

Document of  
The World Bank Group

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**Report No. 113259-BR**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
INTERNATIONAL FINANCE CORPORATION  
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE FEDERATIVE REPUBLIC OF BRAZIL**

**FOR THE PERIOD FY18-FY23**

**May 16, 2017**

**Brazil Country Management Unit  
Latin America and Caribbean Region**

**International Finance Corporation  
Latin America and Caribbean**

**The Multilateral Investment Guarantee Agency**

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**The date of the last Country Partnership Strategy was November 01, 2011 (Report No. 63731-BR)**

## **CURRENCY EQUIVALENTS**

(Exchange rate effective as of April 28, 2017)

Currency Unit = Brazilian Real

US\$1.00 = 3.181

## **FISCAL YEAR**

January 1 to December 31

## **ABBREVIATIONS AND ACRONYMS**

ABC	Low carbon agriculture (ABC) program ( <i>Programa Agricultura de Baixo Carbono</i> )
AFD	French Development Agency ( <i>Agência Francesa de Desenvolvimento</i> )
ASA	Advisory Services and Analytics ( <i>Atividade de Análise e Assessoria</i> )
BNDES	National Bank for Social and Economic Development ( <i>Banco Nacional de Desenvolvimento Econômico e Social</i> )
BPC	Non-Contributory Pension ( <i>Benefício de Prestação Continuada</i> )
B40	Bottom 40 Percent ( <i>40% mais Pobres da População Brasileira</i> )
BRICS	Brazil, Russia, India, China, South Africa ( <i>Brasil, Rússia, Índia, China, África do Sul</i> )
CAPAG	Brazilian Treasury's debt repayment risk classification ( <i>Classificação da capacidade de pagamento dos Estado</i> )
CAR	Rural Environmental Registry ( <i>Cadastro Ambiental Rural</i> )
CGE	Comptroller General of the State ( <i>Controladoria Geral do Estado</i> )
CIF	Climate Investment Fund ( <i>Fundos de Investimentos em Clima</i> )
CLR	Completion and Learning Review ( <i>Revisão de Conclusão e Aprendizagem</i> )
COFIEEX	External Financing Committee ( <i>Comissão de Financiamentos Externos</i> )
COP21	21st Conference of the Parties ( <i>21ª Conferência do Clima</i> )
CPF	Country Partnership Framework ( <i>Estratégia de Parceria de País</i> )
CSO	Civil Society Organization ( <i>Organização da Sociedade Civil</i> )
DARP	Debt and Asset Recovery Program ( <i>Programa de Recuperação de Dividas e Ativos</i> )
DIEESE	Inter-Union Department of Statistics and Socioeconomic Studies ( <i>Departamento Intersindical de Estatística e Estudos Socioeconômicos</i> )
DPL	Development Policy Loan Program ( <i>Empréstimo para Políticas de Desenvolvimento</i> )
FGV	Getúlio Vargas Foundation ( <i>Fundação Getulio Vargas</i> )
FIP	Forest Investment Program ( <i>Programa de Investimentos em Florestas</i> )
FY	Fiscal Year ( <i>Ano Fiscal</i> )
GDP	Gross Domestic Product ( <i>Produto Interno Bruto</i> )
GEF	Global Environmental Facility ( <i>Fundo Mundial para o Ambiente</i> )
GCF	Green Climate Fund ( <i>Fundo Verde do Clima</i> )
GIF	Global Infrastructure Facility ( <i>Financiamento de Infraestrutura Global</i> )
IBRD	International Bank for Reconstruction and Development ( <i>Banco Internacional para Reconstrução e Desenvolvimento</i> )
IBGE	Brazilian Institute of Geography and Statistics ( <i>Instituto Brasileiro de Geografia e Estatística</i> )
IDB	Inter-American Development Bank ( <i>Banco Interamericano de Desenvolvimento</i> )
IEG	International Evaluation Group ( <i>Grupo Internacional de Avaliação</i> )
IFC	International Finance Corporation ( <i>Corporação Financeira Internacional</i> )
IMF	International Monetary Fund ( <i>Fundo Monetário Internacional</i> )
IPEA	Institute of Applied Economic Research ( <i>Instituto de Pesquisa Econômica Aplicada</i> )
ISFL	BioCarbon Fund's Initiative for Sustainable Forest Landscapes ( <i>Fundo BioCarbon</i> )
LAC	Latin America and Caribbean ( <i>América Latina e Caribe</i> )
LRF	Fiscal Responsibility Law ( <i>Lei de Responsabilidade Fiscal</i> )
MIGA	Multilateral Investment Guarantee Agency ( <i>Agência Multilateral de Garantia de Investimentos</i> )
MSME	Micro, Small and Medium Enterprises ( <i>Micro, Pequena e Média Empresa</i> )
MMA	Ministry of Environment ( <i>Ministério do Meio Ambiente</i> )

M&E	Monitoring and Evaluation ( <i>Monitoramento e Avaliação</i> )
MTF-CGU	Ministry of Transparency, Monitoring and Comptroller General of the Union ( <i>Ministério da Transparência, Fiscalização e Controladoria-Geral da União</i> )
NDB	New Development Bank ( <i>Novo Banco de Desenvolvimento</i> )
NDC	Nationally Determined Contribution ( <i>Contribuição Nacionalmente Determinada</i> )
OECD	Organization for Economic Cooperation and Development ( <i>Organização para Cooperação Econômica e Desenvolvimento</i> )
PEFA	Public Expenditure and Financial Accountability ( <i>Quadro de Responsabilidade da Despesa Pública</i> )
PLR	Program Learning Review ( <i>Revisão de Aprendizagem de Programa</i> )
PPI	Public Private Infrastructure Program ( <i>Programa de Parceria de Investimentos</i> )
PPP	Public-Private Partnership ( <i>Parceria Público-Privada</i> )
PSI	Programa de Sustentação do Investimentos ( <i>Investment Support Program</i> )
REDD+	Countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks ( <i>Redução de emissões de gases de efeito estufa provenientes do desmatamento e degradação florestal, manejo florestal, manutenção e incremento de estoque de carbono</i> )
SCD	Systematic Country Diagnostic ( <i>Diagnóstico Estratégico de Países</i> )
SDIB	Standard Infrastructure Bond ( <i>Debênture Padronizada de Infraestrutura</i> )
SME	Small and Medium Enterprise ( <i>Pequenas e Médias Empresas</i> )
SNG	Subnational Government ( <i>Governos Subnacionais</i> )
SOB	State-Owned Bank ( <i>Banco Estatal</i> )
SSC	South-South Cooperation ( <i>Cooperação Sul-Sul</i> )
SUS	Unified Health System ( <i>Sistema Único de Saúde</i> )
TA	Technical Assistance ( <i>Assistência Técnica</i> )
TCE	State Court of Accounts ( <i>Tribunal de Contas do Estado</i> )
TSE	Superior Electoral Court ( <i>Tribunal Superior Eleitoral</i> )
WBG	World Bank Group ( <i>Grupo Banco Mundial</i> )

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## ACKNOWLEDGEMENTS

The World Bank Group greatly appreciates the close collaboration with the Brazilian authorities in the preparation of this Country Partnership Framework. The preparation of the document involved extensive discussions with Government representatives at the Federal, State and Municipal levels. Internally, it represented a WBG team effort. The CPF was produced by Antonio Nucifora, Luciana Harrington and Gianfilippo Carboni, the task team leaders representing the WBG, under the guidance of Martin Raiser, Hector Gomez Ang and Dan Biller. The larger team is composed of Andre Loureiro, Ane Perez Orsi de Castro, Barbara Farinelli, Boris Utria, Candyce Rocha, Cornelius Fleischhaker, Diego Arias Carballo, Edith Kikoni, Eduardo Wallentin, Fabiano Colbano, Fabio Bittar, Fabiola Vasconcelos, Flavia Nahmias, Gregor Wolf, Lorena Vinuela, Mark Dutz, Miguel Angel Rebolledo Dellepiane, Monica Porcidonio, Paul Procee, Pedro Olinto, Renata Gukovas, Roland Clarke, Rong Qian, Tania Lettieri, Theodore Ahlers and Wilson Frota. The team is grateful for the contributions of the WBG Brazil team and for the advice received from the peer reviewers: Clive G. Harris, John Adrian Barham, Junaid Kamal Ahmad, Magnus Lindelow, Paulo Guilherme Correa and Shantayanan Devarajan.

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# FY18-FY23 COUNTRY PARTNERSHIP FRAMEWORK FOR BRAZIL

## I. INTRODUCTION

1. **The Country Partnership Framework (CPF) for Brazil covers the six-year period from FY18 to FY23.**<sup>1</sup> The CPF is aligned with the objectives of the country's development strategy as outlined in the Brazil growth strategy presented by the authorities and is rooted in the findings and recommendations of the World Bank Group (WBG) Systematic Country Diagnostic (SCD) for Brazil, which contains an analysis of key constraints for inclusive and sustainable growth.<sup>2</sup> The CPF supports the country in making further progress on the WBG twin goals of eliminating extreme poverty and boosting shared prosperity through a program that focuses on creating the conditions for faster job growth. The CPF reflects the priorities of the Brazilian authorities and the resources and capacity of the WBG to deliver against these priorities.

2. **The CPF covers six years to align the WBG strategy with the electoral cycle.** General elections are scheduled for late 2018. A Performance and Learning Review is planned in 2019 to review progress and assess whether any changes are needed to reflect the priorities of the new government. The period leading up to the elections is likely to remain characterized by considerable political uncertainty. A far reaching corruption investigation, known as *Lava Jato* in Brazil, has attained senior representatives of most political parties. Despite the ongoing investigations, President Temer retains parliamentary support and has vowed to serve out his remaining mandate, against this background, the CPF is grounded in an analysis of Brazil's underlying challenges which are expected to anchor the dialogue and engagement with Brazil throughout the implementation period.

3. **Against the background of a deep recession in the last three years it is clear that Brazil's growth model needs adjusting.** Growth in the "Golden Decade" between 2003-2013 was largely based on favorable external conditions, credit-fueled consumption, and an expanding labor force. Fast employment creation was the driver of poverty reduction, while an expansion of targeted social programs helped reduce extreme poverty. However, over the past three years, structural constraints on potential growth have become binding. Fiscal expansion between 2011-2014 exacerbated adjustment needs and together with a far-reaching corruption scandal has undermined investor confidence. Since late 2014, Brazil has been in a deep recession. Without changes to its growth model, past social gains will not be sustained.

4. **In response to the identified need for adjustment, this CPF proposes a reorientation of new lending and advisory services and analytics (ASA).** The CPF is built around three focus areas: (i) fiscal consolidation and government effectiveness; (ii) private sector investment and productivity; and (iii) equitable and sustainable development. The CPF envisages a reengagement at the federal level to support the government in addressing structural constraints, notably those related to fiscal issues and the business environment. The CPF continues the strong focus on improved service delivery that was at the center of the previous strategy, including through the implementation of the large existing portfolio, but with a growing emphasis on new management models that promise to increase the efficiency and efficacy of the public sector in addition to safeguarding access for the poor. It continues the engagement in natural resource management and in climate change adaptation and mitigation issues, aiming to leverage global partnerships in support of Brazil's global leadership role in this area. Finally, it envisages a greater role for the WBG in advocacy with the broader public to help build consensus on the fundamental development challenges facing the country.

5. **The CPF objectives and priorities were discussed with various stakeholders, and reflect the views and opinions expressed during the SCD and CPF consultations.** The CPF benefitted from strategic discussions with the government to identify priorities and client demand, and from the WBG

engagement with the private sector, academia, civil society, and other development partners. The feedback received from various stakeholders contributed to the formulation of strategic focus areas for WBG engagement and the specific CPF objectives.

## II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

### *Social and Political Context*

6. **This CPF comes at a time of great change in the social, political, and economic environment in Brazil.** After President Rousseff was impeached in August 2016, Vice-President Temer assumed the office for the remainder of the presidential mandate until the end of 2018. The impeachment marked a shift in the political coalition in power. The new coalition came together around a platform of fiscal consolidation and microeconomic reforms to revive the economy.

7. **The *Lava Jato* investigation continues to cause significant political uncertainty, but support in Parliament for the economic reform agenda remains strong.** New allegations have surfaced in the investigation, some of which attaining the President directly. There are concerns that this might affect the pace of implementation of the government's challenging reform agenda going forward. Nevertheless, in response to the recent turmoil, senior party leaders from the ruling coalition have restated their commitment to critical fiscal and structural reforms and key pieces of legislation have continued to advance.

8. **As the 2018 elections approach, the unity of the ruling coalition is likely to be increasingly tested.** The 2018 presidential race remains very open and may result in new alliances which could reshuffle the political landscape. Further, the debate on the need for and the appropriate strategy to carry out fiscal adjustment and microeconomic reforms remains polarized. Many fear that fiscal consolidation will result in a retrogression in Brazil's social policies, even though analysis demonstrates that the bulk of public spending benefits the wealthy more than the poor. The private sector is calling for improved business conditions but remains largely resistant to policies to increase competition and reduce wasteful subsidies.

9. **Despite the vigorous public reform debate and the considerable political uncertainty, the CPF is based on the expectation that Brazil's adjustment needs will anchor the dialogue over the duration of the strategy.** Early evidence of economic recovery has been welcomed as a sign that the painful adjustments are starting to pay off. The desire of coalition politicians to leave a positive legacy and market pressures are expected to militate against a reversal of the current reform course, even if controversial measures such as the much-discussed reform of the pension system may face delay.

10. **The deep economic recession in Brazil has caused increased social distress.** While, as discussed below, the recession is now bottoming out, there will be a lag before unemployment and poverty trends start improving. There is also evidence of increases in crime and violence (including against marginalized groups and in protected areas). This makes improvements in the targeting and the efficiency of public spending all the more important.

### *Recent Economic Developments*

11. **After a "Golden Decade" of rapid growth and social progress up to 2013, Brazil's economy first stumbled and then fell into deep recession.** The deterioration in both the external environment and domestic policies led to a steady decline in growth after 2010. Growth declined from an average of 4.5 percent per year in 2006-10 to 2.4 percent in 2011-14, followed by contractions of 3.8 percent and 3.6 percent in 2015 and 2016, respectively (Table 1).

12. **While external factors triggered the slowdown, an expansionary policy response led to rapidly rising fiscal disequilibria and, together with rising domestic political uncertainty, to a loss of confidence and a sharp drop in investment.** The *Lava Jato* investigation and the divisive impeachment process drove confidence to record low levels in early 2016. As a result, investment fell nearly 30 percent in the past 3 years.

13. **The economic crisis precipitated a rapid rise in unemployment in 2015 and 2016, further depressing domestic demand.** The unemployment rate declined sharply during the “Golden Decade” to a low of 6.8 percent in 2014. Large job losses of 0.6 million in 2015 and 2.0 million in 2016 pushed unemployment to 13.6 percent in April 2017.

14. **A large structural fiscal imbalance lies at the heart of Brazil’s present economic difficulties.** While revenues are cyclical and have declined during the recession, spending is rigid and driven by constitutionally guaranteed social commitments, in particular on generous pension benefits. As a result of these trends, the primary balance deteriorated from a surplus of nearly 3 percent of GDP in 2012 to a deficit of 0.1 percent in 2014. In 2015, the government adopted a series of measures aimed at controlling expenditures. However, despite deep cuts to public investment and other austerity measures (notably the tightening of eligibility for unemployment benefits and survivor pensions) and a series of revenue-raising measures, the primary deficit widened to 1.0 percent of GDP in 2015 and 2.0 percent of GDP in 2016. Because of high interest expenditures the overall fiscal deficit is considerably larger and reached 8.8 percent of GDP in 2016.<sup>3,4</sup>

15. **The large fiscal deficits have translated into rapidly rising public debt.** General government gross debt rose from 56.3 percent of GDP at the end of 2014 to 69.5 percent by end-2016.<sup>5</sup> Net debt remains significantly lower, but has also increased to 45.9 percent of GDP in 2016 from 33.1 percent in 2014. Nonetheless, low foreign-currency exposure (3.9 percent of gross public debt as of March 2017), a decreasing share of fixed-rate domestic debt (from 42 percent of gross public debt in December 2013 to 35 percent as of March 2017), and a comparatively low share of foreign-held government debt (13 percent of gross public debt as of March 2017), limit rollover risks in the near-term.

16. **The fiscal crisis extends to subnational governments, which have received a large share of lending by the World Bank and other International Financial Institutions in recent years.** The problems are fundamentally the same—unsustainable welfare spending, largely mandated at the Federal level, driven by large and rapidly increasing pension obligations, in the face of declining revenues—but are made more acute because of limited own source revenues, reduced transfers from the Union, and limited access to borrowing.<sup>6</sup>

17. **The recession and tight monetary policy have brought inflation down rapidly in recent months.** In 2015, the adjustment of energy, fuel, and public transport prices, combined with a food price shock and the sharp exchange rate depreciation, pushed inflation to 10.7 percent at year-end, well above the Central Bank’s  $4.5 \pm 2$  percent target. However, in 2016 rising unemployment and a rebound of the exchange rate put downward pressure on prices, with headline inflation dropping to 6.3 percent by end-2016 and 3.6 percent by May 2017. Inflationary expectations have also fallen below the 4.5 percent target. The Central Bank tightened monetary policy sharply between 2013 and 2016 to control inflation and started easing policy only in late 2016 when there was clear evidence that inflation was falling and expectations had adjusted to the target range.

**Table 1: Brazil Selected Economic Indicators and Projections, 2012–2023**

	2012	2013	2014	2015	2016	2017f	2018f	2019f	2020f	2021f	2022f	2023f
<b>Real gross domestic product (percent change)</b>	1.9	3.0	0.5	-3.8	-3.6	0.3	1.8	2.1	2.0	2.0	1.9	2.1
Private consumption	3.5	3.5	2.3	-3.9	-4.2	-0.6	2.0	2.8	2.5	2.5	2.2	2.2
Government consumption	2.3	1.5	0.8	-1.1	-0.6	-0.1	-0.8	-0.4	-0.4	-1.0	-0.5	0.8
Gross fixed capital investment	0.8	5.8	-4.2	-13.9	-10.2	0.0	1.5	2.7	2.7	2.7	2.7	2.7
Change in inventories, % contrib	0.7	0.0	-0.2	-1.0	-0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy (% GDP)	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports, goods & services	0.3	2.4	-1.1	6.3	1.9	2.5	4.0	3.5	3.0	3.0	3.0	3.0
Imports, goods & services	0.7	7.2	-1.9	-14.1	-10.3	0.0	1.5	4.0	3.0	2.5	2.5	2.5
Agriculture	-3.1	8.4	2.8	3.6	-6.6	6.0	3.5	3.6	3.6	3.7	3.7	3.7
Industry	-0.7	2.2	-1.5	-6.3	-3.8	0.3	1.5	2.5	2.6	2.9	2.4	2.2
Services	2.9	2.8	1.0	-2.7	-2.7	-0.1	1.4	1.8	1.8	1.5	1.4	1.6
Output Gap (percent of potential GDP)	3.5	4.5	3.7	-0.9	-4.5	-4.3	-2.6	-0.4	-0.6	-0.7	-1.0	-1.0
<b>CPI Inflation (end of period)</b>	5.8	5.9	6.4	10.7	6.3	3.8	4.5	4.5	4.5	4.5	4.5	4.5
<b>Current account balance (% of GDP)</b>	-3.0	-3.0	-4.2	-3.4	-1.3	-1.1	-1.2	-1.6	-2.1	-2.5	-3.0	-3.6
Foreign direct investment, % of GDP	3.3	2.2	2.9	3.5	3.9	2.4	2.4	2.4	2.4	2.4	2.5	2.5
Official reserves (US\$ billion)	373	359	364	356	365	351	340	338	338	337	339	347
Gross External Debt* (US\$ billion)	564	614	706	659	671	...	...	...	...	...	...	...
<b>Average exchange rate (R\$/US\$)</b>	2.0	2.2	2.4	3.4	3.4	...	...	...	...	...	...	...
Real effective exchange rate (2010 = 100)	96.4	92.1	91.3	75.9	...	...	...	...	...	...	...	...
	2012	2013	2014	2015	2016	2017f	2018f	2019f	2020f	2021f	2022f	2023f
<b>Fiscal Indicators (% of GDP)</b>												
General Government Revenue	36.9	36.6	35.3	37.0	38.0	35.8	35.3	35.2	34.8	34.5	34.5	34.8
General Government Expenditure	38.8	39.3	40.9	46.7	46.8	45.5	44.8	44.6	44.2	43.1	42.4	42.4
Net Interest Expenditure	4.7	5.1	5.5	8.7	6.8	5.8	6.1	6.5	6.8	7.1	7.4	7.5
Primary Balance **	2.9	2.4	-0.1	-1.0	-2.0	-3.8	-3.4	-3.0	-2.5	-1.4	-0.5	-0.1
Fiscal balance	-1.8	-2.7	-5.6	-9.7	-8.8	-9.6	-9.5	-9.5	-9.4	-8.6	-7.8	-7.6
General Government Gross Debt ***	53.7	51.5	56.3	65.5	69.5	72.5	76.9	81.5	85.1	87.5	88.8	89.5

Sources: IBGE, BCB, IMF, Brazil's Treasury and World Bank staff forecasts.

