment of Outcome</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments of the entire project.

**TABLE 1. SUMMARY OF ASSESSMENTS
BAHIA PROJECT (Ln. 2761-BR)**

A. <u>Achievement of Objectives</u>	Pre-Reformulation				Post-Reformulation and Summary Assessments ¹			
	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)
Macro Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/> ²	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Development	<input type="checkbox"/>	<input checked="" type="checkbox"/> ³	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical Objectives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Social Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public Sector Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Sector Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments.

² Credit Component

³ Regional Agricultural Research component to strengthen production oriented research in the Northeast, including inter-agency coordination; and institutional development of the Brazilian Food Company (COBAL) and State Food Company (EBAL).

⁴ Mainly through the APCR component, up to 1993.

TABLE 1. SUMMARY OF ASSESSMENTS
BAHIA PROJECT (Ln. 2761-BR) - Continued

	Pre-Reformulation			Post-Reformulation and Summary Assessments ¹				
B. <u>Project Sustainability</u>	Likely (✓)	Unlikely (✓)	Uncertain (✓)	Likely (✓)	Unlikely (✓)	Uncertain (✓)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
C. <u>Bank Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Appraisal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Supervision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
D. <u>Borrower Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Preparation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Covenant Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
E. <u>Assessment of Outcome</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments of the entire project.

**TABLE 1. SUMMARY OF ASSESSMENTS
CEARA PROJECT (Ln. 2763-BR)**

A. <u>Achievement of Objectives</u>	Pre-Reformulation				Post-Reformulation and Summary Assessments ¹			
	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)	Substantial (✓)	Partial (✓)	Negligible (✓)	Not applicable (✓)
Macro Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sector Policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial Objectives ²	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Institutional Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poverty Reduction ³	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Social Objectives	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public Sector Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private Sector Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments.

² Credit Component

³ Mainly through the APCR component, up to 1993.

TABLE 1. SUMMARY OF ASSESSMENTS
CEARA PROJECT (Ln. 2763-BR) - Continued

	Pre-Reformulation			Post-Reformulation and Summary Assessments ¹				
B. <u>Project Sustainability</u>	Likely (✓)	Unlikely (✓)	Uncertain (✓)	Likely (✓)	Unlikely (✓)	Uncertain (✓)		
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
C. <u>Bank Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Appraisal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Supervision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
D. <u>Borrower Performance</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Deficient (✓)		
Preparation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Covenant Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
E. <u>Assessment of Outcome</u>	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)	Highly Satisfactory (✓)	Satisfactory (✓)	Unsatisfactory (✓)	Highly Unsatisfactory (✓)
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ Post-reformulation ratings equate to summary assessments of the entire project.

TABLE 2. RELATED BANK LOANS

SERGIPE PROJECT (Ln. 2523-BR)

Project Title/ Loan No.	Purpose	Year Approved	Status
1. Northeast Region Land Tenure Improvement Project (Ln. 2593-BR)	To improve land tenure and the legal and institutional basis of land markets in the Northeast.	1986	Cancelled due to institutional and policy obstacles.
2. Sergipe Rural Development Project (Tabuleiros Sul; Ln. 1714-BR) ¹	To improve the incomes and living standards of small farm families	1979	Closed 1985

¹ Under the Polonordeste Program

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Project Title/ Loan No.	Purpose	Year Approved	Status
1. Northeast Region Land Tenure Improvement Project (Ln.2593-BR)	To improve land tenure and the legal and institutional basis of land markets in the Northeast.	1986	Cancelled due to institutional and policy obstacles.
2. Rio Grande do Norte Rural Development Project (Ln.1195-BR)	To improve the incomes of poor farm families	1976	Closed 1984

¹ Under the Polonordeste Program

TABLE 2. RELATED BANK LOANS

BAHIA PROJECT (Ln. 2761-BR)

Project Title/ Loan No.	Purpose	Year Approved	Status
1. Northeast Region Land Tenure Improvement Project (Ln. 2593-BR)	To improve land tenure and the legal and institutional basis of land markets in the Northeast.	1986	Cancelled due to institutional and policy obstacles.
2. Bahia Rural Development Project (Paraguaçu; Ln. 1589-BR)	To improve the incomes and living standards of small farm families.	1978	Closed 1985
3. Second Bahia Rural Development Project (Ln. 2269-BR)	To improve the incomes and living standards of small farm families.	1983	Closed 1988

CEARA PROJECT (Ln. 2763-BR)

Project Title/ Loan No.	Purpose	Year Approved	Status
1. Northeast Region Land Tenure Improvement Project (Ln.2593-BR)	To improve land tenure and the legal and institutional basis of land markets in the Northeast.	1986	Cancelled due to institutional and policy obstacles.
2. Ibiapaba Rural Development Project (Ln. 1488-BR) ¹	To improve the incomes and living standards of small farm families		Closed 1985
3. Second Ceará Rural Development Project (Ln. 1924-BR) ¹	To improve the incomes and living standards of small farm families		Closed 1986

1. Under the POLONORDESTE program.

TABLE 3. PROJECT TIMETABLE

SERGIPE PROJECT (Ln. 2523-BR)

Steps in Project Cycle	Date Planned	Date Actual/ Latest Estimate
Identification (Executive Project Summary)	--	1982
Preparation	--	1983
Appraisal	--	June 1984
Negotiations	--	February 22, 1985
Board Presentation	--	April 30, 1985
Loan Signing	--	June 13, 1985
Loan Effectiveness	--	December 12, 1985
Loan Closing	June 30, 1993	December 31, 1995
Project Completion	December 31, 1993	December 31, 1995

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Steps in Project Cycle	Date Planned	Date Actual/ Latest Estimate
Identification	--	1982
Preparation	--	1983
Appraisal	--	June 1984
Negotiations	--	February 18, 1985
Board Presentation	--	April 30, 1985
Loan Signing	--	June 13, 1985
Loan Effectiveness	September 12, 1985	May 7, 1986
Loan Closing	June 30, 1993	December 31, 1995
Project Completion	December 31, 1992	December 31, 1995

TABLE 3. PROJECT TIMETABLE
BAHIA PROJECT (Ln. 2761-BR)

Steps in Project Cycle	Date Planned	Date Actual/ Latest Estimate
Identification (Executive Project Summary)	--	1982
Preparation	--	1983
Appraisal	--	November 1984
Negotiations	--	September 30, 1985
Board Presentation	--	October 21, 1986
Loan Signing	--	July 20, 1987
Loan Effectiveness	--	October 19, 1987
Loan Closing	March 31, 1995	December 31, 1995
Project Completion	September 30, 1994	December 31, 1995

CEARA PROJECT (Ln. 2763-BR)

Steps in Project Cycle	Date Planned	Date Actual/ Latest Estimate
Identification	--	1982
Preparation	--	1983
Appraisal	--	November 1985
Negotiations	--	July 7, 1986
Board Presentation	--	October 21, 1986
Loan Signing	--	July 20, 1987
Loan Effectiveness	--	October 19, 1987
Loan Closing	March 31, 1995	December 31, 1995
Project Completion	September 30, 1994	December 31, 1995

TABLE 4. LOAN DISBURSEMENTS: CUMULATIVE ESTIMATED AND ACTUAL
(US\$ Million)

SERGIPE PROJECT (Ln. 2523-BR)

Fiscal Year	Appraisal Estimate	Actual¹	Actual as % of Estimate
1986	6.30	4.81	76
1987	11.80	9.79	83
1988	20.12	16.23	81
1989	31.60	19.52	62
1990	42.00	25.91	62
1991	51.70	31.57	61
1992	58.60	32.91	56
1993	61.30	39.08	64
1994	61.30	43.32	71
1995	--	52.77	86
1996	--	60.30	98

Final Disbursement: May 31, 1996

¹ US\$10 million cancelled, December 1994

TABLE 4. LOAN DISBURSEMENTS: CUMULATIVE ESTIMATED AND ACTUAL
(US\$ Million)

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Fiscal Year	Appraisal Estimate	Actual¹	Actual as % of Estimate
1986	3.00	3.39	113
1987	11.40	9.81	86
1988	21.40	15.29	71
1989	31.00	19.02	61
1990	41.00	24.64	60
1991	50.00	29.91	60
1992	57.90	31.78	55
1993	61.40	35.14	57
1994	61.40	37.42	61
1995	61.40	42.26	69
1996	--	49.20 ²	80

Final Disbursement: July 10, 1996

¹ US\$10.0 million cancelled, December 1994

² Loan balance of US\$0.2 million cancelled, November 12, 1996

TABLE 4. LOAN DISBURSEMENTS: CUMULATIVE ESTIMATED AND ACTUAL
(US\$ Million)

BAHIA PROJECT (Ln. 2761-BR)

Fiscal Year	Appraisal Estimate	Actual¹	Actual as % of Estimate²
1987	16.0	--	--
1988	39.20	9.44	24
1989	63.20	20.62	33
1990	88.80	28.55	32
1991	114.80	49.95	44
1992	140.60	59.02	42
1993	156.00	59.29	38
1994	166.00	68.99	42
1995	171.00	89.48	52
1996		107.20	63
Final Disbursement: June 10, 1996			

¹ US \$60.00 million canceled, December 1994

² Loan balance of US\$3.8 million cancelled, November 12, 1996

TABLE 4. LOAN DISBURSEMENTS: CUMULATIVE ESTIMATED AND ACTUAL
(US\$ Million)

CEARA PROJECT (Ln. 2761-BR)

Fiscal Year	Appraisal Estimate	Actual¹	Actual as % of Estimate
1987	9.80	-	-
1988	20.10	8.80	44
1989	36.60	18.96	52
1990	55.00	28.28	51
1991	75.80	36.74	48
1992	95.20	38.18	40
1993	107.50	43.85	41
1994	117.40	47.68	41
1995	122.00	55.18	45
1996	122.00	84.86 ²	70

Final Disbursement: May 21, 1996

¹ US\$30.0 million cancelled, December 1994

² Loan balance of US\$7.14 million cancelled, November 12, 1996

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

SERGIPE PROJECT (Ln. 2523-BR)

A. Pre-Reformulation ¹

Disbursements at reformulation were about 65% of the loan, the best performance of the four states. Achievements under the main components were (with percentage of appraisal target shown in parentheses): (i) Water Resources: the State constructed irrigation systems serving 605 ha (93%) and some 365 beneficiary families (target range was 400-600 families); water supply systems vastly exceeded the target (650%), as did the construction of cisterns (137%), although beneficiary families were less than expected (62%); distribution of fingerlings was far lower than anticipated at 457,000 (30%), but production facilities and production capacity met targets (100%); (ii) Agricultural Research and Seed Production: the project financed 7 agro-ecological studies (116%) but performed poorly in terms of research trials (8%) and farming tests (48%). The project also financed the production of 63 tons of seeds and some 2 million seedlings (targets established in ha); (iii) Agricultural Extension: performance was generally modest under this component, with extension services benefiting some 13,400 families (75%), and the setting up of 157 demonstration plots (16%) and 23 observation units; (iv) Rural Credit: as in other states, this component floundered, benefiting only 1,380 families (21%); and (v) APCR: this component was strong, financing some 360 subprojects for 79,000 beneficiaries, establishing 119 community facilities with 49,000 beneficiaries and carrying out training programs benefiting about 1,686 families.

¹ State provided pre-reformulation data/achievements in the form shown, which was not directly comparable with original indicator list.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

SERGIPE PROJECT (Ln. 2523-BR)

B. Post-Reformulation

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS	PAC/FUMAC ¹	State Technical Unit (TU) and Non-Governmental Organizations (NGOs) trained in rules and procedures.	Training seminars for TUs and for NGOs were held in the state by July 31, 1993, and updating workshops held by each July 31 thereafter, under TOR agreed with the Bank.	Complied with
	PAC/FUMAC	Technical Implementation Manual.	Prepared by June 30, 1993 in agreement with the Bank on the basis of the March 12, 1993 "Diretrizes e Critérios Básicos para a Implementação do Programa Reformulado de Apoio ao Pequeno Produtor Rural (PAPP)".	Complied with
	PAC/FUMAC	Publicity.	Publicity campaign proposal submitted to Bank by June 30, 1993, and campaign initiated in the state by Sept. 1, 1993 and thereafter implemented as agreed with the Bank.	Complied with
	PAC/FUMAC	Current situation of target communities and pilot municipalities.	Baseline study of sample communities regionally distributed in the state and pilot municipalities completed by Sept. 30, 1993.	Complied with
	PAC/FUMAC	Mobilization assistance.	List of NGOs and other agencies to assist communities in mobilization and organization was available in the state by June 15, 1993 and was updated annually thereafter.	Complied with
	PAC/FUMAC	Technical assistance.	List of suitable individuals, firms, agencies and NGOs to assist communities in technical aspects was available in the state by June 15, 1993 and was updated annually thereafter.	Complied with
	FUMAC ONLY	A municipal council with appropriate representation has been established and is functioning in each pilot municipality.	Documentation certifying existence and functioning of municipal council available from each pilot municipality was available and verified by TUs, by Sept. 30, 1993.	Complied with
	PAC/FUMAC	State and Loan funds for approved projects are available in a timely manner to communities.	At beginning of each month, sufficient funds from state budget and from Loan in state project account to cover new approved subprojects, and available to communities in a timely manner, as reported monthly to the Bank and SUDENE.	Complied with

¹ PAC: Programa de Apoio Comunitário (Support to Small Rural Communities Program)