Notes: f = forecast, \* includes securities issued in Brazil held by foreign residents and intercompanies loans, \*\* Data refers to the General Government, using the GFSM 2014 methodology. The figures may differ from those in the *Resultado do Tesouro* (Ministry of Finance) and in the *Nota para a Imprensa - Política Fiscal* (Central Bank), which are calculated using the GFSM 1986., \*\*\* Brazil's Central Bank definition (2008 methodology).

18. **The recession is also reflected in a sharp swing in the credit cycle.** Real credit fell by 3.6 percent in 2015 and by 9.2 percent in 2016.<sup>7</sup> Lending rates on freely allocated credit reached 52.8 percent (72.7 percent for individuals and 28.8 percent for corporates) as of December 2016. This compares with much lower lending rates of just 11.3 percent on earmarked/directed credit.<sup>8</sup> The deteriorating economic situation combined with the increase in interest rates and the slowdown in credit growth has increased pressure on corporates, raising concerns about their ability to service their debt.<sup>9</sup>

19. **Banking system soundness indicators remain adequate but the deteriorating economic situation and the impact of the ongoing scandals on the corporate sector may affect asset quality adversely.** Credit risks have risen in the current recession with a slight deterioration of the quality of loans. Since 2012, state-owned banks have expanded rapidly and now make up half the banking system. They rely on subsidized financing for directed lending which accounts for over half of total credit. The authorities plan to reduce the reliance on state subsidies gradually as part of fiscal adjustment, but need to weigh the effects on corporate balance sheets and asset quality. Corporate debt constitutes almost one third of bank assets and banks' exposure to problem loans of large corporates is high.



20. **External sector adjustment has cushioned the impact of the recession.** Since late 2014 the exchange rate has acted as a shock absorber and adjusted to levels in line with fundamentals. The Real fell around 30 percent relative to the US dollar in 2015 but recovered much of this loss in 2016 on an improved outlook for commodity exporting emerging markets. External balances have responded to the depreciation of the exchange rate and the sharp contraction in import demand. The current account deficit which reached 4.2 percent of GDP in 2014 (US\$104 billion) narrowed to 1.3 percent of GDP in 2016.

21. **External debt levels remain low, albeit rising over the past five years.** External debt (including private sector debt and intercompany loans) increased from 23.2 percent of GDP in 2012 to 36.7 percent as of end-2016, which is still relatively low compared with the level in other middle-income countries. Adequate international reserves, US\$365 billion (20 months of imports) as of December 2016, continue to provide a buffer against external turbulence. However, they are partially offset by a net position in forex currency swaps (US\$26 billion as of end-2016) that the Central Bank has offered since May 2013 to reduce exchange rate volatility.

22. **Growth is expected to resume in 2017 but the strength of the recovery remains unclear.** Confidence indicators have bounced back since mid-2016 and GDP growth turned positive in Q1 2017 after 8 consecutive quarters in decline. However, the recovery was mostly driven by a record harvest. Industry and services remained stagnant as rising unemployment and tight credit are impeding a rebound in domestic demand. Support for growth from the external sector is likely to be limited in 2017, as imports are expected to start picking up while export demand will expand only moderately. Although the current account deficit will start to grow again over the medium-term, it should be largely covered by foreign direct investment.

23. **The government has begun to pursue fiscal and quasi-fiscal reforms, starting with the adoption of a strong expenditure rule which was incorporated in the Constitution in December 2016.** To stabilize public debt, Brazil needs to move from projected primary deficits of 3 to 4 percent of GDP to primary surpluses of 2 to 3 percent. As a first important step to restore fiscal sustainability, in December 2016 Congress approved a constitutional amendment to limit the nominal growth of public expenditures to the previous year's inflation for twenty years starting in 2017. As inflation stabilizes and growth resumes, such a cap will imply a decrease in public expenditures as a share of GDP.<sup>10</sup> The new rule implies returning to a primary surplus by around 2024 with gross public debt level stabilizing just above 90 percent of GDP by 2027 and then gradually falling. The implementation of the rule, however, requires reforms to reduce spending rigidities and the identification of significant cuts in spending. As the SCD highlights, opportunities for spending cuts that do not affect the poor abound, particularly in the reform of public pensions and the reduction of enterprise subsidies.

24. **To put its commitment to fiscal adjustment into practice, the government has sent an ambitious pension reform and subnational debt restructuring proposals to Congress.** The backbone of the pension reform proposal is the increase in the retirement age to reflect the increases in the life expectancy of the population.<sup>11</sup> It also increases the minimum number of years of contribution. The subnational debt restructuring proposal, approved in May, will defer all debt repayments to the Union conditional on adoption of measures to restore fiscal sustainability, including increasing social security contributions, reducing tax exemptions, and privatizing selected state-owned enterprises.

25. **The recent policy reforms, if fully implemented, will restore public finances to a sustainable path and the overall macroeconomic framework is expected to remain adequate.** The medium-term outlook for the Brazilian economy remains challenging, however. Unemployment is expected to continue to rise in the near term, dampening prospects for a rapid recovery in consumption. The extent of recovery will therefore depend on structural reforms to accelerate investment, productivity and potential growth. In their absence, growth will remain sluggish, unemployment persistent, consumption subdued, and macro-fiscal risks high. Under a baseline scenario, with significant fiscal adjustment but gradual progress on the structural reform agenda, growth is expected to slowly increase to above 2 percent over the medium term,

while inflation is assumed to stabilize at the target of 4.5 percent, and the primary balance is expected to gradually improve and turn positive in the outer years of the CPF.

26. **The baseline scenario is subject to both upside and downside adjustment linked to the domestic environment.** On the upside, the government has recently signaled renewed commitment to microeconomic reforms that would ease the cost of doing business in Brazil and could trigger a stronger economic recovery beyond 2017. On the downside, the government's fiscal consolidation effort will likely continue to face challenges from political fragmentation and growing social discontent, which could have serious ramifications for investor confidence in Brazil. In the long run, the ongoing *Lava Jato* investigations are likely to strengthen Brazil's institutional framework, but in the short term they may present an additional risk of political, economic, and financial disruptions. Continued recession and the *Lava Jato* fallout increase the risk of high profile corporate failures that could spill over into the banking sector. In addition, Brazil remains vulnerable to capital flow reversal, which could be precipitated by a further deterioration of the domestic economy and/or a tightening of monetary policy in the U.S. However, the high level of reserves and the flexible exchange rate partially mitigate these risks.

### *Poverty and Shared Prosperity*<sup>12</sup>

27. **Brazil experienced an unprecedented reduction in poverty and inequality over the past decade.** A decade of sound macro policies and a favorable external environment contributed to fast economic and social progress between 2001 and 2015, when 24.2 million Brazilians escaped poverty. Poverty decreased fastest in the Northeast and the North, which are the poorest regions. The poverty headcount in the Northeast fell by 28.0 percentage points during 2001-2015, compared to a decline of 10.3 percentage points in the Southeast. Brazil also experienced a rapid decline in inequality over the past decade, with the Gini coefficient of household incomes falling from 0.59 to 0.51.

28. **The sustained reduction in poverty and inequality was the first in Brazil's history.** The road to prosperity for the majority of poorer Brazilians has been through a formal sector job. In this regard, Brazil is similar to other middle-income countries, where labor earnings represent the largest share of income among the bottom 40 percent of the income distribution (B40) and hence the performance of the labor market is a key determinant of poverty reduction and shared prosperity. Women's labor income, in particular, contributed to a reduction in poverty and extreme poverty rates, highlighting the importance of increasing female economic opportunities and earnings for further poverty reduction. Approximately 15 percent of the reduction in poverty was fueled by higher labor incomes of female workers, while women's labor income contributed 11.7 percent to the reduction of extreme poverty (2.5 US\$/day). For the poorest Brazilians, however, social transfers were more important than labor markets over the past decade. Sixty-two percent of the decline in extreme poverty in Brazil between 2004 and 2013 was due to changes in non-labor income (mainly conditional cash transfers under the *Bolsa Família* program).

29. **Access to social services and basic infrastructure also improved significantly.** Average years of schooling rose from 4.6 in 1995 to 8.2 in 2015 with larger improvements among the poor. Quality also improved, with Brazil exhibiting the biggest improvement in PISA scores of all participating countries between 2003 and 2012, although outcomes have stagnated since.<sup>13</sup> Infant mortality was reduced by 63 percent between 1995 and 2015. In parallel, there was an expansion in access to health services due to expansion of the *Sistema Único de Saúde* (SUS). This was accompanied by a major expansion in social assistance programs (*Bolsa Família* conditional cash transfers, *Benefício de Prestação Continuada* (BPC) social pensions, and rural pensions). Access to water, sewage and electricity also increased across the country, thanks to a combination of additional resources and better management.

30. **Nonetheless, significant areas of poverty remain both geographically and by gender and race, and Brazil remains one of the most unequal countries in the world.**<sup>14</sup> As of 2015, moderate poverty in the South and Southeast regions was 3.4 percent and 4.1 percent respectively, while in the North and

Northeast regions it was 14.0 percent and 17.8 percent. Poverty incidence is significantly higher in rural areas, even though 60 percent of the Brazilian poor live in urban centers. Moderate poverty in rural areas was 20.3 percent in 2014, compared to 5.1 percent in urban areas. Afro-descendants constitute the majority of the poor but indigenous peoples have the highest rates of extreme poverty. The economic crisis is putting further pressure on marginalized groups, at risk of rising levels of violence. Further, income inequality remains very high, with a Gini coefficient surpassed only by Colombia, Honduras, and a few countries in sub-Saharan Africa. Inequality is reinforced by a fiscal system based upon indirect taxation and numerous benefits for the non-poor. Inequality in incomes is mirrored by remaining inequalities in access to quality services.

31. **Rising unemployment and falling real wages mean that past progress in poverty reduction is now at risk of being reversed.** Over 3 million formal jobs were lost in the 2015-16 recession. Unemployment remained low at 6.5 percent until the end of 2014, masked by shrinking labor-force participation, but has since surged to 13.7 percent as of March 2017.<sup>15</sup> Given the recession and deteriorating labor market, poverty is estimated to have increased to 9.7 percent in 2016 from 7.4 percent in 2014.<sup>16</sup> The average real wage declined by 0.3 percent in 2015 and 2.3 percent in 2016, while total labor incomes declined by 0.2 percent in 2015 and 4.1 percent in 2016.<sup>17</sup>

### *Development Challenges*

32. **Brazil needs a different growth model to sustain past social gains.** Stabilizing public finances over the medium term and resuming increases in employment and wages to achieve shared prosperity will only be possible in an environment of increasing productivity. This requires a host of fiscal and microeconomic reforms.

33. **The SCD identified three challenges for sustaining poverty reduction and shared prosperity in the future. The first challenge is the creation of sufficient productive and well-remunerated jobs to provide employment opportunities for all working-age Brazilians.** This, in turn, depends on increasing productivity, stimulating investment and innovation, and ensuring that the labor force is sufficiently skilled to meet the demands of the labor market in an upper-middle-income country. Increased investment and innovation are a function of a stable and sustainable fiscal and macroeconomic framework, improvements in the business environment, access to capital at reasonable prices and, above all, increased competition, which together provide the conditions for improving productivity.

34. **A second challenge for continued poverty reduction and shared prosperity is more efficient and better-targeted government spending.** This is fundamental to improve access to and the quality of public services and to regain the fiscal space necessary for greater public investment while continuing (and possibly increasing) transfers to the poor and vulnerable. Brazil needs to review who receives public resources and for what public purpose. The further reduction of inequality will depend significantly on the reduction of subsidies to the non-poor in order to sustain programs benefitting the poor.

35. **The third challenge for improved livelihoods and economic opportunities is the smarter management of Brazil's natural resources and the better mitigation of environmental pollution and the risk of natural disasters.** Three principal issues in natural resource management stand out and affect the B40 directly and indirectly through their effects on growth and incomes: access to land and secure property rights, water management, and, more broadly, environmental management. These are largely governance issues where the state acts as a mediator between competing private interests, including the poor and vulnerable who are least able to protect their interests.

36. **The SCD builds on the above analysis to identify five priority constraints to sustained improvements in shared prosperity and poverty reduction:**<sup>18</sup>

**(a) Inefficient and poorly targeted spending commitments that consume fiscal space needed for pro-poor spending priorities, generate a relatively high tax burden, and—in an unfavorable global context—have become a cause of serious fiscal imbalances.** Spending needs to be consolidated while protecting the poor and vulnerable and identifying efficiency improvements to enable further expansion in service delivery at lower costs. As highlighted in the SCD, there is space for such gains, since most social spending benefits the non-poor and greater attention can be given to the quality of public spending. There is also scope for reforming the tax system to make it simpler and less regressive, by increasing reliance on direct taxes (such as on income and property) and reducing the tax burden on consumer.

**(b) Public sector governance weaknesses and institutional arrangements that complicate the necessary fiscal adjustment and exacerbate inefficiencies in the choice, design and implementation of public programs (including those with private participation).** Fiscal adjustment will require a new political consensus to support the necessary reforms. It is therefore important to understand the underlying institutional factors that have shaped the evolution of public policy in Brazil and how they may affect the hard choices Brazil faces today.

**(c) Segmentation of financial markets, lack of long-term credit, and high interest rates, which reduce the efficiency of the allocation of capital and negatively affect private investment.** Long-seated interventions in financial markets have led to an inefficient allocation of savings and contributed to keeping interest rates high. The reliance on BNDES financing at subsidized rates has impeded the development of alternative market players and instruments for financing long term projects. It also makes half of the credit market insensitive to changes in the policy rate, which may have forced up equilibrium interest rates.<sup>19</sup>

**(d) A poor business environment, characterized by a complex regulatory framework, an uneven playing field, a burdensome tax regime, and an economy relatively closed to trade and competition.** As shown in the SCD, the costs of production and trade in Brazil are forced up because of poor infrastructure services, and government efforts to increase investment in transport, logistics and other areas have yielded limited results so far. Moreover, Brazilian entrepreneurs face high costs of starting a business, registering property, getting credit, paying taxes, enforcing contracts, trading across borders and efficiently resolving insolvency, among others. The negative consequences for productivity are three-fold: firm level productivity is reduced, competition is stifled, and informality is encouraged.

**(e) Inadequacies in the policy framework for the use and protection of Brazil's natural resources, including for sustainable improvement in the livelihoods of the poor.** The policy commitments and the progress achieved over the past decade provide strong evidence that Brazil is well placed to continue along a green growth path. Yet, as shown in the SCD, this will require additional work in three interrelated areas. First, the institutional fragmentation characteristic of Brazil's policy environment needs to be overcome to reduce compliance costs of environmental regulation, increase the effectiveness of policy implementation, and facilitate improved long-term planning in the face of increased risks of climate change and natural disasters. Second, pricing policies need to be reviewed to improve incentives for conservation of water and other natural resources, and encourage investments in improved quality and resilience of service provision. Third, the conflicts between conservationist and development goals could be solved more easily if still greater attention was placed on the access of small producers to appropriate technologies to increase yields, the intensification of agricultural land use, especially for pastures, as well as on the role of traditional forest dwelling communities as stewards of Brazil's natural patrimony.

### III. WORLD BANK GROUP PARTNERSHIP STRATEGY

#### A. Government Program and Medium-term Strategy

37. **The Government's agenda for the 2015-2018 period is based on four main axes: coherence of macro and structural policies, investment in infrastructure, growth in trade and productivity, and tax and financial sector reform.**<sup>20</sup> Fiscal and monetary policies are to be geared to assure reduction of inflation towards the target and reduced long-term interest rates to support investment-led recovery. In parallel, state intervention in the financial sector would be reduced. Infrastructure investment would be increased through removal of regulatory obstacles to private sector participation; increased road, airport, port, and railway concessions; logistics and storage capacity improvements for agriculture; and creation of a new regulatory framework and financial instruments for project financing. Trade and productivity growth would be enhanced by increasing integration in global trade, finance, and supply chains. Tax and financial sector reform would focus on streamlining taxation and stimulating domestic capital markets.

38. **Within this context, the core economic strategy pursued by the Brazilian authorities focuses on restoring macro-fiscal sustainability and stimulating private investment and productivity growth.** In terms of macro-fiscal adjustment, the objective is to swiftly restore the fiscal balance by restraining budget expenditures and putting public debt on a stable trajectory. The core measures underpinning this objective are the spending ceiling rule adopted in December 2016 (see above) and the pension reform submitted to Congress in December 2016. These major reforms are to be accompanied by reform of the budgetary process and a review of specific public programs to increase the efficiency of public spending in health, education, social assistance, labor market, and industrial-support programs, as well as in public procurement. Tax breaks and subsidized official credit would also be reduced. In parallel, the government is pursuing the revision of the budget and public finance law, the revision of the public procurement law, and the strengthening of the intergovernmental fiscal framework.

39. **In terms of stimulating private investment and productivity growth, the strategy is centered on actions to enhance the business environment (mainly by reducing distortive government intervention) and to improve the regulatory framework for concessions in order to boost investments in infrastructure.** The removal of price controls and the cessation of the *Programa de Sustentação do Investimento* (PSI) subsidized directed credit program were two initial steps taken in 2015 towards this objective. Additional measures are under discussion regarding the reform of the business climate (to reduce tax compliance costs, entry barriers for new firms, and the costs of external trade), changes to labor legislation, and further measures to reduce the cost and improve the allocation of credit. In parallel, the Government launched a new private-public partnership (PPP) initiative, based largely on concessions in the transport sector.<sup>21</sup> The initiative involves consolidation of decision making on concessions in an executive council chaired by the President and a greater role for BNDES in structuring projects for private financing, rather than providing the majority of financing itself at subsidized rates. The government is also preparing a new program of privatizations.

40. **The fiscal and microeconomic reform agenda is ambitious and risks being watered down.** Resistance of vested interests to the reduction of privileges is likely to be strong. If planned reforms are watered down, the risk is that fiscal adjustment may be insufficient to stabilize public finances over the medium term and/or the burden of adjustment falls unduly on the poor and vulnerable. At the same time, in the effort to reduce the costs of doing business, due care will need to be taken to avoid undermining social and environmental safeguards. In infrastructure in particular, poor project selection and preparation is often more at fault for delays in implementation than onerous licensing requirements. The quality of the adjustment pursued by the authorities will be critical for its ultimate effectiveness.

## B. Proposed WBG Country Partnership Framework

### *Lessons from CPF Completion Report, IEG Evaluation, and Stakeholder Consultations*

41. **The Completion and Learning Review (CLR) recognizes that Brazil made considerable progress during the past decade in reducing poverty and inequality and improving access to basic services, but highlights that the WBG's role in achieving these gains is difficult to assess (see Annex B).** The CLR rates overall progress towards achieving the CPS objectives as *Moderately Unsatisfactory*. The WBG program Mostly Achieved or Partially Achieved the majority of the 19 Outcomes specified in the updated results matrix. The outcome matrix of the FY12-15 CPS, which tracks mostly national level indicators, shows that progress continued during the CPS period, especially in access to basic services. However, the link between Bank-financed operations (mostly at the subnational level) and the CPS Results Framework (mostly at the Federal level) is not clear in all sectors. The issue of attribution of outcomes to WBG activities in a large federal country remains a key challenge for this CPF.

42. **The quality of the Bank's portfolio deteriorated substantially at the end of the CPS period, which raises questions about the sustainability of the Bank's interventions in a volatile political and economic environment.** The CLR rates the WBG performance in implementation of the program as *good*. The program was well-aligned with Brazil's priorities and it was largely implemented as designed. However, the deterioration of the lending portfolio towards the end of the CPS period raises questions over its resilience. A quantitative analysis of portfolio performance highlighted that the deterioration was not linked to changes in project design or operational focus (e.g., the focus on the Northeast, the increased share of multi-sectoral operations, or shorter preparation times). This suggests that the main factor affecting portfolio performance has been the deep economic and political crisis, which paralyzed decision making at the central government level, upended the economic feasibility and fiscal affordability of projects and policies at the subnational level, and brought new lending sharply down during the second half of the CPS. The fiscal crisis constrained the availability of counterpart funding at the subnational level, thereby slowing down project execution, while the currency devaluation contributed to increase the value of the loans in local currency equivalent, thus also lowering disbursement ratios in USD terms. The difficulties faced by the subnational lending portfolio in part motivates there balancing of the Bank's engagement in the CPF towards the federal level.