FUMAC: Fundo Municipal de Apoio Comunitário (Pilot Municipal Fund Program for Support to Small Rural Communities)

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

SERGIPE PROJECT (Ln. 2523-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS (Continued)	PAC/FUMAC	Community counterpart funds for approved projects.	Signed agreements with executing community/association explicit including community's contribution to subproject cost.	Complied with
	PAC/FUMAC	Supervision.	At least 10% of approved subprojects have been inspected in the field by TU at any point in time.	Complied with
	PAC/FUMAC	Administration.	TUs are adequately staffed, both at state headquarters and in field offices, with capacity to receive, appraise, approve and supervise subprojects, and to facilitate private and public assistance to communities, by July 3, 1993; staffing increased as necessary to expanding work requirements.	Complied with
RESULTS	PAC/FUMAC	Communities aware of and informed about program, rules and procedures.	Subproject proposals are being presented by communities in at least 70% of eligible municipalities (PAC and FUMAC) by Dec.31, 1993, and 90% by Dec.31, 1994.	Complied with. 90% of eligible municipalities presented proposals.
	FUMAC ONLY	Open municipal council meetings to discuss and agree on municipal list of priority subprojects have been held.	TUs and/or supervision missions participate in or are reliably informed about such meetings being held, in all pilot municipalities.	Complied with
	FUMAC ONLY	Municipal investment proposals are received, based on community priorities and approved by municipal councils.	At least 90% of pilot municipalities have submitted such proposals by Dec.31, 1993.	Complied with
	PAC ONLY	Subproject proposals are received and approved based on community requests.	At least 150 of such subproject proposals approved by Dec.31, 1993; and cumulatively 300 by June 30, 1994; and 650 by June 30, 1995.	Complied with. 1,347 proposals were approved by closing date.
	PAC/FUMAC	Number of families directly benefitted.	At least 3,700 families benefitted from approved projects by Dec.31, 1993; 6,500 by June 30, 1994; and 16,200 by June 30, 1995.	Complied with
	PAC/FUMAC	Subprojects approved by TU are eligible, technically and economically sound, and from eligible communities.	At least 85% of subprojects visited by Bank and SUDENE and of those listed in monthly reports comply with criteria.	Satisfactory

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

SERGIPE PROJECT (Ln. 2523-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
RESULTS (Continued)	PAC/FUMAC	Subprojects are implemented as approved, within cost and time.	Adherence to specifications, cost and time in 85% of cases in a random sample of 50 subprojects in the state to be completed by June 30 of each year starting in 1994.	Satisfactory
	PAC/FUMAC	Funds used only for approved subprojects.	No evidence of misuse of funds in at least 95% of cases, in a random sample of 50 subprojects, subjected to audit by June 30 of each year starting in 1994.	Satisfactory
IMPACT (Objectives)	PAC/FUMAC	Expressed community needs are satisfied.	Two-thirds of beneficiaries in sample communities are satisfied with the subproject implemented, its design and their own role (identification, design, implementation, control) in the process.	Satisfactory
	PAC/FUMAC	Projected employment generated (productive subprojects only)	Employment targets in 80% of sample productive subprojects were reached one year after establishment.	Satisfactory
	PAC/FUMAC	Projected incremental income realized by beneficiaries (productive subprojects only).	In 80% of sample productive subprojects the projected incremental income was realized, or an absolute income level of at least 2.5 minimum salaries was reached, one and a half years after establishment.	Partially complied with. Some incremental income was realized, but the absolute increase has not yet been measured.
	PAC/FUMAC	Subprojects sustained by community and/or municipality over time.	80% of subprojects are being operated and/or maintained, one and a half years after establishment.	Complied with. Funded subprojects are being operated and maintained by the communities themselves.
	FUMAC ONLY	Transparent and participatory municipal decision-making process for investments is adopted.	A majority of a random sample of the target population in participating municipalities expresses its satisfaction with the municipal decision-making process, in at least 75% of those municipalities.	Complied with. The population participating in the seven FUMAC municipalities has expressed satisfaction with the municipal decision-making process.
	PAC/FUMAC	Organized community pursuing further communal development interests.	At least 50% of the participating communities in pilot municipalities remain organized and are engaged in further communal pursuits.	Very satisfactory. Close to 100% of the communities which participated in the pilot phase remain organized and have proposed additional community investments.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

A. Pre-Reformulation ¹

Some 59% of estimated expenditures had been made prior to reformulation, due to the same factors experienced in the other states. The main components showed mixed results as follows (with percentage of appraisal target shown in parentheses): (i) Water Resources: the project financed the construction of 11 small irrigation schemes, providing water to about 390 ha. (10%); the experimental fish hatchery station reached an annual production of 1.4 million fingerlings for stocking (52%); 7 small dams were constructed to provide supplementary irrigation (7%); in sharp contrast to irrigation, the construction and rehabilitation of simple water supply systems for communities with less than 500 members far exceeded targets (650%); (ii) Agricultural Research and Basic Seed Production: the project carried out resource and agro-economic studies to identify major research problems; some 400 short- and medium-term research trials were implemented (65%) covering livestock and small farm crops, including manioc, beans, maize, cotton and horticultural crops; 55 farm-level observation units were set up to test and adapt integrated farm production system (100%); about 900 tons of maize, bean, cotton, sorghum, rice and manioc were produced to improve available planting materials, and a foundation flock of 45 goats and sheep (100%) was established to provide breeding stock for small farmers; (iii) Agricultural Extension: technical assistance to 27,000 small farmers per year (77%); established 1,042 demonstration plots (56%) and executed a small-scale forestry program (100%); (iv) Rural Credit: the planned program of medium- and long-term subloans did not succeed (details unavailable); (v) Marketing Services: infrastructural and organization improvements were made to 6 municipal markets and fairs (66%); 2 marketing facilities were built (66%); and, market information and commercial orientation services were established but the record does not report on their quality or sustainability; and (vi) APCR: some 390 small rural community subprojects were executed reaching about 12,000 families.

¹ State provided pre-reformulation data/achievements in the form shown, which was not directly comparable with original indicator list.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

B. Post-Reformulation

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS	PAC/FUMAC ¹	State Technical Unit (TU) and Non-Governmental Organizations (NGOs) trained in rules and procedures.	Training seminars for TUs and for NGOs were held in the state by July 31, 1993, and updating workshops held by each July 31 thereafter, under TOR agreed with the Bank.	Complied with.
	PAC/FUMAC	Technical Implementation Manual.	Prepared by June 30, 1993 in agreement with the Bank on the basis of the March 12, 1993 "Diretrizes e Critérios Básicos para a Implementação do Programa Reformulado de Apoio ao Pequeno Produtor Rural (PAPP)".	Complied with.
	PAC/FUMAC	Publicity.	Publicity campaign proposal submitted to Bank by June 30, 1993, and campaign initiated in the state by Sept. 1, 1993 and thereafter implemented as agreed with the Bank.	Complied with.
	PAC/FUMAC	Current situation of target communities and pilot municipalities.	Baseline study of sample communities regionally distributed in the state and pilot municipalities completed by Sept. 30, 1993.	Complied with.
	PAC/FUMAC	Mobilization assistance.	List of NGOs and other agencies to assist communities in mobilization and organization is available in the state by June 15, 1993 and updated annually thereafter.	Complied with.
	PAC/FUMAC	Technical assistance.	List of suitable individuals, firms, agencies and NGOs to assist communities in technical aspects is available in the state by June 15, 1993 and updated annually thereafter.	Complied with.
	FUMAC ONLY	A municipal council with appropriate representation has been established and is functioning each pilot municipality.	Documentation certifying existence and functioning of municipal council available from each pilot municipality is available and verified by TU, by Sept. 30, 1993.	Complied with.
	PAC/FUMAC	State and Loan Funds for approved projects are available in a timely manner to communities.	At beginning of each month, sufficient funds from state budget and from Loan state project account to cover new approved subprojects, and available to communities in a timely manner, as reported monthly to the Bank and SUDENE.	Delay in the release of loan funds to the State after changes in the Ministry and in the State administration. Regular flow was resumed in 1995.

¹ PAC: Programa de Apoio Comunitário (Support to Small Rural Communities Program)

FUMAC: Fundo Municipal de Apoio Comunitário (Pilot Municipal Fund Program for Support to Small Rural Communities)

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS (Continued)	PAC/FUMAC	Community counterpart funds or resources for approved projects.	Signed agreements with executing community/association explicit including community's contribution to subproject cost.	Complied with
RESULTS	PAC/FUMAC	Supervision	At least 10% of approved subprojects were inspected in the field by TU at any point in time.	Done
	PAC/FUMAC	Administration	TUs are adequately staffed, both at state headquarters and in field offices, with capacity to receive, appraise, approve and supervise subprojects, and to facilitate private and public assistance to communities, by July 31, 1993; staffing increased as necessary to expanding work requirements.	Done. At field level NGOs helped the communities with technical assistance.
	PAC/FUMAC	Communities aware of and informed about program, rules and procedures.	Subproject proposals are being presented by communities in at least 70% of eligible municipalities (PAC and FUMAC) by Dec.31, 1993, and 90% by Dec.31, 1994.	Done.
	FUMAC ONLY	Open municipal council meetings to discuss and agree on municipal list of priority subprojects have been held.	TU and/or supervision missions participate in or are reliably informed about such meetings being held, in all pilot municipalities.	Done.
	FUMAC ONLY	Municipal investment proposals are received, based on community priorities and approved by municipal councils.	At least 90% of pilot municipalities have submitted such proposals by Dec. 31, 1993.	Done.
	PAC ONLY	Subproject proposals are received and approved based on community requests.	At least 150 of such subproject proposals approved by Dec. 31, 1993; and cumulatively 350 by June 30, 1994; 700 by June 30, 1995	Done. (769 subprojects financed by Closing Date)
	PAC/FUMAC	Number of families directly benefited.	At least 3,700 families benefited from approved projects by Dec. 31, 1993; 8,700 by June 30, 1994; 17,500 by June 30, 1995	Done. 71,600 families benefited by Closing date.
	PAC/FUMAC	Subprojects approved by TU are eligible, technically and economically sound, and from eligible communities.	At least 85% of subprojects visited by Bank and SUDENE of those listed in monthly reports comply with criteria.	Done.
RESULTS (Continued)	PAC/FUMAC	Subprojects are implemented as approved, with cost and time.	Adherence to specifications, cost and time in 85% of cases in a random sample of 50 subprojects in the state to be completed by June 30 of each year starting in 1994.	Done.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
	PAC/FUMAC	Funds used only for approved subprojects.	No evidence of misuse of funds in at least 95% of cases, in a random sample of 50 subprojects, subjected to audit by June 30 of each year starting in 1994.	Complied with.
IMPACT (Objectives)	PAC/FUMAC	Expressed community needs are satisfied.	Two-thirds of beneficiaries in sample communities are satisfied with the subproject implemented, its design and their own role (identification, design, implementation, control) in the process.	Partially done.
	PAC/FUMAC	Projected employment generated (productive subprojects only)	Employment targets in 80% of sample productive subprojects have been reached one year after establishment.	Partially done.
	PAC/FUMAC	Projected incremental income realized by beneficiaries.	In 80% of sample productive subprojects the projected incremental income has been realized, or an absolute income level of at least 2.5 minimum salaries has been reached, one and a half years after establishment.	Partially done.
	PAC/FUMAC	Subprojects sustained by community and/or municipality over time.	80% of subprojects are being operated and/or maintained, one and a half years after establishment.	Done.
	FUMAC ONLY	Transparent and participatory municipal decision-making process for investments is adopted.	A majority of a random sample of the target population in participating municipalities expresses satisfaction with the municipal decision-making process, in at least 75% of those municipalities.	Done.
	PAC/FUMAC	Organized community pursuing further communal development interests.	At least 50% of the participating communities in pilot municipalities remain organized and are engaged in further communal pursuits, of any kind.	Done.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

BAHIA PROJECT (Ln. 2761-BR)

A. Pre-Reformulation ¹

Less than 35% of projected expenditures had been made by the reformulation. ² Delays resulted mainly from shortfalls and irregularities in the provision of counterpart funds. The following was achieved (with percentage of appraisal target shown in parentheses): Water Resources: feasibility studies were completed on the irrigation potential of 3,516 ha. (32%); 111 small irrigation schemes were constructed covering an area of 2,291 ha.; 1,607 simple water supply systems were built in communities of less than 5000 inhabitants (650%); some 1.16 million fish fingerlings for ponds and lakes (versus the target of 1.2 million per year) were produced and distributed; (ii) Agricultural Research and Basic Seed Production: 19 natural resource and agro-economic studies were completed (76%), 217 short- and medium-term applied crop research trials were carried out to improve crop production technology (54%), 334 farm-level observation units were established to test and adapt integrated farm production systems (185%); and seeds were produced on 75 ha. per year for the testing and introduction of higher yielding varieties of maize, cotton, sorghum and rice (20%); no information is available on forestry research trials to identify appropriate fodder, fuelwood and fruit species; (iii) Agricultural Extension: some 89,000 beneficiaries received technical assistance (111%); 930 demonstration plots (19%) and 22 goat foundation flocks (no target) were established; (iv) Rural Credit: medium- and long-term subloans were granted for 14,924 project beneficiaries to finance on-farm investments (50%); (v) Marketing Services: 110 retail food shops (186%) and 3 marketing centers (73%) were constructed; and (vi) APCR: 1,512 widely-varying productive subprojects and 851 small rural infrastructure schemes were implemented, benefiting about 52,000 families.