43. **Based on the above overall assessment, the CLR draws several key lessons from the FY12-15 CPS which have been reflected in the design of the new CPF.** These include both broad lessons on the design of a strategy in a large, powerful, and federal country where many WBG activities are at the subnational level and specific lessons that relate to the implementation of the strategy:

- **Strong government ownership is key for the success of poverty reduction and inclusion activities.** Brazil's explicit commitment to these goals for more than a decade, when combined with strong WBG analytics and innovative financing, led to a remarkable reduction in poverty. In line with this experience, the new CPF has been designed in close partnership with the federal government. The duration of the CPF has also been adjusted to align it with the political cycle at the federal level, and a Performance and Learning Review will be carried out in FY20 to review progress and assess whether any adjustments are needed to reflect the priorities of the new government that will assume power in 2019. This lesson also applies at the subnational level, where the portfolio was vulnerable to changes in government during the political cycle. New projects prepared under this CPF will undergo more deliberate consultations during preparation to mitigate ownership risks during implementation.
- **The Bank needs to engage in tackling the structural challenges.** The Bank has an important role to play in influencing policy through analytical and advisory services (ASA) that identify and help address key economic constraints. The experience of the past decade has highlighted the need for

the Bank to undertake such analytics even when there is little government demand to do so.<sup>22</sup> The new CPF includes an explicit window for analytical work whose main objective is to raise awareness and facilitate public debate on key development challenges.

- **There is a need for a more explicit framework to prioritize scarce resources.** Subnational lending during the FY12-15 CPS was largely responsive to bottom-up demand, which was feasible as long as lending volumes were high enough to satisfy most states and several municipalities. However, recent developments in both Brazil and the WBG require making choices over a much more constrained lending and resource envelope. Hence the new CPF provides a framework to help the Bank prioritize interventions (see Section III.C).
- **Subnational DPLs should address fiscal issues as a prerequisite.** Subnational DPLs proved effective in addressing implementation issues but failed to help states and municipalities strengthen their public finances. Hence the CPF envisages a shift in new subnational operations towards investment lending and limits DPL financing only in support of strong fiscal adjustment programs in states and municipalities, in coordination with the federal government. Only states and municipalities with sound finances would be able to access fresh loans for investment.
- **Strong government administrative and technical teams are key to the success of WBG activities.** In addition to assessing government ownership, the Bank needs a more rigorous assessment of implementation capacity during identification and preparation and corrective action prior to implementation. The CPF incorporates actions to enhance national and local capacities as part of project preparation/design.
- **Need to rethink how to engage in urban and municipal operations.** The portfolio review revealed the weak performance of urban and municipal operations. Yet these areas remain critical for poverty reduction and shared prosperity, and provision of basic urban services is at the core of the federal level priorities. In response, the CPF envisages a revised approach to municipal operations (see Section III.C).
- **Need to expand the instruments used to engage at the federal level.** The WBG engagement at the federal level was mainly composed of Technical Assistance (TA) Loans which had a mixed performance. The effectiveness of such loans depends to a great extent on government administrative capacity to assure timely implementation. The CPF proposes to expand the engagement at the federal level with ASA, reimbursable services, lending intermediated through state development banks in particular for infrastructure, DPLs and P4R operations.

44. **The main findings of the IEG 2004-2011 Country Program Evaluation have also been reflected in the design of the CPF.** In particular, the CPF fully incorporates four key recommendations: build a relationship to serve as a trusted advisor on key policy issues, focus on areas where the WBG can have a catalytic effect, work to improve both the quality of public investment and the enabling environment for private investment, and undertake analytic work on key development constraints even if there is little government interest in order to contribute to the national debate and set strategic direction for the WBG.

45. **The IBRD and IFC country teams undertook consultations for the preparation of the CPF with numerous Federal, State and Municipal clients, the private sector and civil society. The consultations suggest that the WBG development support is highly valued by most interlocutors.** The WBG held discussions on the draft CPF with the representatives of Federal government ministries, representatives of the secretaries of Fazenda from all of the states, and with over 40 municipal mayors from across the country, as well as two rounds of consultations with CSOs in Brasilia, an event with the private sector in Sao Paulo, and dedicated presentations in a few states.

46. **States and municipalities were keen to continue to receive support by the WBG, emphasizing the value of the combination of financing with technical knowledge.** The mayors were keen to get technical assistance from the WBG, including on investment projects and the management of PPPs, and also emphasized the role the Bank can play in fostering exchange of experiences and best practices across municipalities. Both states and municipalities supported the drive towards increased efficiency but warned that realistically it will be difficult to improve services provision without increasing current spending. States representatives emphasized that the current fiscal crisis highlights the need to review the intergovernmental fiscal architecture to better balance control of financial flows with the responsibilities at each level of government. Counterparts from the northeast also raised concerns that the combination of recession and drought would result in an increase in unemployment, poverty and could fuel a growing social crisis, with an increase in violence.

47. **Civil society representatives emphasized the need for continued strong engagement in the sustainable development agenda, while some CSOs questioned the need for fiscal adjustment.**<sup>23</sup> Most CSOs were keen to have the Bank play a greater advocacy role in support of an equitable fiscal adjustment which protects the poor and vulnerable. Some CSOs however indicated that they do not share the diagnostic which emphasizes the need for fiscal consolidation. Others emphasized the need for fiscal adjustment to be balanced by also pursuing tax reform to make the tax system more progressive. CSOs also raised concerns about the risks of relying so heavily on the private sector to reboot the economy, and emphasized the importance for the WBG to promote adherence to the best international regulatory practices to prevent private investments from causing environmental and social costs. In this context, CSOs asked for the WBG to be even more engaged on the environmental and natural resources agenda, including as an advocate for strict safeguard standards and appropriate private sector policies in respect of social and environmental concerns. Some CSOs expressed concern over the risk of retrocession in the protection of the environment and of indigenous communities.

48. **The private sector welcomed the strategy and expressed strong support for the focus on fiscal adjustment and on productivity.** Business representatives emphasized that the private sector is no longer just looking for government subsidies or handouts. There is broad agreement that the government's priority reform agenda should include tax reform, reform of the credit markets, opening to trade, and support to innovation policies. Private investors confirmed they are ready to get engaged in social projects—such as social housing or education—if the government provides the framework conditions. They also expressed the need for attention to improving the quality of service delivery to cater to the rising expectations of the new middle class, and a need to focus on improving urban planning and governance and reducing violence. Both private sector and CSO representatives emphasized the potential role of Information and Communication Technologies to help connect remote communities and disadvantaged groups with new ideas and economic opportunities, and the need for education policies to focus on life-long learning and the improvement of job relevant skills.

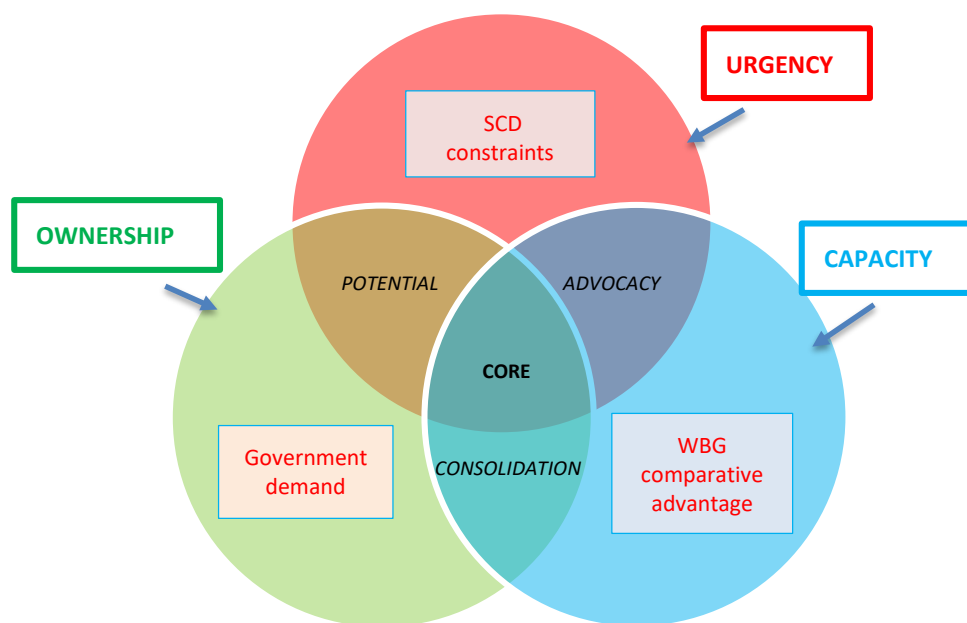
### *Overview of World Bank Group Strategy*

49. **The WBG strategy seeks to find the common space between country priorities, government priorities, and WBG capacity.** As illustrated in Figure 1, the CPF thus focuses on those areas which were identified as the biggest constraints on Brazil's development in the SCD (which implies a degree of urgency), where demand for WBG support is high (which translates into strong ownership from Brazil), and where the WBG has the resources and comparative advantage to make a difference (which reflects the WBG capacity to make an impact). Activities that meet all three criteria constitute '*core activities*'. Activities meeting only the urgency and capacity criteria constitute '*advocacy activities*'. Activities meeting only the ownership and capacity criteria constitute '*consolidation activities*'. Activities meeting only one criterion are unlikely to have high impact and will not be pursued.



50. **Categorizing the activities between *core*, *consolidation* and *advocacy* is useful to understand the nature of the various interventions and to identify the appropriate mode of engagement for the WBG.** *Core activities* are those which require intensive immediate engagement to help the government with the policy shift towards a sustainable fiscal and more private sector oriented model. Hence they will be the focus of new operations, notably the planned federal level DPLs to support fiscal adjustment and reforms to improve the business environment, and the lending through state banks for infrastructure. *Consolidation activities* are those which build on past achievements: for instance, the WBG’s work to expand access and improve quality of health and education services, and to strengthen natural resources management, and the support to smallholder agriculture. These activities rely mainly on the existing portfolio, but will require restructuring and adaptation of existing operations to ensure that they achieve their objectives. Finally, *advocacy activities* are those where the WBG has a strong mandate but there is limited political support for policy action. This is where the analytical work (ESWs) and its dissemination can have the greatest impact in informing the public debate and building consensus for reforms. For example, the WBG will provide evidence in favor of a socially balanced adjustment, or the protection of vulnerable groups and the maintenance of high environmental standards. It is worth adding that these categories are not meant to be exclusive, not static. For instance, fiscal adjustment is clearly *core* in that it is at the center of the government’s and the WBG’s agenda, but it also requires *advocacy* to help create the necessary social consensus. By the same token, should the political appetite for fiscal adjustment diminish, the WBG may still consider to continue engagement in *advocacy* mode, given the centrality of this theme for Brazil future growth and poverty reduction prospects.

**Figure 1: Criteria for prioritizing WBG engagement**



51. **The proposed strategy identifies three Focus Areas and ten Objectives.** The first Focus Area addresses fiscal consolidation and government effectiveness issues. The second covers private investment and productivity. And the third addresses the longer-term issues of equitable and sustainable development. Box 1 shows the specific objectives in each Focus Area.

### **Box 1: Brazil Country Partnership Framework FY18-23**

#### **Focus Area 1: Fiscal consolidation and government effectiveness**

- Strengthen fiscal management at all levels of government [Core and Advocacy]
- Increase fiscal sustainability and fairness of pension system, and effectiveness of social protection system [Core and Advocacy]
- Increase effectiveness of service delivery in education [Consolidation and Advocacy]
- Increase effectiveness of service delivery in health [Consolidation and Advocacy]

#### **Focus Area 2: Private sector investment and productivity growth**

- Reduce regulatory barriers and other microeconomic distortions to competition, investment and trade [Core and Advocacy]
- Reduce financial market distortions to improve credit availability and allocation [Advocacy]
- Mobilize greater investment in infrastructure to improve services, including through PPPs [Core]

#### **Focus Area 3: Inclusive and sustainable development**

- Support the achievement of Brazil's NDC with a particular focus on land use [Consolidation and Advocacy]
- Provide more inclusive and sustainable urban services [Consolidation]
- Promote socio economic development of small rural producers and vulnerable groups [Consolidation and Advocacy]

52. **The three Focus Areas are closely aligned with the priority constraints identified in the SCD.** The priority constraints identified in the SCD are broad and aspects of each are addressed in the three CPF Focus Areas. Nonetheless, the new CPF proposes a selective program of new activities reflecting the urgency of Brazil's current adjustment needs, whilst using the existing portfolio to help consolidate past gains:

- Core activities under Focus Area 1 aim to support a sustainable and equitable fiscal adjustment at both the federal and subnational level. This includes a shift to increasing the efficiency of delivering social services in any new lending, while the existing portfolio will aim at consolidating past achievements in access. A substantial analytical program will support the programmatic shift, blending both demand driven "how to" technical assistance, with diagnostic work aiming to inform public debate. Throughout, the WBG will argue and seek ways to demonstrate the scope for a fiscal adjustment that does not hurt the poor.
- Under Focus Area 2, the CPF envisages a renewed effort to support regulatory reform, reduce the duality of financial markets, and mobilize private financing for investment. Core activities include policy lending to support the government's substantial microeconomic reform agenda and WBG support to catalyze private investment in infrastructure, building on pilot activities under the last CPS. This will be supported by a series of flagship analytical pieces to demonstrate the need for and the opportunities lying in a private-sector driven growth model. There is a close complementarity between the fiscal, public service delivery, business environment, and infrastructure agendas, since boosting growth is both a result of and a contributor to fiscal sustainability.

- In the third Focus Area, new activities will be centered on supporting Brazil's ambitious Nationally Defined Contributions under the Paris climate agreement, and leveraging global partnerships to this effect. The large existing portfolio will support the consolidation of gains in social inclusion and sustainable natural resource management, including through advocacy activities to safeguard Brazil's strong recent track record in the protection of the environment and of marginalized groups.

53. **Across all areas, the WBG will focus on reducing the risk for private interventions.** The Bank's policy work will focus on reducing excessive non-market risks for private investment by supporting a stable macroeconomic environment (and lower interest rates), reducing the duality in the financial markets, and promoting transparent regulations and a level playing field for private sector investment. The work on state debt restructuring will seek to use IBRD and MIGA guarantees to leverage private sector financing for debt restructuring. The work on public services provision will seek to strengthen the regulatory environment to enable a greater private sector role in services provision. The work in infrastructure will focus on developing financing instruments to mobilize private sector investment in long term infrastructure projects. The work on agriculture will promote market-based risk insurance products. The work on forestry will help build certification mechanisms that reduce market risks and help create sustainable markets.

54. **The current sizeable portfolio constitutes a large part of the Bank's engagement during the CPF period.** The Bank has a current portfolio of 41 operations in Brazil most of which are expected to remain active for the next few years and are largely oriented at boosting access to basic services. The continued implementation of this portfolio of projects will ensure that the Bank maintains a focus on access to services in times of fiscal strain. The large existing portfolio will also keep the WBG engaged at the subnational level for the next few years, even if new subnational activities are likely to remain much more limited at least until fiscal constraints on renewed subnational borrowing have been addressed.

55. **The rapid pace of change in Brazil, which is underpinned by significant political and economic uncertainty, also calls for the WBG to adopt a flexible partnership framework.** Flexibility has been built in the design of the CPF by structuring it in two phases. Phase one will stretch to the next presidential elections and contain a strong knowledge focus which will help position the WBG and lay the foundations for needed reforms. This phase will also include lending in response to new client demand that addresses underlying constraints. Phase two will begin after a new government takes office in 2019 and, consistent with Bank policy for a Performance and Learning Review, will start with a PLR that will review progress and assess whether any adjustments are needed to the CPF program to reflect the priorities of the new government. Despite the explicit two phase design, Brazil's underlying development challenges will remain and provide an anchor to the CPF throughout the period. Hence, it is expected that the core focus of the CPF and its results framework will not change significantly, as the structural issues facing Brazil will not change after elections. The CPF objectives reflect the shift in the engagement strategy but allow for a gradual change in program results, taking into account the large current portfolio still under implementation. As a result, there are few CPF targets in areas of new government priorities and risks in these new areas remain significant. Ongoing projects further bolster the CPF target outcomes, but reflecting a predominantly subnational portfolio, targets are mostly set at the state level.

### *Focus Areas and Objectives*

#### **Focus Area 1: Fiscal consolidation and government effectiveness**

56. **Restoring the sustainability of public finances and strengthening the institutional and legal framework for public financial management at all levels of government is critical to expand Brazil's economic and social gains.** The fiscal rule adopted in December 2016 provides the framework for fiscal consolidation but not the mechanisms for determining how expenditures will be cut. Reining-in the level of public spending while continuing to expand access to services and improve quality will require

improvements in the efficiency and effectiveness of public spending across the entire government. The four objectives linked to this focus area are detailed below.

57. **A central focus of the Bank's interventions will be to argue for and demonstrate how to achieve a fiscal adjustment without hurting the poor.** Preliminary findings from the ongoing Expenditure Review highlight that the reforms of the social security system can be progressive, given significant distortions in current programs. The results also identify space to reduce spending on health and education programs which mostly benefit the better off and to improve efficiency without reducing the level of services. Further, the findings highlight that many of the expensive industrial subsidies and support programs (discussed under Objective 2.1) and credit market interventions (discussed under Objective 2.2) are likely to be ineffective. The Bank will place great emphasis on increasing efficiency with equity, including through advocacy as needed.

***Objective 1.1: Strengthen fiscal management at all levels of government***

58. **The WBG will support the government to adopt the key policy reforms required to reestablish fiscal stability and strengthen fiscal management at all levels of government.** The fiscal adjustment is necessary and is at the center of the federal government's program. Hence, this objective can be characterized as *core*. Nevertheless, while at present the ambition for the WBG is to support the government in making the fiscal adjustment succeed, there will also be a need for *advocacy* to mitigate the resistance by vested interests. The Bank will work with the federal government to seek ways to enforce the expenditure rule in the most efficient and equitable manner, using both ASA and development policy lending to support fiscal consolidation. Tax reform efforts that simplify the system and seek to make it more progressive (for instance by shifting the burden of taxation towards income and property taxes) would also be supported, although their political feasibility is uncertain.

59. **The WBG's work under this objective should contribute to adjust the trajectory of public spending at the federal level and to a socially balanced fiscal consolidation at federal and subnational level.** Evidently, attribution is difficult in this case, even though the WBG has been requested by the authorities to provide key analytical support on the design of fiscal adjustment and may support its implementation with development policy lending. Should the current adjustment effort fail or fall significantly short, the WBG may adjust its ambition and instruments, and accordingly adjust target CPF results during the PLR.

60. **The WBG will also support the federal government's effort to enhance the quality of public spending, which is essential both for fiscal consolidation and for a sustainable expansion in access to quality public services.** The Bank is working with the federal government to enhance the quality of the needed fiscal consolidation by increasing the performance orientation of fiscal management, through reviews of the efficiency, effectiveness, and equity of public expenditures and programs, including measures to rationalize tax rates and fiscal incentives.<sup>24</sup> As part of this work, the Bank will also provide assistance on the institutionalization of a system of monitoring and evaluation of public programs and expenditures.

61. **The WBG will support the federal government's ongoing effort to strengthen the legal and institutional arrangements for public financial management.** At the federal level, the Bank will support improvements in the budget process to reduce its fragmentation. This may include implementation support for the new budget and public finance law, the expenditure ceiling rule, and operationalization of the independent fiscal council. As part of this work, the Bank will also support improvements in the institutional set-up for public investment management by helping develop capacity to screen, select and appraise projects, and perform ex-post evaluations.<sup>25</sup> To further enhance efficiency of services provision, the WBG will also support the implementation of new strategies for procurement at both the federal and subnational levels.

62. **In addition, the WBG will support strengthening fiscal sustainability at the subnational level and the intergovernmental fiscal framework.** The federal government has started a process of debt renegotiation with states in fiscal distress based on their adoption of a medium-term fiscal adjustment program. The Bank has been asked to advise on the design of a new inter-governmental financial framework and will assist subnational entities in the design and implementation of fiscal adjustment programs, including measures to strengthen their public financial management, through a mix of new and ongoing operations.<sup>26</sup> The WBG will explore the possible use of IBRD partial guarantees or MIGA credit-enhancement guarantees to leverage funding from capital markets for debt restructuring.

63. **WBG support is complementary to the work of the IMF and the IDB.** The government is working with the IMF to improve the transparency of public financial management and to ensure that contingent liabilities are adequately provided for within the budgetary process. The IDB is also working with the government on issues related to public financial management at the subnational level. The WBG will coordinate its policy advice closely with both partners to avoid overlap and seek opportunities with IDB to co-finance subnational debt restructuring.

***Objective 1.2: Increase fiscal sustainability and fairness of pension system, and effectiveness of social protection system***

64. **Improving the affordability and financial sustainability of the pension system is critical to restore fiscal sustainability.** Brazil's level of pension expenditure is similar to that of an 'old' country even though it remains a relatively 'young' one, with the elderly still representing a small share of the population. Without reform, the pension system deficit will increase dramatically as the population ages. In addition, the current system provides pension subsidies benefitting mostly the top quintiles of the income distribution, such that reforming the system could be progressive.<sup>27</sup> The reform of the pensions system is critical for the fiscal adjustment and it is a core pillar of the federal government's program. Hence, this objective can be characterized as *core*. Support for the preparation and implementation of pension reforms will include ASA<sup>28</sup> and possibly policy lending.<sup>29</sup> Should the government be unable to overcome the political resistance to the reform, at the mid-term review the WBG will adjust target CPF results accordingly (including a revision of the macroeconomic framework) and maintain only *advocacy* activities to forge the necessary consensus on the need for pension reform as a key element of more sustainable and equitable public spending.

65. **There is also a need to rationalize and strengthen social assistance programs.** A key feature of the Brazilian social protection system is the duality between formal workers, who gained social rights to pensions and other labor benefits as early as the 1930s, and the large number of mostly poor informal workers who were historically excluded from social protection systems. The reduction in informality and the expansion of social transfers to the poor over the past 15 years has reduced this duality but at the cost of creating a plethora of parallel assistance programs, some of which overlap considerably.<sup>30</sup>

66. **Improved efficiency of social benefit programs requires integration of information systems and development of the single registry (*Cadastro Único*), as a tool to monitor eligibility and rationalize overlaps in social programs.** The government has emphasized the importance of increasing targeting efficiency through cross-checks and eliminating overlap between social programs (e.g., BPC social pensions and *Bolsa Família*). Improved targeting will be key to protect and expand past social gains in a period of fiscal consolidation and to assure coverage for the transitory poor during economic downturn. Further development of the *Cadastro Único* is critical to meet this objective. The Bank could assist the government in building a registry for the 30+ programs that currently use the *Cadastro Único* to identify beneficiaries.<sup>31</sup>

67. **The WBG's engagement in this area should help Brazil reduce its social security deficit and increase the resources available to protect the poor and vulnerable.** Successful implementation of the

pension reform proposal now under review in Congress would reduce the pension deficit by close to 4 percent of GDP over the next 40 years, mostly by reducing net pension system transfers to households in the top two quintiles.

***Objective 1.3: Increase effectiveness of service delivery in education***

68. **The WBG will support improvements in education service delivery at all levels of government.** While significant progress has been made in expanding service delivery, quality is often poor and some access gaps remain. In a context of fiscal adjustment this will require refocusing on improved efficiency, as a means to enable further expansion in services provision for the poor. Activities under this objective focus mostly on the *consolidation* and expansion of ongoing work. Ongoing IBRD-financed operations focus on strengthening government capacity to perform regulatory and policymaking functions, the introduction of results-based management techniques, and the promotion of improved service delivery models. New ASA and lending activities will focus increasingly on the efficiency and effectiveness of service delivery.

69. **After improving rapidly in the first decade of the 2000s, educational outcomes in Brazil have recently stagnated and remain below middle income peers.** Improving learning outcomes are key to equipping people with needed skills and, more generally, creating the human capital needed to drive productivity increase. Improving outcomes in a cost-effective way is also essential during a period of fiscal consolidation. Public expenditure per student more than doubled between 2000 and 2015, a rate of increase faster than that observed in most other LAC and BRIC countries. At the same time, Brazil continues to have some of the highest repetition and dropout rates in the world, resulting in an average of 15 years of schooling to produce one high school graduate. This is the main driver behind Brazil's costs per graduate in secondary and higher education, which are higher than in any other country in the region.

70. **The WBG will continue to support interventions at the national and subnational levels that address the low quality and inefficiency of education in Brazil.**<sup>32</sup> The recently approved national reform of secondary education will provide an anchor for WBG interventions in this area and could be supported by a P4R operation. The ongoing IBRD portfolio, possible new lending, and ASA will support (i) expanding access to quality early childhood education,<sup>33</sup> (ii) teacher training, curricular reforms and performance incentives to improve outcomes in secondary education, (iii) school autonomy and pilot PPP-based joint school management approaches to increase efficiency, (iv) linking federal education grant disbursement to improved outcomes at subnational levels, and (v) increasing accountability through improved monitoring and evaluation (M&E) systems. IFC will continue to provide financing for private sector post-secondary institutions focused on low- and middle-income students, either through direct financing of colleges or by backing providers of student loans.

71. **In the face of fiscal constraints and public management deficiencies, there is growing demand for WBG support for alternative delivery models, including private sector provision.** The Bank will support these efforts through technical assistance to selected state governments and through its ASA program, whilst pointing out the policy conditions required to make such alternative models successful. IFC will continue to support private education providers in Brazil, with the goal of reaching low and middle-income segments of the population.

72. **The result of the WBG's interventions in this area should be reflected in improved education outcomes.** At the national level, the target is to reduce the drop-out rate in secondary education, while at the subnational level, improvements in average learning scores are expected.

#### ***Objective 1.4: Increase effectiveness of service delivery in health***

73. **The Brazilian government also seeks to improve the efficiency of health spending, while enhancing access in poorer regions and supporting the shift towards treatment of non-communicable diseases in better-served regions.**<sup>34</sup> Despite efforts to establish a public universal health system, Brazil still struggles to achieve a good balance between an appropriate level of public spending, efficient delivery of services, and health outcomes.

74. **The WBG will also support improvements in health service delivery at all levels of government.** As in the case of education, in a context of fiscal adjustment improving quality and closing access gaps in health service delivery will require a focus on improved efficiency. The WBG will focus mainly on the *consolidation* of ongoing work through existing IBRD-financed operations. The focus of ongoing activities is on strengthening government capacity and the promotion of improved service delivery models through improving the targeting of policies, increasing accountability for results, and thereby supporting the shift from expanding access to increasing quality.<sup>35</sup> New analytical work is focused predominantly on providing evidence to demonstrate the scope for efficiency gains. New IBRD lending in health is not currently programmed. In health, too, the WBG will support alternative delivery models, including advising on the conditions for, and in selected cases through IFC financing private sector provision.

75. **The results of the WBG's interventions in this area should be reflected in improved health outcomes, particularly at the subnational level, and greater service coverage.** Specifically, the Bank's interventions in several states target premature mortality rates due to non-transmittable chronic diseases, as a result of better coordination between primary, secondary and tertiary care, which would also contribute to reducing cost inefficiencies resulting from lack of such coordination. Both IBRD and IFC interventions will additionally focus on expanding service coverage particularly among the poorer parts of the population.

#### **Focus Area 2: Private sector investment and productivity growth**

76. **Unlocking private investment and productivity growth is critical to raising employment and incomes in Brazil and highly complementary to fiscal adjustment.** Restoring the sustainability of public finances is a prerequisite for improved confidence and increased investment. At the same time, accelerating growth would facilitate the return to fiscal sustainability. Effective public interventions to boost investment and productivity would thus facilitate and improve the quality of fiscal consolidation.

77. **Extending the social gains of the past decade now requires increasing market competition to foster productive private sector investment and the creation of good jobs.** Past policies aimed at correcting market failures have ended up creating additional distortions and preferential treatment for special interests. Public efforts to catalyze greater investment through flagship programs and the state development banks have had limited results but entailed high fiscal costs. The WBG will support the Government in seeking to increase market competition. First, it will focus on advocacy activities to build the evidence and public consensus for private sector-led development, including in financial markets, while supporting opportunities for policy reforms with DPLs and technical assistance. Second it will work closely with the development banks (*BNDES, Banco do Brasil, Banco do Nordeste, Caixa Econômica Federal*) to leverage WBG funding and improve the quality and efficiency of overall spending in the infrastructure sector. Synergies from WBG collaboration will be sought building on IBRD's experience in supporting improvement in regulatory frameworks, IFC's expertise in PPP project financing and structuring, and MIGA's ability to offer non-commercial and credit enhancement guarantees that would facilitate private sector participation in infrastructure investments. The WBG's engagement will be based on the recognition that the value that the private sector can bring through investments, PPPs and other instruments depends fundamentally on the quality of the regulatory environment.<sup>36</sup>

78. **The government's planned micro reforms are unlikely to hurt and may well benefit the poor.** Preliminary results from the ongoing Expenditure Review highlight that many of the subsidies to industry are ineffective in creating jobs and boosting productivity. Moreover, they mostly benefit formal sector workers, while informal sector workers or people outside the labor force predominate among the bottom 40. The abolition of ineffective industrial subsidies would generate fiscal space to preserve or expand established pro-poor programs. Moreover, the elimination of the associated distortions may well support the poor, if it creates new economic opportunities. The private sector's contribution to infrastructure development will, however, need to rely on a framework on consultation with affected communities to ensure benefits are shared and risks mitigated.

79. **The overall focus of WBG interventions under this pillar will be on reducing risk to leverage private investment.** The WBG work will focus on promoting transparent regulations and a level playing field for private sector investment and reducing the duality in the financial markets to improve access to credit. The work on infrastructure will focus on developing financing instruments which can help mobilize private sector investment in long term infrastructure projects. Throughout, the WBG will support the creation of predictable, transparent and even-handed regulation of the private sector, with due attention to best international practices in environmental and social safeguards.

***Objective 2.1: Reduce regulatory barriers and other microeconomic distortions to competition, investment and trade***

80. **The WBG will focus on supporting regulatory reforms seeking to strengthen domestic competition, the investment climate, and trade-related policies.** Higher private investment is critical for growth and jobs creation and the federal government has placed improving the business environment at the center of its program. Among key reform initiatives is the reduction of the cost of business registration and tax compliance and the widening of risk management tools to reduce trade costs. Reductions in credit market distortions and improved credit security to ease access to finance are also among the measures under discussion. This objective can be characterized as *core* and the Bank aims to influence national level outcomes through its activities. At the same time, reforms are likely to be strongly opposed by interest groups which benefit from the current set of industrial policy programs (including tax exemptions and credit subsidies), requiring the Bank to mobilize a mix of instruments to support target results. A combination of ASA<sup>37</sup> and development policy lending, supported with technical assistance expected to be funded through the UK Prosperity Fund,<sup>38</sup> will support the design of microeconomic reforms aimed at creating a level playing field. The WBG will partner with Brazilian and international academics to demonstrate the ineffectiveness of past policies. IBRD and IFC will collaborate closely to address specific barriers to investment identified by IFC clients. Broader private sector views will also be sought by facilitating business forums and collaborating with business associations. Should reforms proceed at a pace slower than currently envisaged, CPF target results would be scaled back at mid-term.

81. **Microeconomic reforms are expected to help Brazil create the jobs needed to sustain income gains for the bottom 40.** There is a risk, however, that job creation may be insufficient or follow recovery with a long lag, thus preventing the translation of growth into shared prosperity. The WBG will work closely with the government to monitor progress, and if necessary to adjust policies, to ensure that they result in the creation of sufficient good quality jobs not just for the higher-skilled, but also for lower-income workers. Indeed, as the economy stabilizes, constraints to inclusive job creation resulting from the supply side are likely to become increasingly important, whereas in the short-term factors limiting the demand for employment are binding.

82. **Success in this area would be reflected in a reduction of Brazil's cost of doing business.** This will be measured using the WBG's Doing Business composite Distance to the Frontier measure, with Brazil expected to reduce this distance by at least 5.5 percentage points.



**Objective 2.2: Reduce financial market distortions to improve credit availability and allocation**

83. **A fundamental barrier to higher private sector investment is the distorted financial system, which impedes the allocation of capital to productive investment.** Brazil's segmented financial system, characterized by significant government involvement in the allocation of credit, is both a cause and a consequence of its historically high cost of capital. As highlighted in the SCD, the basic problem is not simply the cost of capital but rather its unavailability for many productive enterprises. In addition to introducing distortions, Brazil's directed credit policies have incurred substantial fiscal costs, estimated at over 1.5 percent of GDP in 2015. Reducing the costs of current interventions in financial markets would thus also contribute directly to the process of fiscal adjustment. The results of WBG interventions in this area will be measured as a reduction in the difference between the free market and earmarked credit interest rate for long-term lending and in an increase in the number of small and medium enterprises (MSMEs) with access to WBG financing (through IFC).

84. **The WBG will provide support to the government to reduce the segmentation of the financial system and mobilize capital for productive purposes.** WBG activities in this area will span both *advocacy* through analytical services on the costs of current credit market distortions, and *core* support through policy lending to reform credit markets and IFC investments that directly improve access to finance. Specifically, WBG interventions will focus on: (i) contributing to the debate on the efficacy of current arrangements by providing evidence on the impact of directed credit and the performance of public banks; (ii) supporting the Central Bank, BNDES, and the Ministry of Finance in the design of appropriate policy interventions to improve the operation of financial markets and manage risks;<sup>39</sup> and (iii) fostering capital market development through IFC support, including local currency financing, investments in the banking sector, financial inclusion (SMEs), the Debt and Asset Recovery Program (DARP), agricultural credit, and housing finance. Results will be adjusted at mid-term to reflect the extent to which the authorities' ambitious financial market reforms have been sustained or not.

85. **IFC will continue to support micro, small and medium enterprises (MSMEs) by on-lending through financial institutions.** In the face of a difficult economic environment, IFC support to SMEs is particularly important to maintain employment and generate new opportunities for vulnerable groups. IFC's interventions will support women-owned SMEs and SMEs involved in green financing where possible. IFC engagements in the financial sector would complement Bank advisory work on financial sector policies, targeting an increased role for private finance in long-term productive business investments. IFC's experience as an investor and creditor will feed back into WBG advice on credit markets (e.g., on the importance of a modern secured transactions framework or the reform of insolvency legislation).

86. **IFC will also seek to increase access to financing through leveraging technologies and expanding fintech solutions in Brazil.** Brazil has the largest retail debt market in Latin America but also has the region's highest borrowing rates. Unsecured personal loans total \$60 billion, made up of credit card, overdraft, and personal loans. Despite the high interest rates, personal loans are an important source of financial stability for many low-income families and credit card borrowing increased fivefold from 2006 to 2015. As such, beyond the traditional banking system, IFC will seek other means to expand access to finance for individuals and firms by looking at new solutions such as digital payment platforms, e-commerce, and mobile banking solutions which often offer more favorable terms for consumers. In the CPF period IFC will identify opportunities in the fintech/digital finance space with potential for scalable access to finance and/or competitive advantage over existing channels.

87. **Beyond MSMEs and fintech, IFC will seek to deepen capital markets.** Specifically, IFC will seek to expand the domestic insurance, pension, and private equity markets. Despite rapid growth in the insurance market in recent years, the Brazilian population remains underinsured with insurance premium volume of just 4 percent of GDP in 2013 compared to 7-12 percent in OECD countries. Similarly, the reinsurance market in Brazil is nascent, having been established in 2008, but is developing quickly. Lastly,

asset management firms have relatively limited activity in Brazil, given the low levels of public and private savings. However, banks are involved in areas of strong asset growth such as mutual funds. Bonds accounted for over half of total mutual fund assets at end-2013 and pure equity funds made up around a tenth of the market. Given the constraints and room for growth, IFC will explore opportunities to expand bank product offerings to increase overall liquidity, penetration, and product offerings for the population.

88. **IFC will also continue to finance other private players in the real sector.** Responding to the current economic conditions, IFC has increased its focus on job preservation and creation. The manufacturing sector has experienced losses in efficiency and productivity in the recent crisis, compounded by high energy costs. To combat these challenges, IFC will seek to support Tier I players in the chemicals, fertilizer, steel, glass, cement, automotive and machinery sectors with the view of increasing energy efficiency, social and environmental standards, and overall competitiveness. IFC will also look to support the retail and property sectors—especially warehouses, logistics and industrial parks, food retail and consumer electronics—with the purpose of supporting Brazil’s large consumer market, improving quality, food safety and supply chain efficiency.

***Objective 2.3: Mobilize greater investment in infrastructure to improve services, including through PPPs***

89. **Brazil has struggled for thirty years to mobilize sufficient funding to improve its physical infrastructure.** Current public and private investment levels at just over 2 percent of GDP do not even cover depreciation. A series of government flagship infrastructure initiatives have not had much impact and have been mired in cost overruns, delays, and contract renegotiations with concessionaires. The recent economic crisis and the *Lava Jato* investigations have further deepened the dearth of infrastructure funding and investment.

90. **The limited infrastructure is widely recognized to be a key bottleneck for private sector investment and growth.** Expanding infrastructure investments, mainly by leveraging the private sector, is at the center of the federal government’s program. Hence this objective can be characterized as *core* although WBG interventions will include *advocacy* for the required regulatory and policy changes. Specifically, WBG activities will focus on: (i) ASA to analyze constraints to more efficient infrastructure services along the whole project cycle; (ii) technical assistance to support the development of a robust project pipeline; (iii) financial solutions that demonstrate new ways of sharing risk between the public and private sectors and leverage public (and WBG) resources; and (iv) direct investments (both public and private) in targeted sectors with high economic and social priority, including through the existing portfolio of IBRD-financed projects.

91. **Several weaknesses affect planning, design and implementation of privately financed concessions for infrastructure projects.** The Bank will seek to inform the policy debate on addressing these weaknesses more systematically based on ongoing diagnostic work.<sup>40</sup> One specific challenge is the lack of good quality projects with sound viability studies. Together with BNDES, the IFC has invested in a project preparation facility, which provides a full suite of advisory support to help structure PPPs. Several options exist to expand the resources of this facility and thus allow it to prepare a more robust pipeline of projects. IFC is considering increasing its contribution. Project preparation funds could also be mobilized through the Global Infrastructure Facility (GIF). GIF funding would be made available on a cost recovery basis (with costs recouped through a success fee), and implemented through the GIF’s technical partners, including IBRD, IFC, and IDB. On the Government side, the creation of the Public Private Infrastructure secretariat (*Programa de Parceria de Investimentos*, PPI) directly under the Presidency (*Casa Civil*) creates a focal point for efforts to improve pipeline development.

92. **Given Brazil’s fiscal constraints, closing the infrastructure gap will require concerted efforts to better leverage limited public sector funding.** Brazil’s large and experienced state development banks can leverage additional financing if they change their business model from one of directly lending

subsidized funds towards using their cheaper cost of funding to reduce project risks and thus mobilize private capital, notably from institutional investors. In partnership with BNDES, the WBG will pilot financing and guarantee options to attract private capital to investment in infrastructure. The IFC will leverage its work on innovative PPPs in the social sectors to focus on other sectors with large PPP potential, such as road and sanitation infrastructure. IFC will bring international best practice to project design and preparation in order to attract international private players to the market.

93. **The WBG is supporting the development of a standard infrastructure bond (SDIB), which was presented to government officials in 2016 and is now being road-tested with investors.** IBRD will support the pilot of this new infrastructure bond focused on mitigating private investors' risks during the construction phase and thereby increasing the attractiveness of infrastructure financing for private investors.<sup>41</sup>

94. **The WBG can also offer guarantees for private investors wishing to hedge against regulatory risk.** International investors have repeatedly expressed interest in exposure to Brazil's infrastructure sector, but have shied away given high risks. MIGA could work with BNDES on providing credit enhancement products that protect commercial lenders from non-payment. MIGA could provide general guarantees when BNDES sources syndicated loans on the international market for general business use, usually in conjunction with IBRD or IFC involvement. WBG involvement can also directly lower regulatory risk by ensuring project selection and design follows best international practices (including managing and mitigating environmental and social risks) and thus reducing the need for renegotiation or regulatory interventions later.

95. **The WBG will invest and leverage private sector financing to improve transport infrastructure to reduce logistics costs and improve national level connectivity.** Logistics costs have been identified as a core constraint on Brazil's competitiveness. The WBG will help address this constraint through select investments at the federal and subnational level, aiming to support PPPs and the entry of experienced international investors and operators where possible, while emphasizing the need for integrated transport solutions with appropriate risk sharing mechanisms. The WBG will further expand its investments and technical assistance in transport infrastructure projects, including in rail, airport and port projects and through support for PPPs in highways and airports. Together with Brazilian development banks, the WBG will also seek innovative financing structures that mobilize private capital and create incentives for efficiency improvements, while remaining conscious of affordability constraints and the need for improved regulatory capacity.