¹ State provided pre-reformulation data/achievements in the form shown, which was not directly comparable with original indicator list.

² Effective date of the reformulation was September 28, 1993.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

BAHIA PROJECT (Ln. 2761-BR)

B. Post-Reformulation

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS	PAC/FUMAC ¹	State Technical Unit (TU) and Non-Governmental Organizations (NGOs) trained in rules and procedures.	Training seminars for TUs and for NGOs have been held in the state by July 31, 1993, and updating workshops held by each July 31 thereafter, under TOR agreed with the Bank.	Done
	PAC/FUMAC	Technical Implementation Manual.	Prepared by June 30, 1993 in agreement with the Bank on the basis of the March 12, 1993 "Diretrizes e Critérios Básicos para a Implementação do Programa Reformulado de Apoio ao Pequeno Produtor Rural (PAPP)".	Done
	PAC/FUMAC	Publicity.	Publicity campaign proposal submitted to Bank by June 30, 1993, and campaign initiated in the state by Sept. 1, 1993 and thereafter implemented as agreed with the Bank.	Done
	PAC/FUMAC	Current situation of target communities and pilot municipalities.	Baseline study of sample communities regionally distributed in the state and pilot municipalities completed by Sept. 30, 1993.	Done
	PAC/FUMAC	Mobilization assistance.	List of NGOs and other agencies to assist communities in mobilization and organization is available in the state by June 15, 1993 and updated annually thereafter.	Done
	PAC/FUMAC	Technical assistance.	List of suitable individuals, firms, agencies and NGOs to assist communities in technical aspects is available in the state by June 15, 1993 and updated annually thereafter.	Done
	FUMAC ONLY	A municipal council with appropriate representation has been established and is functioning in each pilot municipality.	Documentation certifying existence and functioning of Municipal Council available from each pilot municipality and verified by TU, by Sept. 30, 1993.	Complied with
	PAC/FUMAC	State and Loan Funds for approved projects are available in a timely manner to communities.	At beginning of each month, sufficient funds from state budget and from Loan state project account to cover new approved subprojects, and available to communities in a timely manner, as reported monthly to the Bank and SUDENE.	Complied with

¹

PAC: Programa de Apoio Comunitário (Support to Small Rural Communities Program)

FUMAC: Fundo Municipal de Apoio Comunitário (Pilot Municipal Fund Program for Support to Small Rural Communities)

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

BAHIA PROJECT (Ln. 2761-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS (Continued)	PAC/FUMAC	Community counterpart funds or resources for approved projects.	Signed agreements with executing community/association explicitly including community's contribution to subproject cost.	Complied with
	PAC/FUMAC	Supervision.	At least 10% of approved subprojects have been inspected in the field by TU at any point in time.	Done
	PAC/FUMAC	Administration.	TU is adequately staffed, both at state headquarters and in field offices, with capacity to receive, appraise, approve and supervise subprojects, and to facilitate private and public assistance to communities, by July 31, 1993; staffing increased as necessary to expanding work requirements.	TU adequately staffed at state headquarters. At field level, TU increased the number of its regional officers.
RESULTS	PAC/FUMAC	Communities aware of and informed about program, rules and procedures.	Subproject proposals are being presented by communities in at least 70% of eligible municipalities (PAC and FUMAC by Dec. 31, 1993, and 90% by Dec. 31, 1994.	Complied with
	FUMAC ONLY	Open municipal council meetings to discuss and agree on municipal list of priority subprojects, have been held.	TU and/or supervision missions witness or are reliably informed about such meetings being held, in all pilot municipalities.	Done
	FUMAC ONLY	Municipal investment proposals are received, based on community priorities and approved by municipal councils.	At least 90% of pilot municipalities have submitted such proposals by Dec. 31, 1993.	Complied with
	PAC ONLY	Subproject proposals are received and approved based on community requests	At least 400 of such subproject proposals approved by Dec. 31, 1993; and cumulatively 1,000 by June 30, 1994; and 2,000 by June 30, 1995; and 3,000 by project closing date.	2,701 subproject proposals were approved and financed
	PAC/FUMAC	Number of families directly benefited	At least 10,000 families benefited with approved projects by Dec. 31, 1993; 25,000 by June 30, 1994; and 50,000 by June 30, 1995; and 75,000 by project closing date.	Complied with
	PAC/FUMAC	Subprojects approved by TU are eligible, technically and economically sound, and from eligible communities	At least 85% of subprojects visited by Bank and SUDENE, of those listed in monthly reports, comply with criteria	Complied with

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

BAHIA PROJECT (Ln. 2761-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
RESULTS (Continued)	PAC/FUMAC	Subprojects are implemented as approved, with cost and time	Adherence to specifications, cost and time in 85% of cases in a random sample of 50 subprojects in the state to be completed by June 30 of each year starting in 1994.	Complied with
	PAC/FUMAC	Funds used only for approved subprojects	No evidence of misuse of funds in at least 95% of cases, in a random sample of 50 subprojects, subjected to audit by June 30 of each year starting in 1994.	Complied with
IMPACT (Objectives)	PAC/FUMAC	Expressed community needs are satisfied.	Two-thirds of beneficiaries in sample communities are satisfied with the subproject implemented, its design and their own role (identification, design, implementation, control) in the process.	Complied with
	PAC/FUMAC	Projected employment generated (productive subprojects only.)	Employment targets in 80% of sample productive subprojects have been reached one year after establishment.	Partially complied with
	PAC/FUMAC	Projected incremental income realized by beneficiaries.	In 80% of sample productive subprojects the projected incremental income has been realized, or an absolute income level of at least 2.5 minimum salaries has been reached, one and a half years after establishment.	Partially complied with
	PAC/FUMAC	Subprojects sustained by community and/or municipality over time.	80% of subprojects are being operated and/or maintained, one and a half year after establishment.	Done
	FUMAC ONLY	Transparent and participatory municipal decision-making process for investments is adopted.	A majority of a random sample of the target population in participating municipalities expresses satisfaction with the municipal decision-making process, in at least 75% of those municipalities.	Done
	PAC/FUMAC	Organized community pursuing further communal development interests.	At least 50% of the participating communities in pilot municipalities remain organized and are engaged in further communal pursuits, of any kind.	Done

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

CEARA PROJECT (Ln. 2763-BR)

A. Pre-Reformulation ¹

Disbursements at reformulation were only 37% of the loan. The unsatisfactory project funding situation remained the principle obstacle hindering implementation. Most components were either paralyzed or under-performing, but there were success stories among different activities. The project achieved the following (with percentage of appraisal target shown in parentheses): (i) Water Resources: feasibility studies on the irrigation potential of areas covering 5,700 ha; construction of 9 public irrigation schemes providing 2,670 ha with irrigation (42%); construction of 80 simple water supply systems (500%) and the rehabilitation of 73 such systems in communities with 500 inhabitants; and the production and distribution of 6.1 million fish fingerlings; (ii) Agricultural Research and Basic Seed Production: completion of 7 agro-ecological and natural resource studies; 256 short- and medium-term applied research subprojects (30%) to improve crop production technology; establishment of 47 farm-level observation units (130%) to test and adapt integrated production systems; and the production of seeds on 310 ha per year (about 50%), including cotton, maize, beans and sorghum; (iii) Agricultural Extension: technical assistance was delivered to 44,000 project beneficiaries per year (project overall target was 122,800); 2,621 demonstration plots and farms were established (640%); and 2.4 million tree seedlings were produced (60%) to implement a small-scale forestry project; and (iv) Rural Credit: no data is available²; (v) Marketing Services: facilities were established for storage and input supplies for agricultural products at the cooperative, and establishment of posts to strengthen the State crop purchasing network; and (vi) APCR: implemented 653 small community subprojects reaching 25,000 families.

¹ State provided pre-reformulation data/achievements in the form shown, which was not directly comparable with original indicator list

² A Rural Investment Credit component is mentioned in the SAR but not shown in supervision key performance indicators.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

CEARA PROJECT (Ln. 2763-BR)

B. Post-Reformulation

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS	PAC/FUMAC ¹	State Technical Unit (TU) and Non-Governmental Organizations (NGOs) trained in rules and procedures.	Training seminars for TU and for NGOs have been held in the state by July 31, 1993, and updating workshops held by each July 31 thereafter, under TOR agreed with the Bank.	Complied with.
	PAC/FUMAC	Technical Implementation Manual.	Prepared by June 30, 1993 in agreement with the Bank on the basis of the March 12, 1993 "Diretrizes e Critérios Básicos para a Implementação do Programa Reformulado de Apoio ao Pequeno Produtor Rural (PAPP)".	Complied with.
	PAC/FUMAC	Publicity.	Publicity campaign proposal submitted to Bank by June 30, 1993, and campaign initiated in the state by Sept. 1, 1993 and thereafter implemented as agreed with the Bank.	Complied with.
	PAC/FUMAC	Current situation of target communities and pilot municipalities.	Baseline study of sample communities regionally distributed in the state and pilot municipalities completed by Sept. 30, 1993.	Complied with.
	PAC/FUMAC	Mobilization assistance.	List of NGOs and other agencies to assist communities in mobilization and organization is available in the state by June 15, 1993 and updated annually thereafter.	Complied with.
	PAC/FUMAC	Technical assistance.	List of suitable individuals, firms, agencies and NGOs to assist communities in technical aspects is available in the state by June 15, 1993 and updated annually thereafter.	Complied with.
	FUMAC ONLY	A municipal council with appropriate representation has been established and is functioning in each pilot municipality.	Documentation certifying existence and functioning of municipal council available from each pilot municipality is available and verified by TU, by Sept. 30, 1993.	Complied with.
	PAC/FUMAC	State and Loan Funds for approved projects are available in a timely manner to communities.	At beginning of each month, sufficient funds from state budget and from Loan state project account to cover new approved subprojects, and available to communities in a timely manner, as reported monthly to the Bank and SUDENE.	Release of the loan funds was delayed until May 1995, but subsequently normalized.
	PAC/FUMAC	Community counterpart funds or resources for approved projects.	Signed agreements with executing community/association are explicit and including community's contribution to subproject cost.	Complied with.

¹ PAC: Programa de Apoio Comunitário (Support to Small Rural Communities Program)

FUMAC: Fundo Municipal de Apoio Comunitário (Pilot Municipal Fund Program for Support to Small Rural Communities)

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

CEARA PROJECT (Ln. 2763-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
INPUTS (Continued)	PAC/FUMAC	Supervision.	At least 10% of approved subprojects have been inspected in the field by TU at any point in time.	Complied with.
	PAC/FUMAC	Administration.	TUs are adequately staffed, both at state headquarters and in field offices, with capacity to receive, appraise, approve and supervise subprojects, and to facilitate private and public assistance to communities, by July 31, 1993; staffing increased as necessary to expanding work requirements.	Complied with.
RESULTS	PAC/FUMAC	Communities aware of and informed about program, rules and procedures.	Subproject proposals are being presented by communities in at least 70% of eligible municipalities (PAC and FUMAC) by Dec. 31, 1993, and 90% by Dec. 31, 1994.	Complied with.
	FUMAC ONLY	Open municipal council meetings to discuss and agree on municipal list of priority subprojects have been held.	TUs and/or supervision missions witness or are reliably informed about such meetings being held, in all pilot municipalities.	Complied with.
	FUMAC ONLY	Municipal investment proposals are received, based on community priorities and approved by municipal councils.	At least 90% of pilot municipalities have submitted such proposals by Dec. 31, 1993.	Complied with.
	PAC ONLY	Subproject proposals are received and approved based on community requests.	At least 250 of such subproject proposals approved by Dec. 31, 1993; and cumulatively 750 by June 30, 1994; 1,500 by June 30, 1995 and 2,000 by project completion.	Done
	PAC/FUMAC	Number of families directly benefited.	At least 6,200 families benefited with approved projects by Dec. 31, 1993; 18,700 by June 30, 1994; 37,500 by June 30, 1995 and 50,000 by project completion.	Complied with.
	PAC/FUMAC	Subprojects approved by TU are eligible, technically and economically sound, and from eligible communities.	At least 85% of subprojects visited by Bank and SUDENE of those listed in monthly reports comply with criteria.	Complied with.
	PAC/FUMAC	Subprojects are implemented as approved, with cost and time.	Adherence to specifications, cost and time in 85% of cases in a random sample of 50 subprojects in the state to be completed by June 30 of each year starting in 1994.	Complied with.

TABLE 5. KEY INDICATORS FOR PROJECT IMPLEMENTATION

CEARA PROJECT (Ln. 2763-BR)

**B. Post-Reformulation
(Continued)**

		INDICATOR	OPERATIONAL CRITERIA	COMMENTS
RESULTS (Continued)	PAC/FUMAC	Funds used only for approved subprojects.	No evidence of misuse of funds in at least 95% of cases, in a random sample of 50 subprojects, subjected to audit by June 30 of each year starting in 1994.	Complied with.
IMPACT (Objectives)	PAC/FUMAC	Expressed community needs are satisfied.	Two-thirds of beneficiaries in sample communities are satisfied with the subproject implemented, its design and their own role (identification, design, implementation, control) in the process.	Complied.
	PAC/FUMAC	Projected employment generated (productive subprojects only).	Employment targets in 80% of sample productive subprojects have been reached one year after establishment.	Partially complied with.
	PAC/FUMAC	Projected incremental income realized by beneficiaries.	In 80% of sample productive subprojects the projected incremental income has been realized, or an absolute income level of at least 2.5 minimum salaries has been reached, one and a half years after establishment.	Partially complied with.
	PAC/FUMAC	Subprojects sustained by community and/or municipality over time.	80% of subprojects are being operated and/or maintained, one and a half year after establishment.	Complied.
	FUMAC ONLY	Transparent and participatory municipal decision-making process for investments is adopted.	A majority of a random sample of the target population in participating municipalities expresses satisfaction with the municipal decision-making process, in at least 75% of those municipalities.	Complied.
	PAC/FUMAC	Organized community pursuing further communal development interests.	At least 50% of the participating communities in pilot municipalities remain organized and are engaged in further communal pursuits.	Complied.