96. **IFC will also directly support expansion of Brazil's telecom infrastructure through broadband infrastructure sharing and expanding the mobile frontier.** IFC will look to finance power sharing or fiber sharing aggregators, submarine cables and data centers to increase efficiency, reduce costs and expand access to data. IFC will also look to finance retail service providers to expand mobile penetration. Ensuring widespread access to broadband will allow for the further development of sectors such as e-commerce, venture capital, and fin-tech.

97. **The WBG's engagement in this area should contribute to diversify sources of funding for infrastructure and reduce the services gap in selected areas through both public and private investments.** Results indicators under this objective reflect both the direct impact of WBG financing on improved service delivery (km of roads upgraded, number of beneficiaries reached) and the broader, indirect objective of raising new sources of funding for infrastructure, such as through the standardized infrastructure bond (SIDB).

### **Focus Area 3: Inclusive and sustainable development**

98. **Brazil is rich in natural resources, which are an important source of income and a critical input for the country's economic development.** Brazil's huge reserves of tropical forests and fresh water are especially important for some of the poor for whom they constitute a significant share of their wealth. Agriculture is the single most important source of income for the rural poor, as well as making Brazil a global leader in meat, soy, and other food exports. In addition to threats from land degradation and climate change, Brazil's land regularization experience suggests that policy design for land use and sustainable development is running ahead of institutional capacity for implementation at the local level. Urban land and water use, pollution reduction, and vulnerability to climate change and natural disasters also remain key challenges for Brazil's cities, where 60 percent of the poor live. The CPF is based on the principle that environment and development objectives need not be in conflict if Brazil makes adequate use of existing technologies such as the intensification of production systems, including among smallholder farmers. Hence, the WBG will emphasize an integrated approach for promoting economic, environmental, and social sustainability, including resolution of potential conflicts through better governance, as shown in the following three objectives.

*Objective 3.1: Support the achievement of Brazil's NDC with a particular focus on land use*

99. **Brazil committed to a notable 43 percent reduction in greenhouse gas emissions at the Paris Climate Conference in 2016.** In doing so, Brazil affirmed its leadership in the international environmental agenda. However, the current economic crisis is rekindling conflicts over land and natural resources, especially in Brazil's Amazon and Cerrado biomes, highlighting the challenges the country faces in meeting its NDC commitments. Fiscal cuts have also affected the capacity of the authorities to monitor the country's vast territory and enforce existing legislation. Activities under this objective are geared towards helping Brazil maintain its exemplary track record in climate change mitigation. The WBG has been engaged in supporting Brazil implement its environmental protection goals, and will continue to do so through a mix of activities geared towards *consolidation* of ongoing initiatives and *advocacy* for continued funding for these activities. Target results in this area reflect the importance of Brazil's commitment to emission reductions as a result of land-use changes and landscape management, even though WBG engagement is expected to cover a broader range of NDC relevant activities.

100. **The WBG will support Brazil in designing and implementing policies and investments to reach its COP21 Nationally Determined Contribution (NDC) targets.** The Bank is already engaged in analytical work in support of Brazil's Climate Action Plan and the realization of its related land-use targets.<sup>42</sup> This analysis aims to identify priority areas for restoration and adaptation, as well as explore financing mechanisms to back implementation of land-use programs. Support will also be provided to further develop Brazil's national system of protected areas through the Amazon Regional Protected Areas Program and a new regional initiative for reducing emissions from deforestation and land degradation (REDD+) and developing environmental compensation mechanisms, such as results-based payments and carbon finance mechanisms like the Bio-Carbon Fund's Initiative for Sustainable Forest Landscapes.<sup>43</sup>

101. **The WBG will support Brazil in mobilizing external resources to complement domestic funding by mediating access to climate funds,** such as the Climate Investment Funds (CIF) and its Forest Investment Program (FIP), the Green Climate Fund (GCF), the Global Environmental Facility (GEF), the Bio-Carbon Fund (BCF), the Partnership for Market Readiness (PMR), and the Energy Sector Management Assistance Program (ESMAP). The WBG will also support the development of innovative climate finance instruments to buttress climate change activities and investment operations.<sup>44</sup>

102. **The WBG will continue to work with the federal and state governments to sustain the low carbon emissions trajectory in agriculture and land use to which Brazil has committed under its NDC targets.** This includes analytical support to improve implementation of land regularization, the forest code, and land restoration activities across all tiers of government. The Bank will draw on trust fund resources, such as FIP, GEF or BCF, to finance investment in enhancing environmental governance and landscape

management, as well as monitoring systems to track deforestation, land degradation, and forest fires. It will also continue to support strengthening the Rural Environmental Cadaster (CAR) at the federal and subnational level.<sup>45</sup>

103. **The WBG will work with the government to further expand the low carbon agriculture (ABC) program.** Options for increasing agricultural resilience to climate change will be developed through analytical work on agricultural risk management, climate-smart agriculture, and impact evaluation of government programs. This work, and the financing of pilot interventions, is being supported through the FIP and other trust funds.<sup>46</sup>

104. **The WBG will support investments in renewable energy and energy efficiency to mitigate climate change.** This will include analytical work and policy dialogue with energy sector authorities to support the energy sector reform.<sup>47</sup> The WBG will continue: (i) its dialogue on climate change relevant policy aspects; (ii) promote the distribution and better integration of renewable energy and energy conservation; and (iii) support investments in the energy efficiency of industrial facilities and municipal services by leveraging global climate funds to mobilize commercial financing and catalyze investments at scale. In addition, support will be provided to the Ministry of Finance to develop economic instruments for emission reductions in energy, industry and agro-industry with a special focus on carbon pricing instruments. IFC will make direct investments in the renewable energy sector, seeking to further diversify Brazil's energy matrix, while upholding international best practices in social and environmental standards.

105. **IFC seeks to bring a new paradigm of sustainable development to the Amazon.** As large infrastructure and mining investments are expected in the region, which is currently one of the most socially vulnerable and environmentally rich in the world, IFC is partnering with other organizations together with the Getúlio Vargas Foundation (FGV) on a bottom-up approach to create the Amazon Guidelines, a set of best practices for the implementation of large projects in the region. IFC is also working to guarantee early funding for some local projects to avoid or decrease undesired impacts on local communities. IFC's activities overall seek to support the protection of natural habitats and promote economic alternatives to deforestation.

106. **The reform of the WBG's environmental and social safeguards policies provides an additional opportunity to deepen engagement on best practices with state actors, the private sector, and civil society at all levels.** In addition to IFC's initiative in the Amazon, IBRD is providing technical assistance to the Ministry of Environment as it seeks to adjust national environmental licensing legislation. The objective is to ensure high standards of protection, while reducing delays and bureaucratic coordination failures during implementation.<sup>48</sup>

### ***Objective 3.2: Provide more inclusive and sustainable urban services***

107. **While Brazilian cities have become engines of economic growth, their competitiveness is below similar-sized cities in East Asia, Europe, and the US.** Further, many cities face tremendous challenges in terms of reducing water and air pollution, improving the quality of the urban environment, reducing disaster risks, and addressing problems of water scarcity and lack of access to basic services. The WBG already has a significant engagement in providing more inclusive and sustainable urban services, and will continue to consolidate the existing efforts through a mix of ongoing and new investment operations at municipal level. There will be a need to focus on improved efficiency and new service delivery models, as a means to enable further expansion in services provision. Hence these activities focus on the *consolidation* and expansion of ongoing work, albeit with a renewed emphasis on improved efficiency and innovative finance mechanisms with more private participation in service provision.

108. **Cities are facing important constraints in delivering infrastructure services.** The WBG will support selected cities in Brazil to improve the efficiency of service delivery and quality of life of citizens.

The WBG will support innovative interventions to pursue the greening of transport, improve land use planning and housing, and strengthen planning and investment coordination at the metropolitan level. Through its Cities Initiative, IFC will continue to explore investment opportunities in private providers of municipal services such as water and sanitation, with a view to increasing efficiency through aggregation and sustainable practices.

109. **The WBG will seek new models to support investment and improve the quality of urban infrastructure and improve efficiency of service delivery.** This will include investments in energy efficiency of industrial facilities and municipal services and leveraging global climate funds to mobilize commercial financing and catalyze investments at scale. The Bank will continue to invest in water and sanitation to foster resilience against the increased variability of water supply, while also focusing on pricing policies to ensure that water charges reflect provision costs.<sup>49</sup> IFC will support energy efficiency in the built environment through enhancing green building codes through its EDGE certification (Excellent in Design for Greater Efficiency).

110. **The WBG will also continue to support government at all levels to improve the quality, efficiency, and sustainability of urban and inter-urban transport services.** Heavy reliance on road-based transport, increased motorization, and insufficient high-quality public transport are contributing to ever-increasing congestion and accidents, as well as reducing competitiveness. Hence, the WBG will continue to support the government at all levels in the enhancement of transport services, focusing on integrating transport in the broader context of city planning for equitable and sustainable development. It will place special emphasis on improving the efficiency and sustainability of service provision, while supporting schemes to maintain affordability for the poor. IFC will also continue to explore opportunities to finance private providers of urban transit to increase quality and efficiency of service provision.

111. **The WBG will support the implementation of strategies to build resilience in urban areas, especially in poor high-risk areas.** The Bank will continue to support the Brazilian government's efforts to build resilience of populations, infrastructure, and production systems, by reducing vulnerability, adapting to climate change, and improving social services.<sup>50</sup> Ongoing technical assistance operations support implementing investments that: (i) promote better urban planning and land use to reduce space segregation; (ii) improve the environmental quality of cities; (iii) reduce the vulnerability and exposure of low-income communities to environmental degradation, natural hazards, and climate change; and (iv) increase the capacity of the most vulnerable communities to cope with the manmade and climate change related stressors that impair their livelihood and well-being.<sup>51</sup> The WBG will also focus on improving access to information about disaster and climate risks, increasing preparedness for quick response in the event of a disaster, and improving the quality and timeliness of recovery and reconstruction.<sup>52</sup>

112. **The WBG will continue to advocate and support the enforcement of Brazil's progressive laws and policies against gender-based violence.** Violence against women is a major concern in Brazil and it has the fifth highest incidence of such violence in the world. Between 1980 and 2013, more than 106,000 women were victims of homicide and the annual number of such crimes more than tripled in that period. The WBG will continue to support national and subnational governments in the prevention of gender-based violence by mainstreaming prevention programs across the IBRD portfolio. In addition to analytical work and institutional strengthening interventions,<sup>53</sup> the WBG will also continue to support programs and policies that foster the economic empowerment of women while addressing the risks of violence, provide counseling services for women victims of violence, and increase access to social protection and security services for women.<sup>54</sup>

113. **Under this objective the WBG will support the authorities at national and subnational level to increase the number of people with improved urban living conditions (in terms of water supply, sanitation, sewerage, roads, etc.).** Target results are defined broadly, reflecting the fact that urban challenges are manifold and municipalities differ in the focus of the assistance requested. One common

theme across many municipalities and the focus of the largest, ongoing municipal level operations of the WBG is public transport, reflected in the targeted increase in coverage with improved and cleaner urban transport solutions in Sao Paulo and Rio de Janeiro.

***Objective 3.3: Promote socio economic development of small rural producers and vulnerable groups***

114. **A disproportionate number of people in extreme poverty and many marginalized communities live in rural areas.** The WBG will pursue *consolidation* of its ongoing engagement in rural areas and will also continue its *advocacy* for greater inclusion through analytical work. Brazil's huge reserves of tropical forests and fresh water are especially important for the rural poor for whom they constitute a significant share of their wealth. For others, climate adversity and water scarcity are major sources of social, food security, and economic vulnerability. Agriculture is the single most important source of income for the rural poor. Sustainable forestry, climate resilience, and agriculture are key for both poverty reduction and Brazil's long-term growth.

115. **Inclusion of the most vulnerable social groups will require protecting their environments and fostering sustainable agricultural practices.** This includes the implementation of policies and investments that: (i) contribute to improved land use and natural resources management by small family farmers, indigenous peoples, and traditional communities; and (ii) foster a shift to climate-smart agriculture,<sup>55</sup> modern production technologies, and sustainable landscape management.<sup>56</sup> The WBG will continue to partner at the subnational level, especially in Brazil's Northeast, on productive inclusion of family farmers. It will support investments that provide farmers with productive assets, improved access to services, and better connections to local, urban, regional and global markets.<sup>57</sup> Target results in this area reflect the importance of agriculture for the poor and of improving their access to productive assets and to support services in order to create sustainable livelihoods.

116. **The WBG will continue to help the large population living in Brazil's semi-arid region adapt to the growing risk of water scarcity.** Brazil is facing increasing extreme climate and water related events – particularly intense floods and prolonged and/or acute droughts. These extreme events combined with increasing – and oftentimes conflicting - demands for water and related services increase the vulnerability of both people and economic activity. Improved water security requires a combination of better water resources management, more efficient water services provision and more resilient water infrastructure. The WBG has traditionally played an important role as a convener of various stakeholders, an advisor to federal and state governments on relevant policy changes, and an investor in critical infrastructure. This role is expected to continue in all three dimensions with a particular focus on the Northeast and other regions of higher risk of water insecurity. WBG engagement will continue to comprise a range of instruments—ASA, NLTA, lending, etc., addressing governance, service quality and infrastructure challenges, including development of new financing and management models.

117. **Brazil has made great strides in gender equality in the past two decades but large inequities persist.** While there have been significant gender equality gains in education and health, these aggregate advances by women often mask racial, ethnic or geographic differences. Furthermore, the gains in education and health have not been accompanied by meaningful changes in economic opportunities for women. The Bank will continue to support the participation of women in selected producer and community groups to increase equitable access to rural productive resources.<sup>58</sup> The Bank will also promote awareness of gender equality issues and use gender-sensitive approaches in its lending and knowledge work.<sup>59</sup>

118. **The WBG will continue to advocate and support greater inclusion and equal economic opportunity for all.** Despite substantial progress in the past decade, significant gaps remain, especially for afro-descendants and indigenous populations in rural areas and in the north and northeast of the country. The Bank has mainstreamed citizen engagement and social accountability mechanisms in many operations and will expand implementation under the new WBG environmental and social framework and standards.

119. **IFC will continue to invest in export-oriented agri-business in a sustainable manner.** Brazil's agriculture sector remains one of the most competitive globally. Sugar, soy, animal protein, coffee, and paper and cellulose production are low cost, benefit from Brazil's large land mass, and have shown resilience to crises. IFC will continue to invest in these sectors bringing best practices in corporate governance and social and environmental standards to improve labor practices, land management, pollution prevention, biodiversity protection, and community engagement. In addition to direct investment in companies, IFC will also seek to increase access to finance to small farmers and other low income individuals in small cities and regions outside of urban centers. IFC will look to invest in cooperative banks or other aggregators to help manage liquidity, funding, and risk; standardize credit culture and policy; and support the development of new financial solutions for individuals and farmers.

### C. Implementing the CPF

#### *Financial Envelope*

120. **The Government has signaled interest in borrowing around US\$1.5 billion in FY18 and again in FY19.** Actual IBRD lending throughout the CPF period will depend on its global lending capacity, demand from other borrowers, and Brazil's performance. The provisional FY18-19 lending program is envisaged to include: (i) around US\$0.8 billion to support fiscal consolidation and debt restructuring at the subnational level; (ii) US\$0.25 billion to support implementation of the flagship education sector reform at federal level; (iii) US\$1 billion in two federal development policy operations to support the implementation of microeconomic reforms; (iv) US\$0.5 billion to support the launch of the Standardized Infrastructure Bond instrument in partnership with BNDES; and (v) approximately US\$0.5 billion for new subnational investment projects supporting improved service delivery, with a focus on rural and municipal infrastructure. IFC's own-account investments depend on client demand and improvement in the investment climate but are expected to be around US\$0.8-US\$1.5 billion annually in FY18-19.

#### *Financial Management and Procurement*

121. **The Brazilian legal and institutional framework underpin the management of public finances at all levels of government.** The federal government financial management systems are reasonably strong, provide reliable information, and are able to track the receipt and use of funds transparently. Nevertheless, there are important areas which require further attention, including: (i) improving the credibility of budget revenue forecasts and tax policy; (ii) managing the growing overhang of expenditure commitments (*Restos a Pagar*) and the high level of in-year budget amendments; and, (iii) improving the predictability and impact of cash management for expenditure management. Further, there is a need to strengthen the preparation of medium term fiscal forecasts and the identification and management of contingent liabilities. The authorities aim to update the Public Finance Law to address some of these weaknesses and have submitted a new law to parliament that constitutes a comprehensive reform of the legal framework for the budget process.<sup>60</sup> If approved, it will be important to support the Government in developing the institutions necessary for it to function effectively.

122. **Brazil's control and audit institutions have exposed the extent of cost overruns and inefficiencies in public investment management for several years.** Public prosecutors and the courts have acted independently to uncover corruption and overall Brazil's legal and control institutions have emerged strengthened from recent scandals. Nonetheless, questions remain whether in addition to uncovering corrupt schemes ex-post, control institutions could have done more to stop them ex-ante.

123. **Reviews of subnational public finance management, including through PEFA assessments in selected states, reveal a number of strengths but also areas for improvement.** The strengths include a robust legal framework that helps to promote uniformity in practices. Internal controls are reasonably strong



as a result of inbuilt controls in the information systems, combined with strong oversight from internal (Office of the Comptroller General of the State—*Controladoria Geral do Estado (CGE)*) and external control (State Court of Accounts—*Tribunal de Contas do Estado (TCE)*) agencies. However, there are weaknesses in multiyear fiscal planning, expenditure policy and budgeting. There is also a need to strengthen linkages with medium to long-term sector strategies. Subnational PEFA assessments often indicate general weaknesses in capacity and performance of both the state internal and external control agencies. Specifically, CGEs often act as an additional layer of outside control and promote risk aversion and passivity among public officials rather than appropriate risk management. Separately, the capacity of the various TCEs to undertake financial statement and compliance audits is limited and should be strengthened in order to improve compliance with the Fiscal Responsibility Law.

124. **Financial management arrangements and internal controls maintained by project implementing agencies for IBRD-financed projects have generally been adequate to ensure that funds have been used for their intended purposes.** All IBRD-financed projects at the federal level have been audited by the Ministry of Transparency, Monitoring and Comptroller General of the Union (MTF-CGU), and those at the State and Municipal levels have been audited either by the CGEs, TCEs or private sector auditors considered acceptable to the Bank. The Bank will continue to engage in policy dialogue and advocacy to support improvements in the broader framework for risk management and public sector accountability, including through regular capacity building of CGEs and TCEs.

125. **Procurement arrangements maintained by project implementing agencies for IBRD-financed projects have generally been adequate.** The general rules for public tenders and administrative contracts regarding goods, public works, services, transfers of ownership, and leasing are based on good international principles, but interpretation questions often arise and create conflict. The Bank is working to strengthen the capacity of procurement staff in implementing agencies to limit such conflicts. IBRD-financed projects are expected to migrate to the Bank's New Procurement Framework at the request of the Borrowers (Federal State or political subdivisions), with the approval of the Guarantor (Federal State) when needed. The Bank is also providing advice in the effort to modernize the national procurement law and a revised law, incorporating key reforms, has been submitted to Congress.

### *Managing Program Implementation*

#### *(a) Achieving greater selectivity and coherence of the WBG program, particularly at the subnational level*

126. **The very limited borrowing capacity of subnational governments forces much greater selectivity in both the choice of states or municipalities and the type of lending undertaken.** In the previous CPS, IBRD financed programs or projects in 19 states and municipalities. Most of these programs are ongoing and provide the means to increase service delivery, improve infrastructure, and strengthen institutions in the concerned states and municipalities. New investment lending is likely to be limited to a very few subnationals in the CPF period. In response to the serious deterioration in the finances of subnational governments, the federal authorities introduced a new rating system for the assessment of subnational project proposals in January 2017.<sup>61</sup> In addition to limiting new borrowing to subnational governments with solid public finances (as assessed by the Ministry of Finance's Capacity to Repay (CAPAG) rating, new borrowing is restricted to investment projects, with priority sectors identified in calls for proposals issued three times a year (currently these criteria prioritize water, sanitation, environmental services; research and innovation; and urban transport). These new criteria will force significant selectivity both among subnational borrowers and sectors. In addition, the Bank will prioritize projects offering potential demonstration effects and synergies across WBG interventions (including IFC's Cities initiative).

127. **WBG financing will also be available to support debt restructuring and fiscal consolidation in states and municipalities in fiscal distress.** States and municipalities rated C or D in the Brazilian

Treasury's debt repayment risk classification (CAPAG) that adopted reforms to restore fiscal sustainability and medium-term LRF compliance would have access to DPLs to retire more expensive debt.