TABLE 6. STUDIES INCLUDED IN PROJECT

SERGIPE PROJECT (Ln. 2523-BR)

Study	Purpose as Defined at Appraisal/Redefined	Status	Impact of Study
Feasibility studies	To determine areas with irrigation potential	Done	n/a

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Study	Purpose as Defined at Appraisal/Redefined	Status	Impact of Study
Feasibility Studies	To determine areas with irrigation potential	Done	n/a

BAHIA PROJECT (Ln. 2761-BR)

Study	Purpose as Defined at Appraisal/Redefined	Status	Impact of Study
Feasibility studies	To determine areas with irrigation potential	Done	Various schemes implemented.

CEARA PROJECT (Ln. 2763-BR)

Study	Purpose as Defined at Appraisal/Redefined	Status	Impact of Study
Feasibility Studies	To support the development of the State verification plan and preparation of irrigation projects	Done	Various schemes constructed.

TABLE 7. PROJECT COSTS AND FINANCING

SERGIPE PROJECT (Ln. 2523-BR)

A. Project Costs

(US\$ million)

Item	Appraisal Estimate ¹			Actual/Latest Estimate ²		
	Local Costs	Foreign Costs	Total	Local Costs	Foreign Costs	Total
1. Project Cost	111.6	18.7	130.3	94.8	19.0	113.8
2. Loan Amount	42.6	18.7	61.3	42.3	19.0	61.3
3. - Disbursed	-	-	-	50.0	10.3	60.3
4. - Canceled	-	-	-	-	-	1.0 ³

1. Original project, pre-reformulation
2. Post-reformulation project
3. Cancellation, 1994

B. Project Financing

(US\$ million)

Source	Appraisal Estimate ¹		Actual/Latest Estimate ²	
	Local Costs	Foreign Costs	Local Costs	Foreign Costs
IBRD	42.6	18.7	50.0	10.3
Federal Government	69.0	--	--	--
State Government of Sergipe	--	--	53.5	--
Beneficiaries ³	--	--	--	--
Total	111.6	18.7	103.5	10.3

1. Federal Government, pre-reformulation
2. State Government, post-reformulation
3. Post-reformulation. Amount included under State contribution

TABLE 7. PROJECT COSTS AND FINANCING

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

A. Project Costs

(US\$ million)

Item	Appraisal Estimate ¹			Actual/Latest Estimate ²		
	Local Costs	Foreign Costs	Total	Local Costs	Foreign Costs	Total
1. Project Cost	115.4	20.8	136.2	81.5	15.9	97.4
2. Loan Amount	40.6	20.8	61.4	45.5	15.9	61.4
3. - Disbursed	-	-	-	42.7	2.5	51.2
4. - Canceled	-	-	-	-	-	10.2 ³

1. Original project, pre-reformulation

2. Post-reformulation

3. Final Loan balance of US\$0.2 million cancelled, November 12, 1996.

B. Project Financing

(US\$ million)

Source	Appraisal Estimate ¹		Actual/Latest Estimate ²	
	Local Costs	Foreign Costs	Local Costs	Foreign Costs
IBRD	40.6	20.8	42.7	8.5
Federal Government	74.8	--	--	--
State Government	--	--	46.2	--
Beneficiaries ³	--	--	--	--
Total	115.4	20.8	88.9	8.5

1. Federal Government, pre-reformulation

2. State Government, post-reformulation

3. Post-reformulation. Amount included under State contribution

TABLE 7. PROJECT COSTS AND FINANCING

BAHIA PROJECT (Ln. 2761-BR)

A. Project Costs

(US\$ million)

Item	Appraisal Estimate ¹			Actual/Latest Estimate ²		
	Local Costs	Foreign Costs	Total	Local Costs	Foreign Costs	Total
1. Project Cost	309.4	46.8	356.2	163.6	34.9	198.5
2. Loan Amount	124.2	46.8	171.0	136.1	34.9	171.0
3. - Disbursed	-	-	-	87.9	19.3	107.2
4. - Canceled	-	-	-	-	-	63.8 ³

1. Original project, pre-reformulaiton
2. Post-reformulation project
3. Total cancellations, of which US\$3.8 million still pending.

B. Project Financing

(US\$ million)

Source	Appraisal Estimate ¹		Actual/Latest Estimate ²	
	Local Costs	Foreign Costs	Local Costs	Foreign Costs
IBRD	124.2	46.8	87.9	19.3
Federal Government	185.2	-	-	-
State Government	-	-	91.3	-
Beneficiaries ³	-	-	-	-
Total	309.4	46.8	179.2	19.3

1. Federal Government, pre-reformulation
2. State Government, post-reformulation
3. Post-reformulation. Amount included under State contribution.

TABLE 7. PROJECT COSTS AND FINANCING

CEARA PROJECT (Ln. 2763-BR)

A. Project Costs

(US\$ million)

Item	Appraisal Estimate ¹			Actual/Latest Estimate ²		
	Local Costs	Foreign Costs	Total	Local Costs	Foreign Costs	Total
1. Project Cost	226.5	27.8	254.3	128.7	27.8	156.5
2. Loan Amount	94.2	27.8	122.0	94.2	27.8	122.0
3. - Disbursed	-	-	-	69.5	15.4	84.86
4. - Canceled	-	-	-	-	-	37.14 ³

1. Original project, pre-reformulation

2. Post-reformulation

3. Of which cancellation of US\$7.14 million still pending.

B. Project Financing

(US\$ million)

Source	Appraisal Estimate ¹		Actual/Latest Estimate ²	
	Local Costs	Foreign Costs	Local Costs	Foreign Costs
IBRD	94.2	27.8	69.5	15.4
Federal Government	132.3	--	--	--
State Government of Ceará	--	--	71.6	--
Beneficiaries ³	--	--	--	--
Total	226.5	27.8	141.1	15.4

1. Federal Government, pre-reformulation

2. State Government, post-reformulation

3. Post-reformulation. Amount included under State contribution

BRAZIL

SERGIPE RURAL DEVELOPMENT PROJECT

(Loan 2523-BR)

TABLE 8. STATUS OF LEGAL COVENANTS

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
Loan	Schedule 1. para. 3(b) (c)	3	C			Conditions for with draws under Categories (9), (13), (15)	
	Schedule 5	10	C			Terms, conditions and procedures for subloans	Credit component discontinued with reformulation
	2.08	5	C			Secretary of Treasury designated as Borrower's representative	
	3.01(a)	5	C			Borrower declares its commitment to objectives of the project (as per Schedule 2)	Amendment letter became effective Sept. 20, 1993
	3.01(c)(i)	3	C			Borrower to take all actions required to regulate funding procedures	Conditions of Effectiveness of the Amending Agreement
	3.01(d)	4	C			Federal counterpart funding	According to the Amendment letters, counterpart funds were to be provided by the State
	3.01 (f)(i)	5	C			Agreement with each participating Bank	Not required. Credit component was discontinued

Note: The following list of covenant types applies to all four states under Table 8:

Covenant Type 1 Accounts/audit; 2 Financial performance/generate revenue from beneficiaries; 3 Flow and utilization of Project funds; 4 Counterpart funding; 5 Management aspects of the Project or of its executing agency; 6 Environmental covenants; 7 Involuntary resettlement; 8 Indigenous people; 9 Monitoring, review and reporting; 10 Implementation; 11 Sectoral or cross-sectoral budgetary or other resource allocation; 12 Sectoral or cross-sectoral regulatory/institutional action; 13 Other

Status
 C =covenant complied with
 CD =complied with after delay
 CP =complied with partially
 NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

BRAZIL

SERGIPE RURAL DEVELOPMENT PROJECT

(Loan 2523-BR)

TABLE 8. STATUS OF LEGAL COVENANTS (CONTINUED)

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
	3.01 (g)	4	C			Provision of funds needed to finance the costs of any subsidies related to credit	Credit Component discontinued
	3.01 (i)	5	C			Review of the Program, not later than June 30, 1993	Project reformulation made the review unnecessary. New covenants were added to include a special review of the Municipal Fund to support community investment (FUMAC)
	3.02 (i-ii)	3	C			Submission of Annual plan of operation and budget	Annual Operating Plan (POA) for 1995 approved by the Bank.
	3.03 (a)	3	C			Procurement in accordance with the provisions of Schedule 2 of the Project Agreement.	
	4.01	1	C			Audit of Special Accounts	
	4.02	1	C			Separate account for each Federal executing agency	
	4.03	1	C			Audit of accounts of each Federal executing agency	
Project	2.01 (a)	5	C			State commitment to carry out the Project with due diligence and efficiency	
	2.01 (b)	5	C			Agreements with Community Association	Contracts signed with various associations (PAC, FUMAC and productive subprojects)
Status	C	=covenant complied with	NC	=not complied with			
	CD	=complied with after delay	NYD	=not yet due			
	CP	=complied with partially	SOON	=compliance expected in reasonably short time			

BRAZIL

SERGIPE RURAL DEVELOPMENT PROJECT
(Loan 2523-BR)

TABLE 8. STATUS OF LEGAL COVENANTS (CONTINUED)

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
	2.01 (c)	9	C			Monitoring and evaluation (M&E)	New monitoring (SSMP) and evaluation report format with reformulation
	2.01 (d)	3	C			Proposal of annual operating plan (POA)	POA for 1995 approved by the Bank
	2.01 (e)	5	C			Preparation, appraisal, execution, monitoring and evaluation of subprojects in accordance with Schedule I.	
	2.01 (f)	5	C			Agreement for the provisional execution of subprojects	
	2.01 (g)	10	C			Preparation of subprojects by not later than 2/22/92	Procurement done by associations, assisted by the Project Technical Unit for the State of Sergipe (PRONESE). New rules applied under ongoing reformulation
	2.02	3	C			Procurement of goods and works, and employment of consultants	
	2.05 (b)	10	C			Final designs of Jacarecica dam and inspection of Jacarecica and Jabiberi dams	
	2.06	5	C	2/22/92		Carry out Part F in accordance with Operational Manual	
	2.08	10	C	8/15/93		Publicity campaign	

Status

C	=covenant complied with	NC	=not complied with
CD	=complied with after delay	NYD	=not yet due
CP	=complied with partially	SOON	=compliance expected in reasonably short time

BRAZIL

RIO GRANDE DO NORTE RURAL DEVELOPMENT PROJECT
(Loan 2524-BR)

TABLE 8. STATUS OF LEGAL COVENANTS

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
Loan	2.08	5	C			Secretary of Treasury designated as Borrower's representative	
	3.01 (a)	5	CP			Federal Commitment to carry out rural credit component	Project reformulation discontinued rural credit component. Amendment letter became effective September 2, 1993.
	3.01 (c)	10	C			Refers to settlement targets as defined in PA (Section 3.03)	Settlement component discontinued after project reformulation.
	3.01 (e)	3	C			Efficient federal mechanism for passing funds to State	Regular flow resumed.
	3.01 (f)	5	CP			Federal Commitment on mechanism to carry out rural credit component	Credit Component discontinued with Project reformulation.
	3.01 (g)(h)	3	CP			Participating Bank obligation to provide adequate working Capital for credit recipients	Credit discontinued with reformulation.
	3.01 (i)	5	C			Participating Bank obligation to provide monthly information	Credit component discontinued.

Status

C =covenant complied with
 CD =complied with after delay
 CP =complied with partially

NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

BRAZIL

RIO GRANDE DO NORTE RURAL DEVELOPMENT PROJECT
(Loan 2524-BR)

TABLE 8. STATUS OF LEGAL COVENANTS (CONTINUED)

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
Project	4.01	1	C			Audit of Special Accounts	
	4.02, 4.03	1	C			Accounts and Audit of Central Bank	
	2.01 (a)(b)	10	C			State commitment to execute Project with due diligence and in accordance with Plan of Action	
	2.01 (c)	10	C			Quarterly reporting by Technical Unit (TU)	With Project reformulation, State has submitted to the Bank and to SUDENE reports based on the newly located Simplified Project Monitoring System (SSMP).
	2.01 (d)	3	C			Mutual obligation of State and SUDENE to prepare annual plan and budget	Project reformulation transferred this responsibility to the State.
	2.01	3	C			State to respect procurement regulations.	
	2.06	10	C			Carrying out of Part F of the reformulated Project in accordance with the Operational Manual	In general State carried out Part F in a satisfactory manner. Some operational corrections were required and registered in Aides Memoire by missions.
	2.08	10	C			Carrying out a publicity campaign.	

Status

C =covenant complied with
 CD =complied with after delay
 CP =complied with partially

NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

BRAZIL

BAHIA RURAL DEVELOPMENT PROJECT
(Loan 2761-BR)

TABLE 8. STATUS OF LEGAL COVENANTS

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
Loan	2.08	5	C			Secretary of Treasurer designated as Borrower's representative	
	3.01	10	CP			Refer to Project Agreement targets for area settled.	Component discontinued with Project reformulation.
	3.01(d)	4	CP			Federal counterpart funds	Counterpart funds provided by the State instead of Federal Government with Project reformulation
	3.01(e)	3	C			Efficient federal mechanism for passing funds to States	Regular flow of funds resumed.
	3.01(f)(i)(a)	5	CP			Federal commitment on mechanism to carry out credit component	Rural credit component discontinued with Project reformulation
	3.01(f)(i)(b)	3	CP			Participating Bank obligation to provide adequate working capital	No need for participating Bank since rural credit discontinued
	3.03	3	C			SUDENE's obligation to provide the Bank with advance annual plan, final budgets and changes in planning procedures, in timely fashion for comment	Project reformulation gave this responsibility to the State.

Status

C =covenant complied with
 CD =complied with after delay
 CP =complied with partially

NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

BRAZIL

BAHIA RURAL DEVELOPMENT PROJECT
(Loan 2761-BR)

TABLE 8. STATUS OF LEGAL COVENANTS (CONTINUED)

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
	4.01	1	C			Audit of Special Accounts	
	4.02, 4.03	1	C			Audit of Financial Statement	
	5.01 (b)	10	C			Remedy for rural credit non-performance	Component discontinued
Project	2.06	5	C			Carrying out Part F of the reformulated project in accordance with the Operational Manual	
	2.08	10	C			Carry out publicity campaign	

Status

C =covenant complied with
 CD =complied with after delay
 CP =complied with partially

NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

BRAZIL

CEARA RURAL DEVELOPMENT PROJECT
(Loan 2763-BR)

TABLE 8. STATUS OF LEGAL COVENANTS

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
Loan	2.08	5	C			Secretary of Treasury designated as Borrower's representative	
	3.01 (a)	5	CP			Federal Commitment to carry out rural credit component	Rural credit component discontinued with Project reformulation. Amendment letter effective September 2, 1993.
	3.01 (b)	10	C			Federal Commitment to cause State to perform according to Project Agreement (PA)	
	3.01 (c)	10	CP			Refers to settlement targets as defined in PA.	Settlement component discontinued after project reformulation.
	3.01 (d)	4	CP			Federal counterpart funding	Counterpart funds were provided by State instead of Federal Government after Project reformulation
	3.01 (e)	3	C			Efficient federal mechanism for passing funds to States.	Regular flow of funds recently resumed.
	3.01 (f)(i)(a)	10	C			Orienting terms and conditions for rural credit component	Project reformulation discontinued credit component.
	3.01 (f)(i)(b)	3	CP			Participating Bank obligation to provide adequate working capital	No need for participating banks since credit component discontinued
	3.01 (f)(i)(c)	5	C			Participating Bank obligation to provide monthly information	As above

Status

C =covenant complied with
CD =complied with after delay
CP =complied with partially

NC =not complied with
NYD =not yet due
SOON =compliance expected in reasonably short time

BRAZIL

CEARA RURAL DEVELOPMENT PROJECT
(Loan 2763-BR)

TABLE 8. STATUS OF LEGAL COVENANTS (CONTINUED)

Agreement	Section	Covenant Type	Present Status	Original Fulfillment Date	Revised Fulfillment Date	Description of Covenant	Comments
	3.02	3	C			SUDENE's obligation to provide the Bank with advance annual plan, final budget and changes in planning procedures, in a timely manner.	State assumed this responsibility following Project reformulation
	4.01	1	C			Audit of Special Account	
Project	2.01 (a)(b)	5	C			State commitment to execute Project with due diligence and according to Plan of Action.	
	2.01 (c)	5	C			Mutual obligation of State and executing agency, defined by contract	With Project reformulation, State line agencies no longer expected to participate in the Project except on a voluntary basis (accredited agents)
	2.01 (d)	5	C			Quarterly reporting by Technical Unit (TU)	With Project reformulation State submitted to the Bank and SUDENE, reports based on the newly-created SSMP.
	2.01 (e)	5	C			Reorganize TU and provide qualified staff	
	2.01 (f)	5	C			TU obligation to provide annual plan (POA)	
	2.02	3	C			State to respect procurement regulations	
	2.06	5	C			Carrying out Part F of the reformulated Project in accordance with the Operational Manual	
	2.08	10	C			Carrying out publicity campaign	

Status

C =covenant complied with
 CD =complied with after delay
 CP =complied with partially

NC =not complied with
 NYD =not yet due
 SOON =compliance expected in reasonably short time

TABLE 9. ECONOMIC COSTS AND BENEFITS

Introduction:

1. The Internal Economic Rate of Return (IERR) was not re-calculated for the original projects (pre-reformulation) for reasons stated in Part 1, para. 90. The reformulated projects were part of a program of targeted interventions based on a demand-driven mechanism of which the costs, benefits and rates of return could not be determined *ex ante*. IERRs were not calculated for the reformulated projects and thus there is no "re-calculation" of the IERRs for this ICR. For a discussion of the results of recent FAO/World Bank analyses (1995 and 1996) of socio-economic benefits and cost-effectiveness of sample productive subprojects under the NRDP, see Part 1, paras. 91-95 and Tables 9A-9D below. Tables 9A and 9B are based on sample data from all ten states in the NRDP (the 1995 analysis), whereas Tables 9C and 9D are based on state-specific data for Rio Grande do Norte (the 1996 analysis).

TABLE 9A. SOCIO-ECONOMIC BENEFITS OF PAC/FUMAC SUBPROJECTS BY MAIN SUBPROJECT TYPE^{1/}

Project Type	Total No. of Subprojects being Implemented and/or Completed	Total No. of Beneficiaries	Cost per Beneficiary (US\$)	Total No. of Jobs Created	Total Net Incremental Income per Year (US\$)	Total Net Incremental Income per Beneficiary per Year (US\$)	Total Incremental Crop Area (ha)	Internal Econ. Rate of Return (%)	Cost Effectiveness	
									Total Investment per Job Created (US\$)	Social Benefit-Cost Ratio ^{2/}
Infrastructure										
- Rural water supply	976	138,592	142	--	--	--	--	--	--	--
- Rural electrification	758	36,384	400	--	--	--	--	--	--	--
Productive										
- Manioc mills	380	39,520	297	11,460	14,890	377	7,900	> 50	1,273	> 3.0
- Tractors for communal use	198	15,048	438	9,900	11,587	770	36,080	> 50	816	> 3.0
- Rice mills	62	2,932	234	398	968	330	1,220	> 50	2,895	> 3.0
- Clothes making	88	7,360	109	1,583	1,400	190	--	> 50	925	> 3.0
Social										
- House improvement	116	8,236	461	--	--	--	--	--	--	--
- Child care centers	29	2,639	290	--	605	229	--	> 50	--	> 3.0

^{1/} Based on data from all ten states in the NRDP. Analysis for individual states of Bahia, Ceará and Sergipe is not available.

^{2/} Real discount rate is 10%.

Source: Bank/FAO Evaluation, 1995

TABLE 9B. FINANCIAL SUSTAINABILITY ANALYSIS OF PRODUCTIVE SUBPROJECTS^{1/}

Item/Project	Manioc Mill	Rice Mill	Farm Tractor
Number of associations	380	62	198
Average net income per association (US\$) ^{2/}	3,737	2,131	6,631
Average cost of subproject (US\$)	20,000	11,000	33,300
<u>Average number of years:</u>			
Of useful economic life (years)	12	12	10
To build replacement fund (years) ^{3/}	5	5	5

1/ Based on data from all ten states in the NRDP. Analysis for individual states of Bahia, Ceará and Sergipe is not available.

2/ Total income from association fees and cost recovery net of all O&M and other recurrent costs.

3/ Number of years after which the association has accumulated enough funds to replace the original investment, which is considerably less than the useful economic life of the investment. The real interest rate is assumed to be 10%.

Source: Bank/FAO Evaluation, 1995

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROJECT - RIO GRANDE DO NORTE
(Loan 2524-BR)

TABLE 9C. SOCIO-ECONOMIC BENEFITS OF PAC/FUMAC SUBPROJECTS BY MAIN SUBPROJECT TYPE ^{1/}

Project Type	Total No. of Subprojects being Implemented and/or Completed	Total No. of Beneficiaries (Families)	Cost per Beneficiary (US\$)	Total No. of Jobs Created	Total Net Incremental Income per Year (US\$)	Total Net Incremental Income per Beneficiary per Year (US\$)	Total Incremental Crop Area (ha)	Internal Rate of Return		Cost Effectiveness	
								Financial (%)	Economic (%)	Total Investment per Job Created (US\$)	Social Benefit-Cost Ratio ^{2/}
<u>Infrastructure</u>											
- Rural water supply (12%)	49	6,826	169	--	--	--	--	--	--	--	--
- Street paving (5%)	21	3,160	160	--	--	--	--	--	--	--	--
- Rural electrification (8%)	32	2,156	258	--	--	--	--	--	--	--	--
<u>Productive</u>											
- Manioc mills (5%)	22	1,606	279	387	249	156	484	30	38	1,159	1.4
- Cashew nut processing (6%)	25	875	648	2,044	662	757	n/a	> 50	63	277	1.2
- Tractors for communal use (12%)	49	2,205	801	1,174	505	229	7,497	31	48	1,505	1.1
- Dairying (4%)	15	735	738	n/a	104	141	--	10	14	--	1.0
- Clothes making (12%)	48	2,075	500	1,392	346	167	--	45	n/a	746	1.4
<u>Social</u>											
- Latrines (5%)	21	1,302	366	--	--	--	--	--	--	--	--

^{1/} Total no. of subprojects implemented, total no. of beneficiaries and cost per beneficiary obtained from State database (SSMP). Jobs created, net incremental income, incremental crop area, IRRs and cost-effectiveness estimated based on sample subprojects surveyed in that category.

^{2/} Real discount rate is 10%.

Source: Bank/FAO Evaluation, 1996

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROJECT - RIO GRANDE DO NORTE
(Loan 2524-BR)

TABLE 9D. FINANCIAL SUSTAINABILITY ANALYSIS OF PRODUCTIVE SUBPROJECTS

Item/Project	Manioc Mill	Farm Tractor
Number of associations	22	49
Average net income per association (US\$) ^{1/}	1,825	3,523
Average cost of subproject (US\$)	20,397	36,038
<u>Average number of years:</u>		
Of useful economic life (years)	12	10
To build replacement fund (years) ^{2/}	7	7

^{1/} Total income from association fees and cost recovery net of all O&M and other recurrent costs.

^{2/} Number of years after which the association has accumulated enough funds to replace the original investment, which is considerably less than the useful economic life of the investment. The real interest rate is assumed to be 10%.

Source: Bank/FAO Evaluation, 1996

TABLE 10. BANK RESOURCES: STAFF INPUTS

SERGIPE PROJECT (Ln. 2523-BR)

Stage of Project Cycle	Planned		Revised		Actual	
	Staff Weeks ¹	US\$ ¹	Staff Weeks ¹	US\$ ¹	Staff Weeks	US\$
Through Appraisal	-	-	-	-	339.2	-
Appraisal - Board	-	-	-	-	22.8	-
Board - Effectiveness ²	-	-	-	-	n/a	-
Supervision	-	-	-	-	377.9	-
Completion	-	-	-	-	4.6	-
Total	-	-	-	-	744.5	1,364.3³

1. Not available

2. MIS does not distinguish period. Included under Appraisal-Board.

3. Total cost (labor only) for period 1980 to 1997 of which \$1,092,000 is Higher level staff, \$207,000 Consultants and \$64,600 all other staff.

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Stage of Project Cycle	Planned		Revised		Actual	
	Staff Weeks ¹	US\$ ¹	Staff Weeks ¹	US\$ ¹	Staff Weeks	US\$000
Through Appraisal	-	-	-	-	54.7	-
Appraisal - Board	-	-	-	-	10.1	-
Board - Effectiveness ²	-	-	-	-	n/a	-
Supervision	-	-	-	-	117.1	-
Completion	-	-	-	-	4.0	-
Total	-	-	-	-	185.9	332.3³

1. Not available

2. Included under Appraisal-Board

3. Total cost (labor only) for period 1980 to 1997 of which \$231,400 is Higher level staff, \$67,800 Consultants and \$33,100 all other staff.

TABLE 10. BANK RESOURCES: STAFF INPUTS

BAHIA PROJECT (Ln. 2761-BR)

Stage of Project Cycle	Planned		Revised		Actual	
	Staff Weeks ¹	US\$ ¹	Staff Weeks ¹	US\$ ¹	Staff Weeks	US\$ ¹
Through Appraisal	-	-	-	-	132.5	-
Appraisal - Board	-	-	-	-	24.2	-
Board - Effectiveness ²	-	-	-	-	n/a	-
Supervision	-	-	-	-	116.3	-
Completion	-	-	-	-	4.2	-
Total	-	-	-	-	277.2	486.2³

1. Not available

2. MIS does not distinguish period, for this project.

3. Total cost (labor only) for period 1980 to 1997 of which \$350,600 is Higher Level staff, \$93,500 Consultants and \$41,900 all other staff.