*(b) Engaging in advocacy*

128. **The WBG will place greater emphasis on using ASA for advocacy than in the past.** The previous CPS probably overestimated government's alignment with the WBG's diagnosis of constraints and underestimated the relevance of its contribution to the policy debate. The economic crisis and the government turnover offer new opportunities in this regard. Hence, the Bank will attempt to go beyond technical advice behind closed doors (the 'how') to envisage a greater role for public information (the 'what'). The Bank will also seek to engage a larger audience to actively foster and improve the quality of public debate.

129. **Specifically, the Bank envisages a three-pronged approach to programming its ASA work.** Around a quarter of ASA resources will be dedicated to advocacy issues and another quarter to technical assistance on specific 'how to' questions. The balance of the ASA program will aim to inform potential future lending operations, including in the area of microeconomic reforms to reboot growth, improved efficiency and quality of service delivery, fiscal adjustment priorities at the subnational level, and the development of new financing instruments to leverage commercial investment (particularly in infrastructure) and international concessional finance (particularly in helping Brazil meet its NDCs).

130. **The Bank will proactively manage the risks of a more visible and proactive engagement.** ASA proposals will be screened ex-ante for alignment with program priorities and will include a careful political economy analysis and logical framework ("theory of change") to ensure impact on the strategic objectives. The Bank will also develop a proactive communication and outreach strategy, which will leverage Brazil's vibrant civil society and open media by identifying current and potential partners and target messages to specific audiences.

131. **Results will be measured in part using an innovative influence score to gauge the WBG's contribution to the public debate.** The Bank will seek to inform the public debate with analysis and international experience, and to highlight the tradeoffs between different policy options. A "Relevance Indicator" is being piloted with a focus on Bank ASA and will be reviewed at the PLR. The indicator seeks to measure the relevance of Bank's products for policymakers, government officials, civil society (NGOs and Academia) and the media. The relevance indicator will seek to measure if a Bank report or technical advice was used by law makers (cited in any legislative proposal, public hearing, in a debate), used by government officials, referred to by mainstream media, cited in social media, or used in advocacy carried by civil society or the private sector. In the end it will seek to demonstrate: (i) how it helped to inform the debate; and, (ii) if it had any real/effective impact in policy reforms.<sup>62</sup>

*(c) Promoting gender equality and social inclusion*

132. **Building on the positive results achieved during the FY12-15 CPS, the WBG will continue to place special emphasis on promoting gender equality.** The FY16 Gender Diagnostic highlights progress in gender equality related to endowments (health and education), but emphasizes persistent gaps in economic opportunities and agency.<sup>63</sup> Gender issues in Brazil are inherently intertwined with race, ethnicity, and socio-economic background, creating overlapping constraints for women. Considering these multiple and reinforcing disadvantages is crucial to improve gender equality outcomes. The fiscal constraints of subnational governments present an additional challenge, as they may both jeopardize funding for gender policies adopted with WBG support in recent years and limit the WBG's choice of instruments going forward to technical assistance and advocacy.

133. **The WBG will use its convening power at both the federal and subnational levels to bring together key stakeholders in order to raise awareness and promote knowledge exchange on issues related to gender equality** (both diagnostics and evidence on how to tackle gender inequalities effectively). The WBG will also ensure that a gender sensitive approach guides the preparation, implementation, and monitoring of all its lending and analytic work. In this effort, the WBG will focus particularly on reducing gender gaps in economic opportunities (under objective 3.3) and violence against women (under objective 3.2).

*(d) Addressing governance issues effectively*

134. **Profound political and governance challenges lie behind Brazil's present crisis.** There is a strong demand from citizens for greater accountability and better quality public services. However, the record of WBG involvement in governance issues is mixed. The WBG has had some success in selected Public Financial Management and Results Based Management areas, but the impact on overall governance and accountability has been limited. The WBG will continue its focus on reforming the governance of public service delivery as the key entry point for this agenda. This includes promoting shared management approaches and greater transparency and accountability through performance incentives and improved M&E frameworks. The WBG will also support efforts to reform the budget process and highlight the political and governance weaknesses which have led to the inability to allocate resources in line with national priorities. The WBG will, in addition, engage in the public debate on sensitive issues of rent seeking and budget allocations through its ASA program and continue its engagement with Brazil's control and audit institutions to strengthen capacity for risk mitigation in addition to ex-post control. The WBG will use the opening provided by ongoing legislative initiatives to reform the Public Finance Law and the procurement legislation to support strengthening the legal and institutional framework.

*(e) Tackling municipal and urban challenges*

135. **Despite mixed outcomes of past IBRD-financed municipal and urban investments, the demand for WBG engagement in this area remains strong.** The reasons for weak performance of IBRD-financed urban and municipal operations are myriad. Urban infrastructure projects are located in very complex environments that involve coordination among many different stakeholders and often extensive resettlement activities that need to be financed locally. In addition, the complexity of infrastructure projects, coupled with weak capacity of borrowers, a lack of understanding of Bank policies, and limited financial resources have often delayed project implementation. Finally, cities are more sensitive to fiscal constraints and political changes than state or national governments, which can greatly affect the commitment to proposed project investments.

136. **Building on its experience, the WBG will adopt a different approach to engagement at the municipal level.** The Bank will ensure that project investments are fully aligned with local government priorities and, preferably, approved early-on in the election cycle to ensure full support by the mayor and his team for at least the first 2 to 3 years of project implementation. Before engaging in project preparation, the Bank will require a thorough analysis of the fiscal situation and debt capacity of the borrower to ensure that the necessary resources are in place to support the project over time. During project preparation, more attention will be provided to project readiness, with specific focus on institutional arrangements, detailed engineering designs, and resettlement requirements to ensure these stay within the limits of the financial and technical capacity of the borrower. The Bank will also be more selective, focusing on priorities consistent with the new eligibility criteria set by COFIEX (*Comissão de Financiamentos Externos*).

137. **The WBG nonetheless recognizes that urban projects will remain complex and require multi-disciplinary teams with adequate resources to support preparation and supervision.** Partnerships with state development banks, other international financial institutions, foundations, and the private sector, including through IFC's Cities initiative, will be sought to mitigate risks and provide support at scale.

Particular attention will be placed on selecting interventions with high potential replicability and on engaging with the Ministry of Cities and the National Mayors’ Forum to share experience.

*(f) Partnerships and Donor Coordination*

138. **The WBG will continue to expand and broaden its support for Brazil’s South-South Cooperation (SSC) activities.** Brazil seeks a growing international role, even if its own spending in this area has suffered from fiscal retrenchment in the last two years. It has numerous public, civil society, private, and academic centers of excellence capable of making significant SSC contributions. The WBG will support Brazil in its efforts to expand such collaboration in the areas of sustainable agriculture, social protection, public financial management, health, renewable energy, and governance. It will support sector-specific south-south knowledge exchanges using its network of contacts with Brazilian stakeholders. IFC financing will also support investments by Brazilian companies in other developing countries. All SSC initiatives that include technical cooperation components will be developed through the Brazilian Cooperation Agency (ABC/MRE).

139. **The WBG will continue to work closely with the IDB and the IMF in supporting the federal and subnational governments.** The Bank will work closely with IDB in supporting fiscal adjustment and strengthening public financial management at subnational level. The Bank and the IMF are supporting the federal government in complementary areas of public financial management. The Bank is working with the government in assessing the efficiency and equity of public spending, and providing advice on the reform of the fiscal rules at subnational level. The IMF is advising the government on strengthening the transparency of public finances and in improving the medium-term fiscal planning. Building on the newly signed Memorandum of Understanding (MoU) between the IBRD and the New Development Bank (NDB), the WBG will cooperate with the NDB in operations of mutual interest, especially financing for sustainable infrastructure projects.

140. **The WBG support will also continue to be closely coordinated with other development partners.** The WBG works in partnership with Germany, the Netherlands, Norway, the United Kingdom (UK), and the USA in supporting Brazil’s carbon emission reduction targets. The WBG also works with *Kreditanstalt für Wiederaufbau* (KfW) and the *Agence Française de Développement* (AFD) in municipal finance and in infrastructure, and with the UK Prosperity Fund in the area of private sector development. Finally, the Bank coordinates with the UN system in the area of protection of vulnerable groups, indigenous communities, gender and violence.

#### IV. MANAGING RISKS TO THE CPF PROGRAM

141. Overall risk to the **achievement of the CPF results is rated *Substantial***. Three key potential risks may impact the achievement of CPF results (Table 2): political uncertainty, macroeconomic vulnerability, and the commitment to a sustainable policy framework for continued poverty reduction and shared growth. These risks are elaborated below. Both the intentional CPF flexibility in choice of instrument and level of support, and the 2019 PLR provide means for the WBG to adjust its program should any of these risks materialize.

**Table 2: Risks to the CPF objectives in Brazil**

Risk Categories	Rating (H, S, M, L)
1. Political and governance	H
2. Macroeconomic	S

<b>Risk Categories</b>	<b>Rating (H, S, M, L)</b>
3. Sector strategies and policies	S
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	M
7. Environment and social	L
8. Stakeholders	L
9. Crime and Violence	M
<b>Overall</b>	<b>S</b>

142. **Political uncertainty is significant and likely to continue in the run up to the 2018 elections.** In a bad scenario, policy uncertainty may lead to an impasse which paralyzes decision making and could derail the reform process. Even with more stable political conditions, however, the complexity of the political system with over 30 parties represented in parliament greatly increases the challenge for the executive to sustain a coherent reform effort (see the Systematic Country Diagnostic). Consequently, political reform to reduce party fragmentation has been returning to the policy agenda.

143. **Strong resistance to fiscal consolidation could undermine the macro-fiscal adjustment and increase fiscal solvency risks.** The economic outlook remains uncertain, with the strength of the recovery unclear, while the necessary fiscal consolidation faces tough resistance by interest groups. In addition, several subnational states will experience rapidly rising pension liabilities which, in the absence of significant reforms, could lead them into bankruptcy. To address the situation, the federal government is engaged in a strong dialogue with all levels of government and with society at large on the need for fiscal stabilization. At the same time, any wavering of federal commitment to fiscal adjustment would likely be reflected in Brazil’s asset prices and borrowing costs. This mitigates against the adoption of unsustainable fiscal policies, at least in the short run. Over the medium-term, improvements in public sector governance and the quality of service delivery can help build a new political and social consensus, just as Brazil did after its successful macroeconomic stabilization in the mid-1990s. The WBG will continue to advocate for a high quality fiscal adjustment that shelters the poor and vulnerable and aims to balance the contributions from other parts of society, including the public and private sectors, as well as present and future generations. The fiscal rule will force difficult trade-offs which the WBG intends to inform with detailed analytical work. Financial assistance to smooth the adjustment is part of the program at the subnational level.

144. **The political environment will also continue to weigh on the adoption of structural reforms needed to revitalize investment and productivity, and thus continue the progress in poverty reduction and shared prosperity.** Success in attracting private investment will require the adoption of reforms to enhance competition, and reduce administrative red tape. Interest groups benefiting from the current set of inefficient economic policies are likely to oppose these reforms. Therefore, it will be key for the government to promote an informed public debate on the costs and benefits of such policies, and alternative policy options. The WBG will aim to contribute to this debate by demonstrating the costs of the existing framework and use this evidence to help build alliances among potential winners, including SMEs, trade-oriented domestic businesses, beneficiaries of improved infrastructure services, international investors, and Brazil’s regional and global trading partners. The WBG’s convening power and IFC’s network of business contacts provide a platform from which to argue for a more open and competitive Brazil. Key in this debate is the understanding that fiscal adjustment without measures to boost growth is much less likely to be sustained, as experience around the world demonstrates.

145. **Even if current adjustment efforts are sustained, there is a risk that a new government could shift policy direction after the election.** This could negatively impact the achievement of CPF results

relying on a sustained reform effort, such as those aiming to increase productivity. The CPF is designed to mitigate this risk in four ways. First, it focuses squarely on the biggest development constraints, which will not change with a change in government. Second, it retains flexibility with respect to instruments and level of engagement, as well as defining modest objectives, which will permit adjustment in response to changed circumstances. Third, it tailors interventions to an understanding of the underlying political economy of reforms in a particular area, with a focus on advocacy to complement specific technical and financial assistance. And fourth, it maintains a strong focus on poverty reduction and shared prosperity to help the WBG navigate the expected ideological debate in Brazil over the next few years. In parallel, the IFC has adjusted its long-term strategy and sector priorities to reflect the current environment and challenges, based on a careful analysis of risk by sector and usage of debt and equity instruments.

146. **Finally, there is also a possibility that the economic recovery may happen faster than anticipated, thereby reducing incentives for structural (and political) reforms.** Given the political challenges inherent in removing privileges and benefits, a sudden acceleration in economic activity may undermine the political will to enact difficult reforms that will only be needed over the medium term. Under these circumstances, Brazil might revert to the situation of the last decade where economic growth provided space to postpone the needed structural adjustment. In such a situation, again there will be strong advocacy on the need for and benefits from economic reforms. The WBG will maintain its analytical focus on highlighting longer-term constraints, while using every opportunity to deepen social inclusion and poverty reduction in the context of economic recovery.

## ANNEX A: CPF RESULTS MATRIX

### Focus Area 1: Fiscal consolidation and government effectiveness for sustainable, inclusive and efficient service delivery

Brazil is in the midst of the most severe economic recession and fiscal crisis in decades, with unemployment and poverty increasing for the first time in over a decade. The structural deterioration in public finances is at the heart of this crisis. Restoring the sustainability of public finances and strengthening the institutional and legal system which regulate public financial management at all levels of government is critical to protect and expand Brazil’s economic and social gains.

Under this Focus Area the WBG will pursue four objectives. It will support strengthening fiscal management at all levels of government. It will assist the government in improving the fiscal sustainability and fairness of the social security system. And it will work with federal and subnational governments to increase effectiveness of services delivery in education and in health. Underlying all four objectives is the aim to ensure that the ongoing fiscal adjustment is of high quality and does not fall disproportionately on the poor and Bottom 40, whilst laying the necessary foundation for a sustainable recovery.

#### Objective 1.1: Strengthen fiscal management at all levels of government

##### **Intervention Logic**

The WBG will support the government to adopt the key policy reforms required to reestablish macro-fiscal stability and strengthen fiscal management at all levels of government. The Bank will work with the federal government to achieve implementation of the expenditure rule as a means to achieve fiscal adjustment and restore fiscal sustainability at the federal level, through a reduction in federal government primary expenditures in real terms (Objective Indicator 1). To achieve this indicator the Bank will support the federal government to rationalize public expenditures and to strengthen fiscal management, including through the programmatic Brazil Expenditure Review (P158800) and Strengthening Governance in Infrastructure (P156825), and will also support the government to restore the financial sustainability of the social security system (under Objective 1.2). The Bank will also seek to support tax reform efforts that simplify the system and seek to make it more progressive. The Bank will seek to ensure that the fiscal adjustment takes place in an efficient and equitable manner, advocating for a reduction in the ratio of firm subsidies to social transfers as percentage of GDP (Objective Indicator 2) mainly by producing analytical work and advocating for a quality fiscal consolidation (Supplementary Indicator 2.1), and building on the ongoing programmatic Brazil Expenditure Review and related ASA tasks. The Bank will also work to support fiscal adjustment in a selected group of states, providing policy lending to help them to restructure more expensive debt and to support the adoption of policies to improve their fiscal stance (Objective Indicator 3; Supplementary Indicator 3.1), in addition to several ongoing operations which support aspects of fiscal adjustment. As part of this effort, the Bank will also continue to support improvements in public financial management at subnational level through promoting state level PEFA assessments and the strengthening of procurement systems at the subnational level (Supplementary Indicator 3.2).

There are significant risks to achieving these objectives. The implementation of the expenditure rule, and more broadly of fiscal adjustment at all levels of government, will be difficult in the run-up to the 2018 elections and will require strong political commitment over a number of years. Ensuring the necessary political support for these reforms is outside the direct scope of WBG’s work. The WBG will try to use all its available instruments to help the government design credible policies and marshal the necessary social consensus, but if reforms are derailed and this objective is not on track at the mid-term review in 2019, there will be a need scale down the WBG’s ambition towards *advocacy* only activities in the area of fiscal adjustment, and—given the centrality of fiscal adjustment for Brazil’s overall prospects—most likely to make deeper revisions to the CPF.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
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<p><i>Indicator 1</i> Fiscal stabilization at federal level: Federal government primary expenditures in real terms (index, 2016 = 100): Baseline (2016): = 100 Target (2022): = &lt;100</p> <p><i>Indicator 2</i> Quality of fiscal adjustment: Reduction of ratio of firm subsidies (subsidized credits, tax exemptions, and direct spending) to social transfers (social assistance and labor markets programs) as percentage of GDP (as defined in Brazil Expenditure Review). Baseline (2015): (4.5% / 2.6%) = 1.73 Target (2022): = 1.5</p> <p><i>Indicator 3</i> Fiscal stabilization at subnational level: Number of states (supported by the Bank) that met their primary surplus targets in 2022: Baseline (2016): 0 Target (2022): 2</p>	<p><i>Indicator 2.1 (Pilot)</i> Relative distance of “relevance score” of Bank work on fiscal policy and improving quality of public spending from the frontier (as defined by score of DB report; see endnote 62): Baseline (2016): 1 Target (2022): TBD</p> <p><i>Indicator 3.1</i> Amount of debt restructuring at subnational level, with Bank support Baseline (2016): 0 Target (2022): US\$800m</p> <p><i>Indicator 3.2</i> Number of states and municipalities which adopt Integrated Procurement Systems (with assistance by the Bank projects in AC; CE; PI; PR; RN; RS; and Manaus and Teresina municipalities): Baseline (2016): 0 Target (2022): 8</p>	<p><b>Financial services</b> <u>Pipeline</u></p> <ul style="list-style-type: none"> <li>• New subnational fiscal adjustment and debt restructuring operations</li> </ul> <p><u>Ongoing</u></p> <ul style="list-style-type: none"> <li>• Rio Grande do Norte Regional Development and Governance (P126452)</li> <li>• Rio Grande do Sul Swap to Strengthen Public Investment (P120830)</li> <li>• Manaus Service Delivery and Fiscal Management DPL P153103</li> <li>• AF MST Proacre (P107146)</li> </ul> <p><b>Knowledge services</b> <u>Pipeline</u></p> <p><u>Ongoing</u></p> <ul style="list-style-type: none"> <li>• Brazil Expenditure Review (P158800)</li> <li>• Expenditure Review of Education (P158801)</li> <li>• Brazil Improving Efficiency of Health Services Delivery P161452</li> <li>• Aging and Health Study (P157776)</li> <li>• Pensions TA Brazil (P157609)</li> <li>• BR Public Procurement Strengthening (P120032)</li> <li>• Brazil Financial Intermediation Costs and Credit allocation P158245</li> <li>• BR Subnational Governance Monitoring Framework</li> <li>• Improving Infrastructure Efficiency (P156662)</li> <li>• Strengthening Governance in Infrastructure (P156825)</li> <li>• Brazil Poverty Measurement &amp; Monitoring (P158705)</li> <li>• Brazil Poverty Measurement &amp; Monitoring (P160742)</li> <li>• Brazil Programmatic Poverty Analysis (P157875)</li> </ul>
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## Objective 1.2: Increase fiscal sustainability and fairness of pension system, and effectiveness of social protection system

### Intervention Logic

The Bank will support an improvement in the fiscal sustainability and fairness of the pensions system and the effectiveness of the social protection system by supporting the government in three fronts. First, will continue to provide analytical work to support the government's policy proposal to pursue a comprehensive reform of the pension system both to improve its financial sustainability by reducing the projected deficit of the system (Objective Indicator 4), and to increase its fairness by reducing the per capita pension subsidy which goes to richest two quintiles (Objective Indicator 5). Second, the Bank will continue to support civil servant's pension reform at the subnational level by providing advisory services in selected states and municipalities (e.g. Bahia, RJ and SP) and possibly by including pension reform in as part of the measures supported by the new DPLs for fiscal adjustment and debt restructuring at the subnational level. Thirdly, the Bank will support the government in strengthening its social safety net programs, making them more agile in protecting the most vulnerable, especially by ensuring that the *Bolsa Família* program benefits the 'new poor' hit by the recent recession (new long term unemployed for over 5 months, in the bottom two quintiles) (Objective Indicator 6).

There are significant risks that this objective will not be achieved. The main risk is wavering political support for pension reform in Congress and the possibility that a watered-down reform effort may force adjustments to be made in other areas of government spending that are more pro-poor. The WBG can mitigate this risk only to some extent through its advocacy and ASA work. If the risks materialize and this objective is not on track at the mid-term review in 2019, there will likely be a need to scale down the WBG's ambition and possibly to make deeper revisions to the CPF. Furthermore, if the government fails to get the pension reform approved, there will be little fiscal space to expand safety net programs like *Bolsa Família* to ensure the protection of the most vulnerable and the "new poor."