CEARA PROJECT (Ln. 2763-BR)

Stage of Project Cycle	Planned		Revised		Actual	
	Staff Weeks ¹	US\$ ¹	Staff Weeks ¹	US\$ ¹	Staff Weeks	US\$000
Through Appraisal	-	-	-	-	65.2	-
Appraisal - Board	-	-	-	-	5.6	-
Board - Effectiveness ²	-	-	-	-	n/a	-
Supervision	-	-	-	-	90.5	-
Completion	-	-	-	-	4.0	-
Total	-	-	-	-	165.3	304.5³

1. Not available

2. Included under Appraisal-Board

3. Total cost (labor only) for period 1980 to 1997 of which \$219,900 is Higher level staff, \$72,800 Consultants and \$11,700 all other staff.

TABLE 11. BANK RESOURCES: MISSIONS

SERGIPE PROJECT (Ln. 2523-BR)

Stage of Project Cycle	Month/Year	No. of persons	Days in field	Specialized staff skills represented	Performance Rating		Types of problems
					Impl. Status	Develop. Objectives	
Through Appraisal	8/83	2	4	Ec, AgEc	n/a	n/a	n/a
	12/83	1	4	n/a	n/a	n/a	n/a
	1/84	3	30	Ec, Ag	n/a	n/a	n/a
	3/84	5	16	Ec, Ag, Eng	n/a	n/a	n/a
Appraisal through Board Approval	7/84 ¹	n/a	n/a	n/a	n/a	n/a	n/a
Supervision	1/86 ²	2	7	Ec	n/a	n/a	n/a
	4/86	1	7	Ec	2	2	Fin, Man
	1/87 ³	1	n/a	Eng	n/a	n/a	n/a
	5/87 ⁴	1	n/a	Eng	n/a	n/a	n/a
	7/87	1	2	AgEc	2	3	Inst, Fin, Adm
	11/87	2	8	Ec, Eng	2	3	Fin
	1/88 ⁵	1	15	Ec	n/a	n/a	n/a
	5/88	6	11	Ec, Ag, AgEc	3	2	Fin, Man
	6/88 ⁶	2	n/a	Ec, Ag	1	2	Tech
	6/89	1	9	Ag	n/a	n/a	n/a
	12/89	1	2	Ag	3	2	Fin, Inst
	1/90 ⁷	2	n/a	Ag, Eng	n/a	n/a	n/a
	5/90	1	n/a	Ag	2	2	Fin, Adm, Man
	8/90	2	n/a	Ag, AgEc	2	2	Fin, Adm, Man
	8/91 ⁸						
2/92 ⁹	1	40	Eng	n/a	n/a	n/a	
5/92 ¹⁰							

¹ Appraisal mission referred to in files, but documentation not available.

² Supervision of regional coordination component.

³ Supervision of NRDP irrigation components (FAO/CP)

⁴ Supervision of water resources components (FAO/CP)

⁵ Supervision of regional administration component.

⁶ Mission to review technology under APCR component.

⁷ Mission to discuss extending FAO TA contract.

⁸ Updated 590 is recorded in Recife files but copy misplaced, including in Bank files.

⁹ Mission to supervise irrigation component and reformulate project.

¹⁰ Updated 590 is recorded in Recife files but copy misplaced, including in Bank files.

TABLE 11. BANK RESOURCES: MISSIONS

SERGIPE PROJECT (Ln. 2523-BR) - Continued

Stage of Project Cycle	Month/ Year	No. of persons	Days in field	Specialized staff skills represented	Performance Rating		Types of problems
					Impl. Status	Develop. Objectives	
	9/92	1	4	AgEc	2	1	Man
	11/93	1	4	AgEc	2	1	Man
	5/94	1	3	AgEc	S	S	n/a
	12/95	1	3	AgEc	S	S	n/a

TABLE 11. BANK RESOURCES: MISSIONS

RIO GRANDE DO NORTE PROJECT (Ln. 2524-BR)

Stage of Project Cycle	Month/Year	No. of persons	Days in field	Specialized staff skills represented	Performance Rating		Types of problems
					Impl. Status	Develop. Objectives	
Through Appraisal	12/81	2	2	n/a	n/a	n/a	n/a
Appraisal through Board Approval	7/84	n/a	10	n/a	n/a	n/a	n/a
Board Approval through Effectiveness	4/85	1	14	n/a	n/a	n/a	n/a
Supervision	1/86	1	2	n/a	n/a	n/a	n/a
	1/86	1	7	n/a	n/a	n/a	Adm, Man
	9/86	3	3	n/a	3	n/a	Fin
	10/86	5	6	Ag, n/a	3	2	Fin, Inst, Pol
	8/87	3	n/a	Ag, Eng	2	2	Fin, Inst, Man
	4/88	3	10	Ag, AgEc, Ec	2	2	Fin, Inst, Adm
	5/89	1	10	Ec	2	2	Fin, Inst, Tech, Phys
	7/90	1	4	Ag	2	2	Fin, Inst, Man
	8/90	2	n/a	Ag	3	3	Fin
	9/90	1	n/a	Ag	2	2	Fin
	1/91	1	n/a	Ag	2	2	Man
	2/92 ¹	n/a	n/a	n/a	n/a	n/a	n/a
	6/92	1	n/a	Eng	2	2	Tech
	11/93	1	3	AgEc	2	1	Man
2/94	1	n/a	AgEc	2	1	Man	
4/94	1	9	AgEc	S	S	Adm, Pol	
8/95	1	4	AgEc	S	S	Adm	

¹ Supervision with Aide Memoire; part of reformulation exercise.

TABLE 11. BANK RESOURCES: MISSIONS

BAHIA PROJECT (Ln. 2761-BR)

Stage of Project Cycle	Month/Year	No. of persons	Days in field	Specialized staff skills represented	Performance Rating		Types of problems
					Impl. Status	Develop. Objectives	
Through Appraisal	5/84 ²	4	28	Ec, Eng, Ag	n/a	n/a	n/a
Appraisal through Board Approval	11/84	7	28	Ec, Ag, Eng, Fin	n/a	n/a	n/a
Supervision	6/87	3	10	AgEc	2	2	Fin, Inst
	11/87	1	9	Eng	n/a	n/a	n/a
	6/88	2	9	Eng, Ag	2	2	Fin
	4/89	1	10	AgEc	2	2	Ec, Adm
	11/89	1	4	AgEc	2	2	Fin, Tech, Adm
	4/90	1	12	Ec, AgEc	2	2	Fin, Adm
	6/90	1	n/a	Ec	3	2	Fin, Man
	6/91	1	n/a	Ec	3	2	Fin, Man
	5/92	2	n/a	Ec, AgEc	2	2	Fin, Man
	11/93	1	4	AgEc	2	1	Man
5/94	1	9	AgEc	S	S	Man	
10/95	1	2	AgEc	S	S	n/a	

² FAO/CP preparation mission.

TABLE 11. BANK RESOURCES: MISSIONS

CEARA PROJECT (Ln. 2763-BR)

Stage of Project Cycle	Month/Year	No. of persons	Days in field	Specialized staff skills represented	Performance Rating		Types of problems
					Impl. Status	Develop. Objectives	
Through Appraisal	2/85	n/a	n/a	Ec, Eng	n/a	n/a	n/a
	7/85	3	6	Ec, Eng	n/a	n/a	n/a
Appraisal through Board Approval	11/85	2	11	Ec	n/a	n/a	n/a
Supervision	11/86	1	6	n/a	n/a	n/a	n/a
	5/87	2	n/a	Ec, Eng	n/a	n/a	n/a
	6/87	1	n/a	FinEc	2	2	Fin
	5/88	1	n/a	n/a	1	2	Fin
	2/89	1	n/a	n/a	2	2	Fin, Eco, Pol
	5/89	1	n/a	n/a	2	2	Fin, Eco, Pol
	12/89	2	9	Ec, Fin	2	2	Fin
	2/90	1	n/a	Fin	2	2	Fin, Inst
	6/90	2	9	Fin, Eng	3	3	Fin, Man, Leg
	7/90	1	n/a	FinEc	3	3	Fin, Inst, Tech, Pol
	7/91		Updated 590		2	2	Fin
	5/92		Updated 590		1	2	Fin
	11/93	1	4	AgEc	2	2	Fin
	2/94	1	n/a	AgEc	2	2	Fin, Man
	4/94	1	8	AgEc	S	S	Fin, Man
	9/95	1	4	AgEc	S	S	Man

TABLE 12. DISBURSEMENT PERFORMANCE OF THE NRDP BY STATE
(US\$ million)

State	Original Loan Amount	Disbursement at Reformulation ^{1/}	Cancellations ^{2/}	Actual Disbursement after Reformulation	Outstanding Balance
Sergipe	61.3	39.9	1.0	20.4	0.0
Rio Grande do Norte	61.4	36.1	10.0	15.1	0.2
Bahia	171.0	59.4	60.0	47.8	3.8
Ceará	122.0	45.1	30.0	39.8	7.1
Total	415.7	180.5	101.0	123.1	11.1

^{1/} Reformulation became effective on September 28, 1993.

^{2/} Cancellation became effective on December 21, 1994.

Source: Bank/FAO Evaluation, 1996

**TABLE 13. NUMBER OF MUNICIPALITIES REACHED BY NRDP
(as of October 15, 1995) ^{1/}**

State	Number of Municipalities ^{2/}			Implemented/completed projects per municipality				
	In the State	In the Project Area	With implemented/completed projects			Total	PAC	FUMAC
			Total	PAC	FUMAC			
Bahia	415	264	264	237	27	10.2	9.7	15.0
Ceará	178	176	145	133	12	6.7	6.4	10.1
Rio Grande do Norte	159	158	107	99	8	5.1	4.8	10.5
Sergipe	75	74	70	63	7	5.2	4.8	9.0
Total	827	672	586	532	54	27.2	25.7	44.6

^{1/} Does not include municipalities reached in final stage of projects.

^{2/} The sum of the PAC and FUMAC municipalities may exceed the total number of municipalities in the project area because some original PAC municipalities later became FUMAC.

Source: Bank/FAO Evaluation, 1996

TABLE 14. AVERAGE COST OF PAC/FUMAC SUBPROJECTS, BY TYPE AND BY STATE

STATE	Average Cost by Type ^{1/2/} (US\$)										
	Manioc flour mill	Farm tractor	Water supply (simplified system) ^{3/}	Water supply (all types)	Small dam	Rural electrifi- cation	Rice processing	House improvement	Small- scale irrigation	Bridge	Clothes making
Bahia	7,416	19,918	14,544	14,500	13,154	20,514	10,897	18,870	18,970	20,391	22,727
Ceará	14,041	36,885	17,776	17,537	19,870	32,397	21,242	--	26,391	--	25,224
Rio Grande do Norte	20,397	36,038	25,061	22,172	24,662	21,046	--	--	28,792	--	21,630
Sergipe	12,839	29,982	26,118	32,082	--	23,572	--	24,423	--	26,397	--
Alagoas	15,510	24,866	--	16,975	10,790	29,934	--	21,396	21,137	--	--
Maranhão	9,844	33,849	19,537	19,629	21,593	30,002	10,833	36,750	21,192	15,739	17,256
Minas Gerais	24,167	35,107	28,397	16,813	5,664	32,228	--	--	22,200	35,940	12,632
Paraíba	9,314	38,954	8,275	8,413	22,463	17,074	2,339	--	11,711	--	13,423
Pernambuco	21,195	31,124	28,323	29,927	28,547	27,785	--	30,004	29,674	--	35,531
Piauí	7,279	32,460	34,238	8,296	15,391	18,436	13,536	33,561	13,419	19,296	20,165
Total	14,284	33,798	18,566	17,003	19,386	26,015	12,603	29,067	21,270	24,938	20,900
PAC	14,294	33,615	18,479	16,599	19,235	26,339	13,535	29,287	24,094	24,999	20,996
FUMAC	14,244	34,788	18,799	18,425	20,037	24,593	9,776	25,545	12,621	24,749	20,330

1/ Costs include beneficiary contributions.

2/ Nature and technical specification for the same type of project vary within and among states.

3/ *Sistema simplificado de abastecimento de água*: water supply system usually comprising a high tank used to store water originating from different sources (surface or pumped groundwater) and a simple gravity distribution network.

Source: Bank/FAO Evaluation, 1996

IMPLEMENTATION COMPLETION REPORT

BRAZIL

NORTHEAST RURAL DEVELOPMENT PROGRAM

SERGIPE, RIO GRANDE DO NORTE, BAHIA AND CEARA PROJECTS

(Loans 2523-BR, 2524-BR, 2761-BR and 2763-BR)

BORROWER CONTRIBUTION

(Informal Translation)

STATE OF BAHIA
SECRETARIAT OF PLANNING, SCIENCE AND TECHNOLOGY
OFFICE OF THE SECRETARY

OF. GASEC Nº 277/96

Salvador, October 4, 1996

Mr. Túlio Barbosa
World Bank Representative

Dear Mr. Barbosa:

I am pleased to acknowledge receipt of the draft Implementation Conclusion Report for projects under the Northeast Rural Development Program (NRDP/PAPP) for the States of Sergipe, Rio Grande do Norte, Bahia and Ceará, and to congratulate the Bank staff responsible for its preparation.

After reviewing the document, allow me to make the following comments regarding a possible lack of concern on the part of the State of Bahia about social projects, as inferred from paragraph 44.

In reality, with the aim of rationalizing the use of resources and eliminating the duplication of efforts, actions were carried out by sectoral secretariats with resources from other sources, including Federal Government projects financed by the World Bank. A Chagas disease control program was also carried out under the PAPP Program, in partnership with the National Health Foundation, that included the improvement of 454 dwellings in 4 of the State's municipalities which were considered to have a high rate of infestation by the disease vector, with investments totaling US\$618,000.00

Finally, it should be noted that no specific demands were made by community associations for actions of a social nature.

Sincerely,
(signed) Luiz Antônio Vasconcellos

(Informal Translation)

FAX Nº 079/96

PRONESE

Aracajú, October 2, 1996

From: Flávio Conceição de Oliveira Neto
General Coordinator/PRONESE
Fax (079) 211-8878

To: Dr. Túlio Barbosa
Head, World Bank Office in Recife
Fax (081) 271-1594

Subject: Comments on the Draft Implementation Conclusion Report -
Loans 2523-BR, 2524-BR, 2761-BR and 2763-BR

Dear Túlio,

At your request, the following are our comments on the above-mentioned report, particularly on references to the State of Sergipe:

1. In data referring to the outcome of the APCR component during the first phase of the project in the State of Sergipe (item 37), we suggest that the indicator for the number of beneficiaries be expressed in persons instead of families. We believe there was some mistake in the transmission or interpretation of data, since the specific survey made by PRONESE in 1992 leaves no doubt about our understanding of this matter.
2. Regarding the statement that the Technical Units (TUs) "tended to assume the responsibility for important steps in the planning cycle, to the detriment of community participation," we understand that this presence was not a factor that inhibited participation and the technicians often played a valuable role as moderators during the process of identifying, selecting and approving undertakings, especially when a community lacked the active presence of other social agents or of representatives of non-governmental organizations. Regarding the alleged bias of TU technicians against tractors, we may state that, at least in the case of Sergipe, this attitude stemmed from the lack of sustainability observed in previous experiences with other programs. This attitude persists today in the form of demands on the beneficiary group's level of organization, regulations on the use and maintenance of equipment, and full awareness of the operational limitations and difficulties of this type of undertaking.

Finally, despite the above observations, we wish to express our agreement, in general terms, with the impressions given by the document which appropriately reflects the assessment of project performance.

Sincerely,
(signed) Flávio Conceição Oliveira Neto

General Coordinator - PRONESE

(Informal Translation)

MINISTRY OF PLANNING AND BUDGET
SECRETARIAT OF INTERNATIONAL AFFAIRS

Fax N° 3027/96

Brasília, 10-18-96

TO: Ms. Constance Bernard
Natural Resources, Environment and Rural Poverty Division
Country Department I
IBRD

FAX: (202) 522-3132

FROM: Manuel José Forero Gonzalez
General Coordinator of Economic Affairs

FAX: (061) 225-7185

N° of pages: 4 (including cover sheet)

Dear Ms. Bernard,

I refer to the letter received from the World Bank's Office in Recife on 9-5-96 (copy attached), sending a draft ICR on PAPP projects in the States of Sergipe (Ln. 2523), Rio Grande do Norte (Ln. 2524), Bahia (Ln. 2761), and Ceará (Ln. 2763), and to SEAIN's fax n° 2668/96 dated 9-16-96 (copy attached) requesting an extension of the deadline for sending the Brazilian Government's comments on the report.

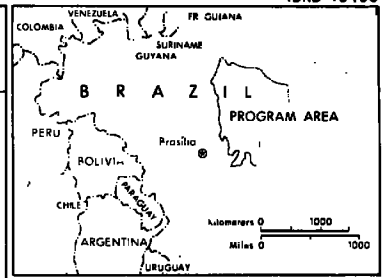
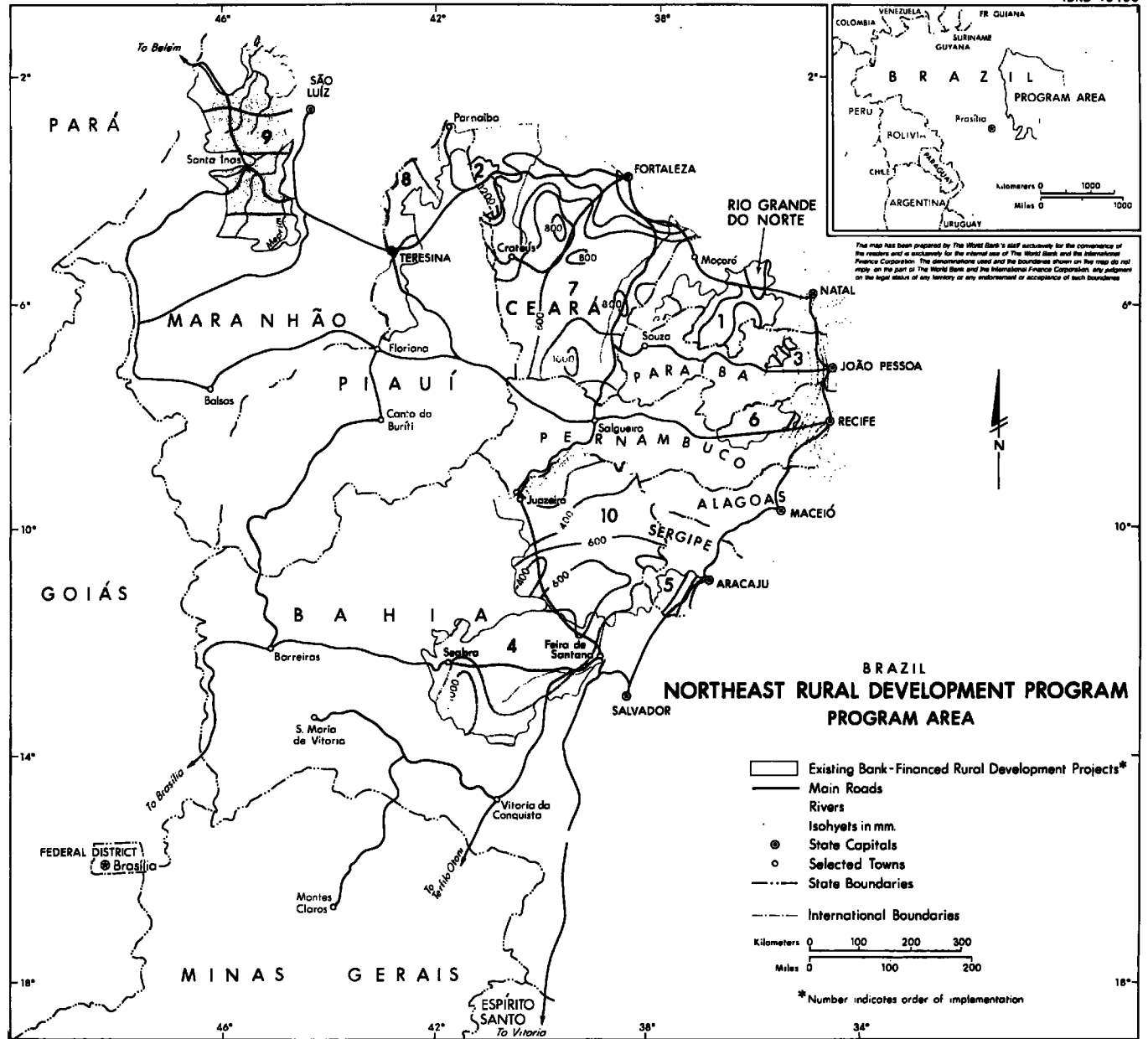
Kindly consider the following points:

- a) Regarding social projects in the State of Bahia, since there were no specific demands from community associations, actions in the areas of health and education were carried out by Sectoral Secretariats through other sources of funds, including Bank-financed projects, to avoid duplication of efforts. A Chagas disease control program was also carried out under the PAPP Program, in partnership with the National Health Foundation, that included the improvement of 454 rural dwellings in 4 municipalities having a high rate of infestation by the disease vector, with investments totaling US\$618,000.00.
- b) Regarding the State of Sergipe, it is understood that in data referring to efforts carried out under the APCR component, the "number of families" indicator should be expressed in terms of individuals, not families. Regarding the statement that the Technical Units (TUs) tended to assume the responsibility for important steps in the planning cycle, to the detriment of community participation, we wish to make a proviso that this presence was not a factor that inhibited participation and the technicians often played a valuable role as moderators during the process of identifying, selecting and

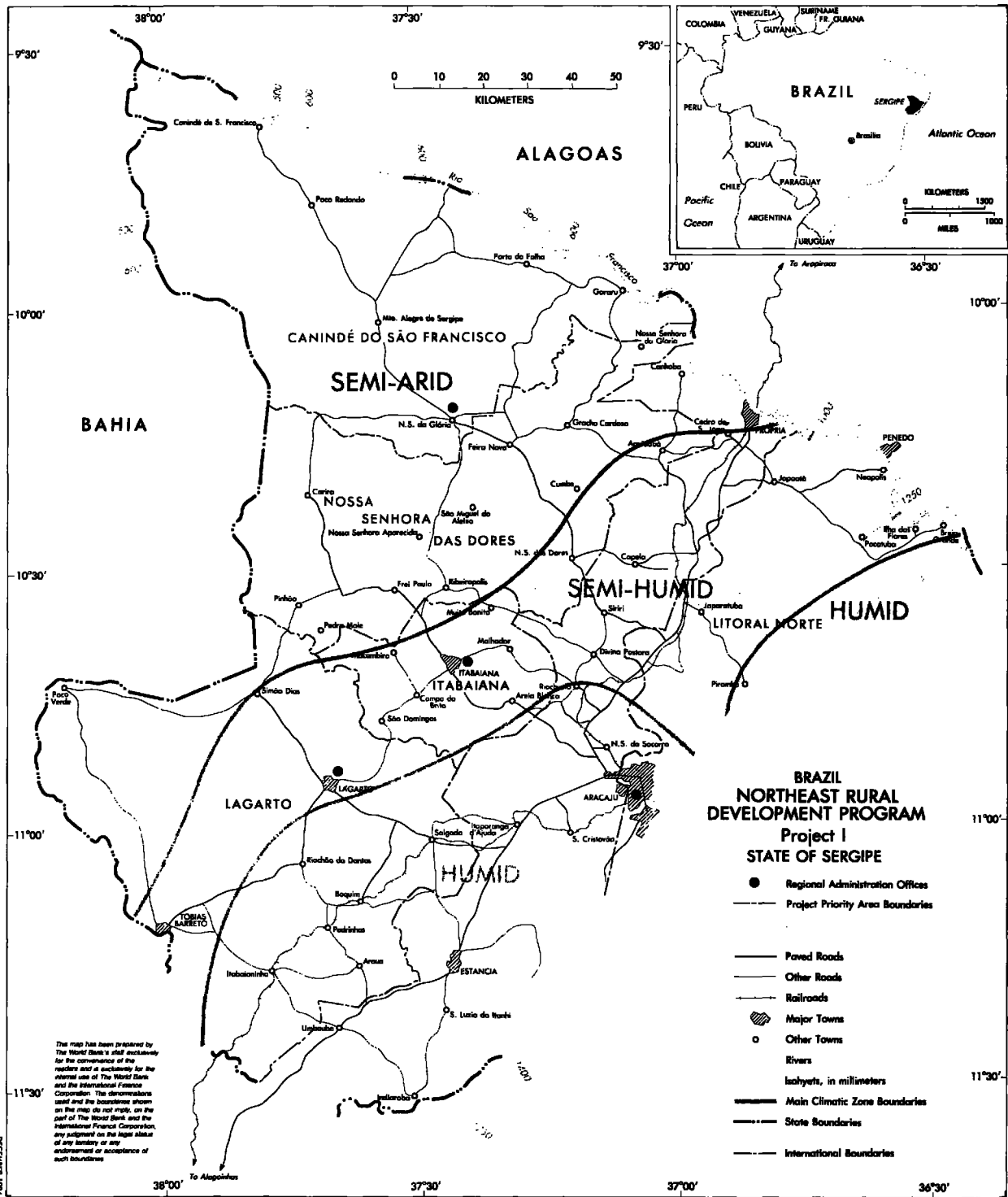
approving undertakings, especially when a community lacked the active presence of other social agents or of representatives of non-governmental organizations. Finally, regarding the alleged bias of TU technicians against tractors, it may be stated that this attitude stemmed from the lack of sustainability observed in previous experiences. This attitude persists today in the form of demands on the beneficiary group's level of organization, regulations on the use and maintenance of equipment, and full awareness of the operational limitations and difficulties of this type of undertaking.