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 4</i> Projected pension system deficit in 2050 (% GDP): Baseline (2016): 16% Target (2022): 12%</p> <p><i>Indicator 5</i> Share of per capita pension subsidy going to the richest two quintiles: Baseline (2016): 47% Target (2022): &lt;40%</p> <p><i>Indicator 6</i> Percentage of long-term unemployed (for over 5 months) in the first quintile covered by <i>Bolsa Família</i>: Baseline (2015): 43.5 Target (2022): 50</p>	<p><i>Indicator 4.1</i> Retirement age: Baseline: (2016): 65/60 for men and women in urban areas; 60/55 for men and women in rural areas; Target (2022): 65/62 for men and women</p>	<p><b>Financial services</b> <u>Pipeline</u> New SNG debt restructuring operations</p> <p><u>Ongoing</u> Bolsa Família Second APL (P101504)  <ul style="list-style-type: none"> <li>Strengthening Service Delivery Ceará P4R (P127463)</li> </ul> </p> <p><b>Knowledge services</b> <u>Planned</u></p> <p><u>Ongoing</u>  <ul style="list-style-type: none"> <li>Pensions TA Brazil (P157609)</li> <li>Skills and Jobs II (P156683)</li> </ul> </p> <p>Brazil Expenditure Review (P158800)  <ul style="list-style-type: none"> <li>Brazil Poverty Measurement &amp; Monitoring (P160742)</li> <li>Brazil Programmatic Poverty Analysis (P157875)</li> <li>World Without Poverty (P147146)</li> </ul> </p>

## Objective 1.3: Increase effectiveness of service delivery in education

### Intervention Logic

To increase the effectiveness of education provision, the Bank will support the Ministry of Education in the implementation of the reform of secondary education through a P4R operation, which inter alia is expected to result in a lower drop-out rate in the first year of public secondary schools reduced (Objective Indicator 7). In addition, through ongoing investment operations the Bank will continue to support selected subnational governments in the introduction of new methods of public sector management to improve education outcomes which are expected to improve average learning scores for math and Portuguese (Objective Indicator 8). For instance, the Bank is supporting several state and municipal governments in the introduction of results-based management approaches, Stallings classroom observation, bonus pay program at school level, certification and meritocratic selection of school leaders, school based management, and principal leadership training, financial incentive program for secondary school students,

and accelerated learning programs. (Supplementary Indicator 8.1). In addition, the Bank will carry out ASA to inform the public debate related to improving the efficiency, effectiveness and equity of delivery of education services. In parallel, IFC will support the private provision of education services, specifically by supporting institutions that expand access to quality tertiary education with the goal of increasing skills and employment among middle and lower-middle class segments of society (Objective Indicator 9).

There are significant risks that this objective will not be achieved. Adopting more cost effective approaches to improving the quality of services is considerably more challenging, especially given that most policy interventions in education are implemented at the municipal and state levels. The federal government is committed to improving the design of its funding mechanisms by adopting results-based approaches, but ultimately it will have to persuade state and municipal governments to champion the policy reforms. These efforts may be hindered by the approaching election season if the results-based approach to funding is jettisoned in exchange for political support at the state and municipal levels. In addition to the risk that the policy shift towards greater efficiency does not occur implementation of the existing, access oriented portfolio could also continue to suffer from implementation difficulties, due to sequestration of budget funds and lack of political continuity in the light of upcoming elections.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 7</i> Reduction of drop-out rate in the first year of public secondary schools: Baseline (2016): 9.8% Target (2022): 7.0%</p> <p><i>Indicator 8</i> Increase in average learning scores (combined scores for math and Portuguese) in <i>Prova Brasil-SAEB</i> in grades 9 for public schools and 12 for state school in selected states (RN, RS, Piauí, Parana, Tocantins, Acre and Ceara) supported by the Bank: Baseline (2015): grade 9 = 5.02 Baseline (2015) grade 12 = 4.18 Target (2023): grade 9 = 5.4 Target (2023) grade 12 = 4.5</p> <p><i>Indicator 9</i> IFC: Number of students reached through private provision of education: Baseline (2016): 838,000 (o/w female- 462,000) Target (2021): 1,350,000 (o/w female – 740,000)</p>	<p><i>Indicator 8.1</i> Number of innovative management interventions adopted to promote more effective service delivery in education in states and municipalities (RN, RS, Piauí, Parana, Tocantins, Acre, Ceara, Salvador municipality and Recife municipality) supported by the Bank: Baseline (2015): 0 Target (2022): 17</p> <p><i>Indicator 8.2</i> Number of impact evaluations in education in states and municipalities supported by the Bank: Baseline (2015): 0 Target (2022): At least 7</p>	<p><b>Financial services</b></p> <p><u>Pipeline</u></p> <ul style="list-style-type: none"> <li>• P4R with Ministry of Education</li> <li>• Salvador Social Multi-Sector Service Delivery Project (P162033)</li> <li>• New subnational investment operations</li> </ul> <p><u>Ongoing (incl. IFC)</u></p> <ul style="list-style-type: none"> <li>• Recife Education and Public Management (P126372)</li> <li>• Rio Grande do Norte Regional Development and Governance (P126452)</li> <li>• Strengthening Service Delivery Ceará</li> <li>• Manaus Service Delivery and Fiscal Management DPL (P153103).</li> <li>• MST Tocantins Integrated Sust. Reg. Dev. (P121495)</li> <li>• Paraná MST Development Swap (P126343)</li> <li>• Fortaleza sustainable development project (P153012)</li> <li>• IFC IDEAL Invest</li> <li>• IFC Estacio Participacoes</li> <li>• IFC Anhanguera – Kroton Educacional</li> <li>• IFC GAEC Educacional</li> <li>• IFC Mauricio- SER Educacional</li> <li>• IFC FEBR</li> <li>• IFC Real Student Fin</li> <li>• IFC Rede D’Or Sao Luiz</li> <li>• IFC Alliar</li> <li>• IFC Canopus Holding</li> </ul> <p><b>Knowledge services</b></p> <p><u>Planned</u></p> <ul style="list-style-type: none"> <li>• Recife Project (P160868)</li> </ul> <p><u>Ongoing</u></p>

- Support for Education Policy Reforms in Brazil (P162334)
- Expenditure Review of Education
- Brazil Expenditure Review (P158800)

**Objective 1.4: Increase effectiveness of service delivery in health**

**Intervention Logic**

The Bank will work to improve the effectiveness of health services delivery through ongoing interventions at the subnational level which will contribute to reduce premature mortality rate from the main Non-Transmissible Chronic Diseases in selected states (Objective Indicator 10) and will contribute to improve system efficiency by reducing the percentage of hospitalization for ambulatory care sensitive conditions (ACSC) in selected states (Supplementary Indicator 9.1). While most of the existing portfolio is focused on improving access and quality of health and education services, the WBG will carry out ASA to inform the public debate related to improving the efficiency, effectiveness and equity of delivery of health services. In parallel, IFC will support the private provision of private healthcare services such as hospitals and private clinics to complement services provided by the SUS, also targeting low- and middle-income populations (Objective Indicator 11).

There are significant risks that this objective will not be achieved. Adopting more cost effective approaches to improving the quality of services is considerably more challenging, especially given that most policy interventions in health are implemented at the municipal and state levels. The federal government is committed to improving the integration of the health system, but ultimately it will have to persuade state and municipal governments to champion the policy reforms. It is likely that efforts towards greater efficiency may be hindered by the approaching election season. In addition, implementation of the existing access-oriented portfolio could also continue to suffer from implementation difficulties, due to sequestration of budget funds and lack of political continuity in the light of upcoming elections.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 10</i> Premature mortality rate (30-70 age group) from the main Non-Transmissible Chronic Diseases (cardiovascular diseases, cancer, diabetes and chronic respiratory diseases) in selected states (AC, BA, PR, PE, PI and RN): Baseline (2015): 288/100,000 population Target (2022): 262/100,000 population (10% reduction) (Source: Strategic Mortality Information System – SIM, Ministry of Health)</p> <p><i>Indicator 11</i> IFC: Number of patients reached through private provision of healthcare: Baseline (2016): 3,489,000 Target (2021): 4,792,000</p>	<p><i>Indicator 9.1</i> Percentage of hospitalization for ambulatory care sensitive conditions (ACSC) in selected states (AC, BA, PR, PE, PI and RN). Note: Percentage of hospital admissions avoidable by adequate primary health care. Baseline (2015): 33.6% Target (2022): 23.6% (10% reduction) (Source: Hospital Information System – SIH, Ministry of Health)</p>	<p><b>Financial services</b></p> <p><u>Pipeline</u></p> <ul style="list-style-type: none"> <li>• Salvador Social Multi-Sector Service Delivery Project (P162033)</li> <li>• New subnational investment operations</li> </ul> <p><u>Ongoing (incl. IFC)</u></p> <ul style="list-style-type: none"> <li>• Rio Grande do Norte Regional Development and Governance (P126452)</li> <li>• Strengthening Service Delivery Ceará</li> <li>• P4R (P127463) MST Bahia Health and Water Management SWAp (P095171)</li> <li>• Manaus Service Delivery and Fiscal Management DPL (P153103).</li> <li>• MST Tocantins Integrated Sust. Reg. Dev. (P121495)</li> <li>• Paraná MST Development Swap (P126343)</li> <li>• Fortaleza sustainable development project (P153012)</li> <li>• IFC IDEAL Invest</li> <li>• IFC Estacio Participacoes</li> <li>• IFC FEBR</li> <li>• IFC Affero Lab</li> <li>• IFC Rede D’Or Sao Luiz</li> <li>• IFC Alliar</li> <li>• IFC Hosp Sao Luiz</li> </ul>

**Knowledge services**Planned

- Recife Project (P160868)

Ongoing

- Aging and Health Study (P157776)
- Brazil: Health Sector Efficiency
- Brazil Expenditure Review (P158800)

**Focus Area 2: Private sector investment and productivity growth**

Achieving the WBG twin goals requires sustaining high rates of investment to create well-remunerated and sustainable employment. This has proved to be the principle mechanism for poverty reduction and shared prosperity in Brazil. Accelerating growth and jobs creation in Brazil is both critical in itself and highly complementary to the needed fiscal adjustment. Restoring the sustainability of public finances is a prerequisite for improved confidence and increased investment in Brazil. At the same time, accelerating growth would facilitate the return to fiscal sustainability by boosting revenue collection.

The overall focus of WBG interventions under this Focus Area will be on reducing excessive non-market risk to leverage private investment, with strong complementarities between the three objectives. Improving the business environment by reducing distortions to competition, investment and trade, and reducing distortions in excessively segmented financial markets will jointly reduce the risk of arbitrary regulatory changes that have favored privileged businesses. This will boost investment, productivity and jobs by facilitating the restructuring or exit of less productive firms, and the entry and expansion of more productive firms. Similarly, the work on developing better financing and PPP instruments for infrastructure and services will reduce excessive risks, helping mobilize and leverage private sector investment in long term infrastructure projects. This will also reduce logistics and other infrastructure-related costs throughout the economy, thereby further boosting investment, productivity and jobs. However, there could be a potential trade-off between the Bank's twin goals and the necessary microeconomic restructuring, for instance, if old jobs are lost more rapidly than new jobs are created. This emphasizes on the one hand the importance of the mobilization of new investment to boost growth and job creation, and the need for this Focus Area to be seen in close connection with the objectives of the other two Focus Areas.

**Objective 2.1: Reduce regulatory barriers and other microeconomic distortions to competition, investment, and trade****Intervention Logic**

The WBG will provide financial resources and technical assistance to the federal government to support the implementation of a wide-ranging program of reforms to improve the business environment (Objective Indicator 12) and to subnational governments as part of ongoing operations. In parallel, the Bank will support policy dialogue and help build consensus for the reform agenda through ASA work, notably the programmatic Productivity for Shared Prosperity (P152871), which will also include the preparation and dissemination of a Productivity Growth Flagship Report (Supplementary Indicator 12.1).

There are considerable risks to achieving this objective. The government is currently spearheading this reform agenda and has asked for Bank support. However, the removal of subsidies and protectionist policies is likely to generate substantial resistance from interest groups, and political support may decrease, especially in the run up to the 2018 elections. If these risks materialize and this objective is not on track at the mid-term review in 2019, the WBG will scale down its ambition towards *advocacy* only activities in this area. There is also a risk that a change of government after the elections may result in a government less willing to engage in these issues in the future. Again, in such case the activities would need to be focused even more on dialogue with the wider Brazilian society to lay the basis for future policy reforms. Of particular importance in this respect is to highlight ways in which microeconomic adjustment and shared prosperity go hand in hand in the long-run, and any trade-off can be mitigated in the short-term.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<i>Indicator 12</i> Doing Business composite measure of barriers to competition and	<i>Indicator 12.1 (Pilot)</i> Relative distance of "relevance score" of Bank work on developing a transparent and competitive business environment	<b>Financial Services (including IFC):</b> <u>Ongoing:</u> <ul style="list-style-type: none"> <li>• Ceará Strengthening Service Delivery P4R (P127463)</li> </ul>

<p>distortions: Distance from frontier (Frontier = 100): Baseline (2016): 56.5 Target (2022): 62.0</p>	<p>from the frontier (as defined by score of DB report; see endnote 62): Baseline (2016): 1 Target (2022): TBD</p>	<ul style="list-style-type: none"> <li>• Good Regulatory Practices Program - Global CF project (601780)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>• Business environment DPL with federal government</li> </ul> <p><b>Knowledge Services:</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• Productivity for Shared Prosperity (P152871), including: <ul style="list-style-type: none"> <li>▪ Productivity Growth Flagship Report (P162670)</li> <li>▪ Strengthening the Business Environment TA (P155768)</li> </ul> </li> <li>• Strengthening Infrastructure Regulatory Frameworks (P156356)</li> <li>• Brazil Expenditure Review (P158800)</li> </ul> <p>Trust-funds</p> <p><u>Pipeline</u></p> <ul style="list-style-type: none"> <li>• UK Prosperity Fund – Global Country-Level Project Proposal</li> </ul>
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**Objective 2.2: Reduce financial market distortions in order to improve the availability and allocation of credit**

**Intervention Logic**  
The WBG will support to government to reduce the duality in financial markets, reduce the pricing differential between free and earmarked credit, and reduce the proportion of directed corporate credit to total corporate credit, by removing distortions in the financial system (Objective Indicator 13; Supplementary Indicator 13.1). In light of the lack of consensus on the costs of current arrangements, at the request of the government the WBG is focusing on supporting better informed debate on the costs and benefits of different financial market policies, through ASA work with the Central Bank, BNDES and the Ministry of Finance. This work will be complemented with IFC investment support to capital market development, local currency financing, financial institutions (particularly the systemic banks), MSMEs lending, distressed assets relief, and agricultural and housing finance (Objective Indicators 14).

There are considerable risks to achieving this objective. The main risk is that a change in government may reduce ownership for the envisaged reforms. The government is currently pushing for these reforms and has asked for Bank support. However, the removal of subsidies and distortions in access to credit is likely to generate substantial resistance from interest groups, and political support may decrease especially in the run up to the 2018 elections. The use of advocacy and ASA to forge greater consensus is one way to mitigate this risk. If these risks materialize, however, and this objective is not on track at the mid-term review in 2019, the WBG will scale down its ambition in this area. IFC activities are likely to be more robust to changes in political support for reforms of the credit market.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 13</i> Pricing differential between free (non-earmarked credit (series 20718) and the TJLP <math>(1+r(\text{free})) / (1+\text{TJLP}) - 1</math>: Baseline (2016): 21,2% Target (2022): 15.0%</p> <p><i>Indicator 14</i> Number and volume of MSMEs reached by IFC financing:</p>	<p><i>Indicator 13.1</i> Proportion of directed corporate credit to total corporate credit: Baseline (2016): 51.6% Target (2022): &lt; 40%</p>	<p>List of Bank Group interventions that contribute to CPF Objectives including TFs</p> <p><b>Financial Services (including IFC):</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• IFC Lending to MSME’s, Banco Triangulo, Banco Cooperativo Sicredi, Banco Fibra, Banco Santander, Banco Industrial e Comercial, Banco ABC Brasil, Banco</li> </ul>

<p>Baseline (2016): 477,000 and US\$8.6bn Target (2021): 570,000 and US\$9.1bn</p>		<p>Indusval, Bando Daycoval, Banco Industrial do Brasil</p> <p><b>Knowledge Services:</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• Financial Sector Credit Allocation (P158245)</li> <li>• Brazil Expenditure Review (P158800)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>• FSAP</li> </ul>
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**Objective 2.3: Mobilize greater investment in infrastructure to improve services, including through PPPs**

**Intervention Logic**

The WBG will support the government to mobilize greater investment in infrastructure to improve services, through a mix of investments and improvements in the policy environment. The WBG will pilot the new SDIBs infrastructure bonds with the aim to raise significant private sector financing for infrastructure projects (Objective Indicator 15; Supplementary indicators 15.1). More generally the WBG will seek to leverage private sector participation, in particular through PPPs and guarantee mechanisms. Investments fostering transport multimodality and cost-efficient modes—in particular in rail and waterways—will be promoted. Highway investments will focus on corridor approach and level-of-service improvement, including road safety and climate-resilience outcomes (Objective Indicator 16; Supplementary Indicator 16.1). In addition, the IFC will support expansion of Brazil’s telecom infrastructure through broadband, infrastructure sharing, and expanding the mobile frontier. IFC will look to finance power sharing or fiber sharing aggregators, submarine cables and data centers to increase efficiency, reduce costs and expand access to data. IFC will also look to finance retail service providers to expand mobile penetration. Ensuring widespread access to broadband will allow for the further development of sectors such as e-commerce, venture capital, and fin-tech. (Objective Indicator 17; Supplementary Indicator 17.1). The WBG will also support the government to improve the technical and financial situation of selected electricity distribution companies and support the privatization of these companies over time—also drawing on the experience from the recent privatization process of the Electric Distribution Company of the State of Goiás (CELG), which was supported by IFC. In the same way the Bank will continue to support the increasing private participation and privatization of utilities based on demands from the national and subnational governments. MIGA is available to work with BNDES to explore options for credit enhancement guarantees for infrastructure investments.

The risks of not achieving the objective are high. The very small volume of funds which the WBG can bring to support the sector means that any success will depend on the development of new financing models as well as improvements in project planning and selection more broadly. Affordability constraints to access for the poor are a further risk that will need to be mitigated in the context of advisory work on sector regulation and on structuring specific PPP transactions.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 15</i> Volume of funding raised through the SDIBs infrastructure bonds: Baseline (2016): 0 Target (2022): US\$2 billion</p> <p><i>Indicator 16</i> Number of km of roads upgraded, including under PPPs, supported by WBG investment: Baseline (2016): 1,600 Target (2022): 6,600</p> <p><i>Indicator 17</i> Number of people benefitting from PPPs with IFC investment: Baseline (2016): 0 Target (2022): 8.4 million</p>	<p><i>Indicator 15.1</i> Number of pilot projects for Standardized Infrastructure Bonds (SDIBs), in coordination with the federal government by 2022: Baseline (2016): 0 Target (2022): 2</p> <p><i>Indicator 16.1:</i> Volume of funding leveraged through IBRD investments in the transport sector: Baseline (2016):US\$300 million Target (2022): US\$600 million</p> <p><i>Indicator 17.1:</i> Volume of IFC mobilization 2018-2022: Baseline (2016): N.A.</p>	<p><b>Financial Services (including IFC):</b></p> <p><u>Ongoing:</u></p> <p>IBRD</p> <ul style="list-style-type: none"> <li>• Energy and Mineral Sector Strengthening (P126537)</li> <li>• ELETROBRAS Distribution Rehabilitation (P114204)</li> <li>• Rio Grande do Sul Swap (P120830)</li> <li>• Tocantins Integrated Sustainable Regional Development (P121495)</li> <li>• São Paulo Sustainable Project (P127723)</li> <li>• São Paulo Sustainable Project (MIGA 12191)</li> <li>• Bahia Road Rehabilitation and Maintenance (P147272)</li> <li>• Rio Grande do Norte Regional Development and Governance Project (P126452)</li> </ul> <p>IFC</p>

	Target (2022): At least US\$1.5 billion	<ul style="list-style-type: none"> <li>• BH Primary Care (579487)</li> <li>• Belo Horizonte Schools (582687)</li> <li>• Bahia Health – Imaging and Telemedicine (588887)</li> <li>• Brazilian Airports (595567)</li> <li>• Bahia Roads (600597)</li> <li>• Para Schools (601015)</li> <li>• BR 116 (24443)</li> <li>• BA 093 (26967)</li> <li>• Bahia Health (27857)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>• Private Bond Investor Infrastructure Finance Project (Standard Infrastructure Bond SDIB) (P158080)</li> </ul> <p><b>Knowledge Services:</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• Supporting Private Sector Financing of Infrastructure (P157610)</li> <li>• Improving Infrastructure Efficiency (P156662)</li> <li>• Strengthening Governance in Infrastructure (P156825)</li> <li>• IFC work with BNDES on pipeline of bankable projects</li> </ul>
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**Focus Area 3: Inclusive and Sustainable Development**

The government remains fully committed to promoting inclusive and sustainable development, taking into account not only aspects related to environmental protection but also their economic and social dimensions. As the SCD highlights, the sustainable use of national resources (water, land, forests etc.) is often a critical determinant of the livelihoods of the poor and Bottom 40. This Focus Area promotes an integrated approach to building resilience of communities, ecosystems and production systems, which recognizes issues of sustainability and social inclusion as closely related. As discussed below, Brazil faces three different sets of challenges for an inclusive and sustainable development.