Sincerely,

Manuel José Forero Gonzalez
General Coordinator of Economic Affairs



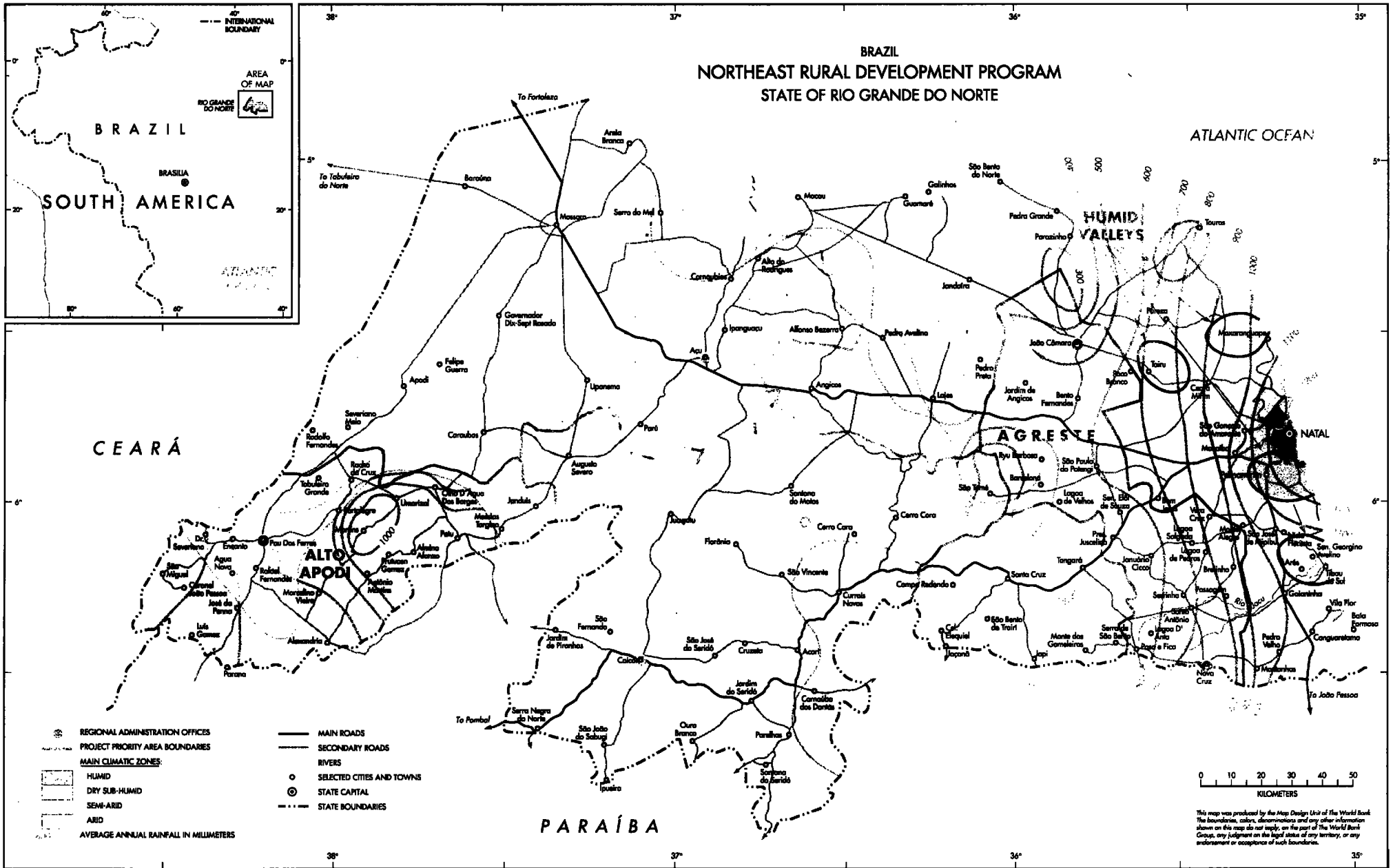
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DECEMBER 1984

18781 CBR1



BRAZIL
NORTHEAST RURAL DEVELOPMENT PROGRAM

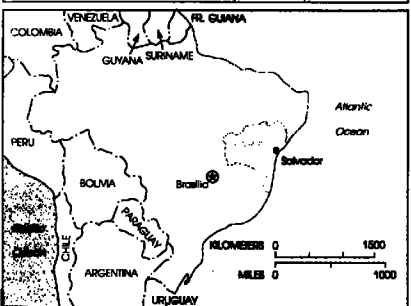
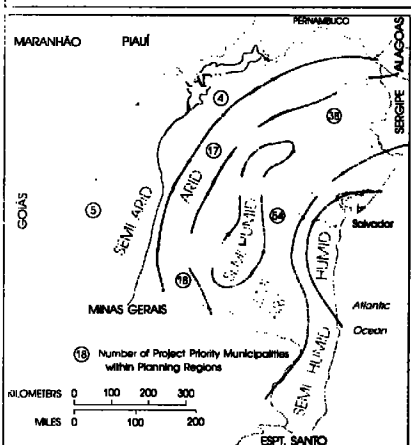
Project III
STATE OF BAHIA

Subregional Administration Offices

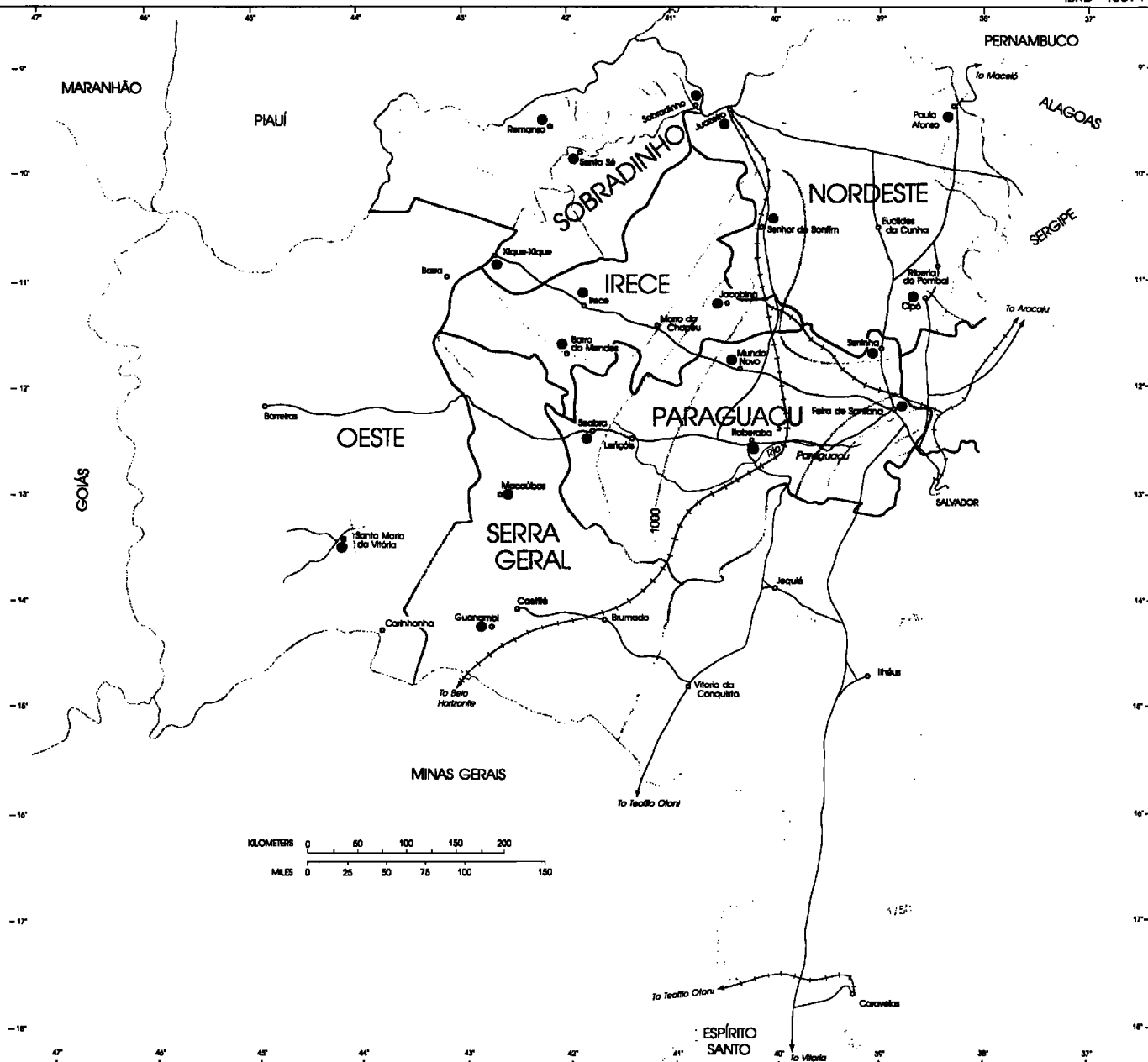
Planning Region Boundaries

Project Priority Areas

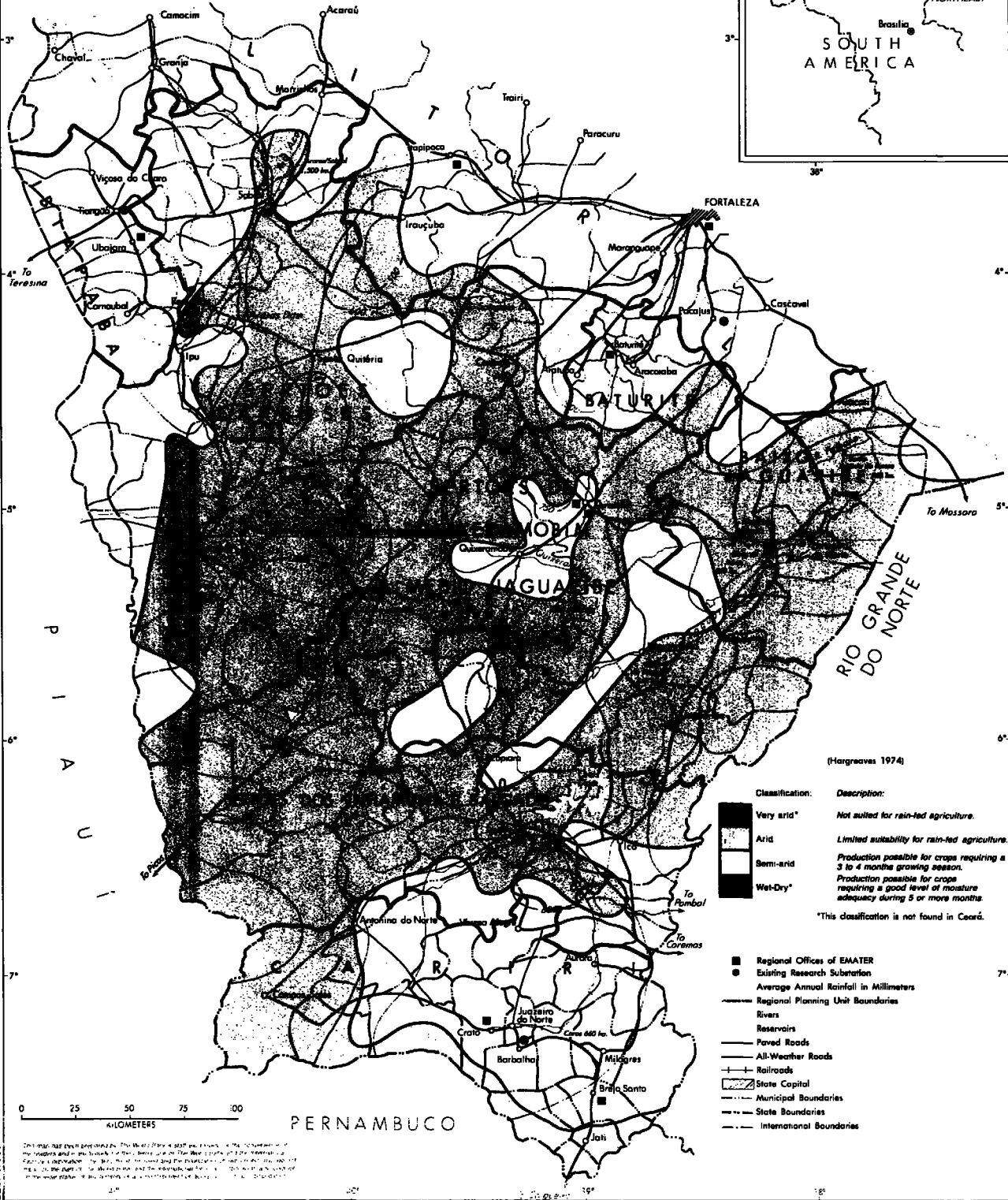
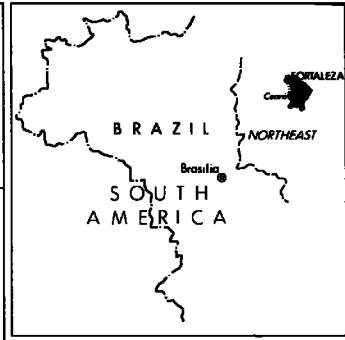
- Main Roads
- +— Railroads
- Capital City
- Towns
- Rivers
- Isohyets in Millimeters
- Main Climatic Zone Boundaries
- State Boundaries
- International Boundaries



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BRAZIL
NORTHEAST RURAL DEVELOPMENT PROGRAM
 NORTHEAST RURAL DEVELOPMENT VI PROJECT (CEARÁ)
 AGRICULTURAL POTENTIAL DEFINED BY DEPENDABLE RAINFALL



(Hargreaves 1974)

Classification:	Description:
Very arid*	Not suited for rain-fed agriculture.
Arid	Limited suitability for rain-fed agriculture.
Semi-arid	Production possible for crops requiring a 3 to 4 months growing season.
Wet-Dry*	Production possible for crops requiring a good level of moisture adequacy during 5 or more months.

*This classification is not found in Ceará.

- Regional Offices of EMATER
- Existing Research Substation
- Average Annual Rainfall in Millimeters
- Regional Planning Unit Boundaries
- Rivers
- Reservoirs
- Paved Roads
- All-Weather Roads
- Railroads
- State Capital
- Municipal Boundaries
- State Boundaries
- International Boundaries

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