The WBG will support the government in fostering more equitable economic growth, social inclusion, and efficient use of resources, focusing on interventions related to land tenure and territorial development (at national, regional and city level), management of natural resources and biodiversity, climate change mitigation and adaptation, deforestation, land degradation, and water scarcity issues. The WBG will support the implementation of the National Policy on Climate Change (PNMC, Law No. 12.187/2009) and the achievement of Brazil’s NDC, which aims to reduce greenhouse gas emissions by 37 percent below 2005 levels by 2025 and 43 percent below 2005 levels by 2030. Many of the proposed strategies have been outlined in the PNMC, the National REDD+ Strategy, the Forest Code (Law No. 12,651/2012), the National System of Conservation Units Law (Law No. 9.985/2000) and the relevant regulation, programs and planning instruments.

**Objective 3.1: Support the achievement of Brazil’s NDC with a particular focus on land use**

**Intervention Logic**  
 The Bank is supporting the achievement of Brazil’s NDC and the implementation of its related targets in all sectors covered by the NDC through ongoing analytical work, and through strengthening Brazil’s national system of protected areas to increase the areas of environmental significance under protection measures and to support the design and adoption of sector specific NDC implementation plans (through the Amazon Regional Protected Areas Program and a new regional initiative, the Amazon Regional

Landscapes Project, for reducing emissions from deforestation and land degradation (REDD+) (Objective Indicator 18; Objective Indicator 20), also contributing to lower GHG emissions (Supplementary Indicator 18.1).

The WBG will continue to support management of natural resources in a sustainable way, combining conservation with the promotion of local and regional economic development, as well as to work with the federal and state governments to sustain the low carbon emissions trajectory in agriculture and land use to which Brazil has committed under its NDC targets by supporting farm holdings in the adoption of landscape management and/or sustainable agricultural practices (Objective Indicator 19).

The WBG will seek new models to support investment in infrastructure to mitigate climate change. This will include analytical work and policy dialogue with energy sector authorities focusing on the ongoing energy sector reform. The engagement encompasses climate change energy policies, to promote the integration of distributed generation of renewable energy and energy conservation, investments in energy efficiency of industrial facilities and municipal services and the leveraging of global climate funds to mobilize commercial financing and catalyze investments at scale. In addition, the Bank will support the Ministry of Finance in developing economic instruments to reduce emissions in the energy, industry and agro-industrial sector, specifically by contributing to the design of carbon pricing instruments. IFC will make direct investments in the renewable energy sector, seeking to further diversify Brazil's energy matrix, while upholding international best practices in social and environmental standards.

Risks to achieving this objective include (i) lower priority to NDC commitments in a time of low growth and fiscal consolidation, (ii) slow implementation of policy changes because of weak institutional capacity, (iii) and delays in project implementation due to weak implementation capacity at the subnational level. The WBG will need to stand ready to step up *advocacy* activities in support of the implementation of Brazil's NDCs and seek to join forces with other stakeholders and development partners to help mitigate these risks.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 18</i> Areas of environmental significance under protection measures in target areas in Amazon and coastal/marine regions: Baseline (2016): 58.6 million ha Targets (2022): 63.8 million ha</p> <p><i>Indicator 19</i> Number of farm holdings adopting landscape management and/or sustainable agricultural practices as a result of WBG support (disaggregated by gender and minorities): Baseline (2016): 356,000 Target (2022): 416,000</p>	<p><i>Indicator 18.1</i> Tons of GHG emissions avoided through conservation and enhancement of carbon stocks in forests and other forms of native vegetation: Baseline (2016): 0 Targets (2022): 300mio tons of CO2 equivalent</p> <p><i>Indicator 19.1</i> Number of institutions provided by Bank projects with capacity building support<sup>64</sup> to improve environmental management at the landscape level and/or to enact policies to reduce deforestation and forest fire in the Amazon and Cerrado biomes, including REDD+ policies (number of states): Baseline (2016): 6stateswhere land use planning under development (in TO, RS; SP; capacity building support to BA and PI focus on CAR system; capacity building support to SP; PR, RS and TO focus on licensing and environmental management; capacity building support focus on land administration to PI) Target (2022): 11 states and MMA (federal) with improved environmental</p>	<p><b>Financial Services (including IFC):</b> <u>Ongoing:</u> - Acre Social and Economic Inclusion Project (P107196) - Piauí Pillars of Growth and Social Inclusion SWAp (P129342) - Paraná MST Development Swap (P126343) - Rio Grande do Norte Regional Dev. (P126452) - GEF Amazon Region Protected Areas Phase 2 (P114810) - GEF Marine Protected Areas Project (P128968) - FIP Cerrado Monitoring System (P143185) - Pro Cerrado Federal (P150892) - FIP ABC Cerrado (P143184) - Brazil DGM for Indigenous Peoples and Traditional Communities (P143492) - Pernambuco Rural Economic Inclusion (P120139), - Bahia Sustainable Rural Development (P147157) - Platform Warning of Forest Fires (P149189) - Market Instruments for Climate Change (P146371) - Vale do Parana (IFC 560782) - USJ Acucar e Alcool (IFC 576661) - Banco Cooperativo Sicredi (IFC 639345) - Minerva (IFC 656868) - Vonpar Alimentos (IFC 705847) - Klabin (IFC 718944)</p>



<p><i>Indicator 20</i> Number of sectors for which a specific NDC implementation plan was designed and adopted: Baseline (2016): 0 Target (2022): 5 (indicative sectors: Energy, Agriculture, Forestry, Industry and Transport)</p>	<p>and land planning management systems supported</p> <p><i>Indicator 19.2</i> Number of properties where legal reserves and permanently protected areas are implemented and/or land restoration practices adopted (reforestation, restoration, natural regeneration or invasive species control): Baseline (2016): 17,500 landholdings registered in SICAR Target (2022): 77,000 and holdings registered</p> <p><i>Indicator 19.3</i> IPTC organizations with increased involvement, role and voice in REDD+/climate change decision-making:<sup>65</sup> Baseline (2016): 9 Target (2022): 24</p> <p><i>Indicator 19.4 (IFC)</i> Number of farmers benefitting from IFC investments in large farms, agroindustry: Baseline (2016): 338,000 Target (2021): 339,000</p> <p><i>Indicator 20.1 (IFC)</i> Volume of climate finance provided through financial institutions: Baseline (FY17): US\$47 million Target (2022): US\$119 million</p>	<ul style="list-style-type: none"> <li>- ASA Participacoes e Administracao (IFC 743752)</li> <li>- Bertin (IFC 525903)</li> <li>- Biosev (IFC 771619)</li> <li>- Usina Delta (IFC 775608)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>- GEF Brazil Amazon Sustainable Landscapes Project (P158000)</li> <li>- Paraiba Sustainable Rural Development (P147158)</li> <li>- Cerradinho Bio (35523)</li> <li>- IFC climate on-lending through financial institutions</li> </ul> <p><b>Knowledge Services:</b></p> <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>- TA DEFRA Cerrado Climate Change (P145822)</li> <li>- Support for Setting Post-2020 Scenarios (PMR) (P153109)</li> <li>- Revisiting Power and Gas Reforms in Brazil (161056)</li> <li>- Brazil Energy Efficient Cities Program (150942)</li> <li>- Market Instruments for Climate Change (P146371)</li> <li>- Support to Brazil's NDC Implementation (P157893)</li> <li>- Towards Water Security in Brazil</li> <li>- IFC Green Buildings Advisory (EDGE)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>- Amazon Sustainable Landscape TA (P159233)</li> <li>- FIP Coordination (P152285)</li> <li>- PROFOR analytics in support NDC implementation</li> <li>- NDC Partnership Facility</li> <li>- Forest Investment Program</li> <li>- Bio Carbon Fund ISFL Initiative</li> <li>- FinBRAZEEC: Financing Energy Efficient Cities (new)</li> </ul>
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## Objective 3.2: Provide more inclusive and sustainable urban services

### Intervention Logic

The WBG will support the government to increase the number of people with improved urban living conditions (in terms of water supply, sanitation, sewerage, sidewalks, roads, etc.) (Objective Indicator 21). To improve access, management and efficiency of water and sanitation services in cities, the WBG will invest in the physical and institutional infrastructure to attain greater resilience to the increased variability of water supply while also focusing on pricing policies to ensure that water charges reflect provision costs (Supplementary Indicator 21.1). The support from the WBG will be embedded in the broader context of water resource management and protection of scarce water resources. The WBG will also scale-up its support to more efficient and green transport services and infrastructure projects, in particular more energy-efficient urban transport modes, such as non-motorized and public transport, notably in Rio de Janeiro and São Paulo (Objective Indicator 22; Supplementary Indicator 22.1). For greener, more efficient and reliable energy services, the WBG will incentivize and facilitate the financing of energy efficiency measures (Fin BRAZEEC: Financing Energy Efficient Cities) (Supplementary Indicator 21.2), including green buildings by IFC (Supplementary Indicator 21.3). The Bank's engagement in the water sector will continue, including at the water basin level, focused on improved water resource management, inter-stakeholder coordination, utility governance, regulation and critical investments (Supplementary Indicator 21.4). Finally, the Bank will consolidate its analytical work, mainstream resilience in its infrastructure portfolio and work with national level agencies to ensure Brazil's cities are less vulnerable and more capable to cope with the consequences of climate change (Supplementary Indicator 21.6).

Risks to achieving this objective include: (i) changes in priorities due to political changes and fiscal constraints facing subnational governments; (ii) delays due to limited capacity and lack of financial resources of subnational governments to implement projects; (iii) delays or cost increases related to social and environmental safeguards; (iv) difficulties in attracting private investors and/or difficulties in structuring PPPs to that service access for the poor is ensured (will often require some form of public commitment); and (v) uncertainties regarding the future project pipeline.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 21</i> People provided with improved urban living conditions:<sup>66</sup> Baseline (2016): 132,900 Target (2022): 1,000,000</p>	<p><i>Indicator 21.1</i> People with improved access to sanitation (urban): Baseline (2016): 130,700 Target (2022): 650,000</p> <p><i>Indicator 21.2</i> Number of cities with public lighting concession contracts: Baseline (2016): 2 Target (2022): 6</p> <p><i>Indicator 21.3</i> Number of green buildings certified through IFC EDGE program: Baseline (2016): 0 Target (2022): 250</p> <p><i>Indicator 21.4</i> Pollution load reduction in river basins supported by Bank projects Baseline (2016): 2,502 tons of BOD/year Target (2022): 11,700 tons of BOD/year</p> <p><i>Indicator 21.5</i></p>	<p><b>Financial Services (including IFC):</b> <u>Ongoing:</u> - AF Upgrading and Greening Rio Railways - Rio de Janeiro Mass Transit II - São Paulo Metro Line 4 (Phase 2) (P106390) - São Paulo Metro Line 5 (P116170) - Sergipe Water (P112074) - Rio de Janeiro Municipal Strengthening PSM (P127245) - Espírito Santo Integrated Sustainable Water Management (P130682) - Pernambuco Sustainable Water (P108654) - Aegea Saneamento (IFC 715224)</p> <p><u>Pipeline:</u> - FinBRAZEEC: Financing Energy Efficient Cities (new) - Fortaleza sustainable development project (P153012) - Salvador Social Multi-Sector Service Delivery Project (P162033) - Recife Project (P160868)</p> <p>- Aegea Equity II</p> <p><b>Knowledge Services:</b> <u>Ongoing:</u></p>

<p><i>Indicator 22</i>  Number of urban citizens using more efficient and greener urban transport (São Paulo and Rio de Janeiro):  Baseline (2016): 1,510,000 pax/day  Target (2022): 2,400,000 pax/day</p>	<p>IFC: Freshwater saved (M m3) through IFC investments:  Baseline (2016): 84.41  Target (2021): 107.00</p> <p><i>Indicator 21.6</i>  Disaster risk mechanisms and response integrated into government plans:  Baseline (2016): 0  Target (2022): 2</p> <p><i>Indicator 22.1</i>  Number of users/day in improved public transport with less than 4 minimum salaries:  Baseline (2016): 68,000 users/day  Target (2022): 400,000 users/day</p>	<ul style="list-style-type: none"> <li>- Innovation in DRM Decision Making in Brazil (P153019)</li> <li>- Online Retail and Urban logistics (P156916)</li> <li>- ASA: Revisiting the Power and Gas Sector Reforms in Brazil (P161056)</li> <li>- IFC Green Buildings Advisory (EDGE)</li> </ul>
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### **Objective 3.3: Promote socio economic development of small rural producers and protect vulnerable groups**

#### **Intervention Logic**

The WBG will continue to partner at the subnational level, especially in Brazil's Northeast, on productive inclusion of family farmers. It will support investments that provide farmers with productive assets, better access to services, and better connections to local, urban, regional and global markets (Objective Indicator 23). This will include investing in sustainable productivity gains and improving access to financing, climate-smart and modern production technologies, and strengthened agricultural extension services (Supplementary Indicator 23.1; Supplementary Indicator 23.2). The WBG will also pursue investments in transport networks and rural infrastructure to improve competitiveness (Supplementary Indicator 23.3). The WBG will also support Brazil's efforts towards improving livelihood and promoting greater social and economic inclusion of vulnerable groups in rural areas such as indigenous peoples and Quilombolas (Objective Indicator 24). The Bank will continue to promote awareness of gender equality issues and use gender-sensitive approaches in its lending and knowledge work. The Bank will also continue to support the development of new and more sustainable models for water supply and sanitation in rural areas based on experience from the Bank's existing portfolio—in rural low-density and remote areas public intervention and investment are expected to remain the mainstream model, but innovative participatory management models can reduce costs and improve efficiency (Supplementary Indicator 23.4; Supplementary Indicator 23.).

Risks to meeting this objective include (i) delays in project implementation to do weak implementation capacity at the subnational level, (ii) lower priority to investments in rural areas in a time of low growth and fiscal consolidation, (iii) slow implementation of policy changes because of weak institutional capacity.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p><i>Indicator 23</i> Number of farmers reached with agricultural assets or services: Baseline (2016): 280,000(of which women 105,000) Target (2022): 750,000 (of which women 450,000)</p> <p><i>Indicator 24</i> Number of traditional communities with improved livelihoods:<sup>67</sup> Baseline (2016):172 Target (2022): 306</p>	<p><i>Indicator 23.1</i> Number of farmers adopting improved and sustainable agriculture practices and technologies as a result of Bank supported projects (also related to indicator 14): Baseline (2016): 54,000 Target (2022): 179,000</p> <p><i>Indicator 23.2</i> Number of rural producers reached with assets or improved technical services: Baseline (2016): 107,000 Target (2022): 353,000</p> <p><i>Indicator 23.3</i> Rural roads constructed or rehabilitated (km): Baseline (2016): 719 Target (2022):2190</p> <p><i>Indicator 23.4</i> Rural dwellers provided with improved access to water (number): Baseline (2016): 24,500 Target (2022): 153,000</p> <p><i>Indicator 23.5</i> Rural dwellers provided with improved access to sanitation (number): Baseline (2016): 32,000 Target (2022): 61,600</p>	<p><b>Financial Services (including IFC):</b> <u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• MST Rio Grande do Norte Regional Development (P126452)</li> <li>• Piauí Pillars of Growth and Social Inclusion Swap (P129342)</li> <li>• Acre Social and Economic Inclusion Project (P107196)</li> <li>• AF MST Proacre (P107146)</li> <li>• Paraná MST Sustainable Development SWAp (P126343)</li> <li>• Ceará Rural Sustainability and Competitiveness (P121167)</li> <li>• Espírito Santo Integrated Sustainable Water Management (P130682)</li> <li>• Pernambuco Sustainable Water (P108654)</li> <li>• Pernambuco Rural Economic Inclusion (P120139)</li> <li>• Bahia Sustainable Rural Development (P147157)</li> <li>• Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities (P143492)</li> <li>• PRORURAL Pernambuco (P120139)</li> <li>• Rural Environmental Cadaster and Forest Fire Prevention in Bahia State (P143376)</li> <li>• Rural Environmental Cadaster and Forest Fire Prevention in Piauí State (P143362)</li> </ul> <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> <li>• New subnational investment operations</li> <li>• Paraíba Sustainable Rural Development (P147158)</li> </ul> <p><b>Knowledge Services:</b> <u>Ongoing:</u></p> <ul style="list-style-type: none"> <li>• Brazil Poverty Measurement &amp; Monitoring (P160742)</li> <li>• Brazil Programmatic Poverty Analysis (P157875)</li> <li>• BR Gender &amp; Knowledge Dissemination (P160743)</li> <li>• BR Transport and Gender Mainstreaming</li> <li>• UFGE – Expanding Women’s Agency through Productive Inclusion in Rural Areas of Northeast Brazil</li> <li>• UFGE – Strengthening Subnational Government Capacity to Promote Economic Empowerment and Prevent Violence Against Women</li> <li>• Towards Water Security in Brazil</li> </ul>

**ANNEX B: COMPLETION AND LEARNING REVIEW**

**Document of  
The World Bank**

**FOR OFFICIAL USE ONLY**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
INTERNATIONAL FINANCE CORPORATION  
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COMPLETION AND LEARNING REVIEW  
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE FEDERATIVE REPUBLIC OF BRAZIL**

**FOR THE PERIOD FY12-FY15**

**April 12, 2017**

**Brazil Country Management Unit  
Latin America and the Caribbean Region**

**The International Finance Corporation  
Latin America and the Caribbean Region**

**The Multilateral Investment Guarantee Agency**

## CURRENCY EQUIVALENTS

Exchange Rate Effective March 14, 2017

Currency Unit = Real  
Real 3.15 = US\$1.00

## WEIGHTS AND MEASURES

Metric System

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Activity	<i>Atividade de Análise e Assesoria</i>
AFD	French Agency for Development	<i>Agência Francesa de Desenvolvimento</i>
APL	Adaptable Program Loan	<i>Empréstimo Adaptável ao Programa</i>
BCB	Central Bank of Brazil	<i>Banco Central do Brasil</i>
BNDES	National Bank of Economic and Social Development	<i>Banco Nacional de Desenvolvimento Econômico e Social</i>
BSM	Brazil Extreme Poverty Eradication Plan	<i>Brasil sem Miséria</i>
DPL	Development Policy Loan	<i>Empréstimo para Políticas de Desenvolvimento</i>
DRM	Disaster Risk Management	<i>Gestão de Risco e de Desastres</i>
ESF	Family Health Strategy	<i>Estratégia de Saúde da Família</i>
FDI	Foreign Direct Investment	<i>Investimento Direto Estrangeiro</i>
FY	Fiscal year	<i>Ano Fiscal</i>
GDP	Gross Domestic Product	<i>Produto Interno Bruto</i>
GNI	Gross National Income	<i>Rendimento Nacional Bruto</i>
GEF	Global Environmental Facility	<i>Fundo para o Meio Ambiente Mundial</i>
GoB	Government of Brazil	<i>Governo do Brasil</i>
IADB	Inter-American Development Bank	<i>Banco Interamericano de Desenvolvimento</i>
IBRD	International Bank for Reconstruction and Development	<i>Banco Internacional para a Reconstrução e o Desenvolvimento</i>
ICT	Information and communications technology	<i>Tecnologias de informação e comunicação</i>
IDF	Institutional Development Fund	<i>Fundo de Desenvolvimento Institucional</i>
IEG	Independent Evaluation Group	<i>Grupo de Avaliação Independente</i>
IFC	International Financial Corporation	<i>Corporação Financeira Internacional</i>
LAC	Latin America and the Caribbean	<i>América Latina e Caribe</i>
MIC	Medium Income Countries	<i>Países de rendimento médio</i>
MIGA	Multilateral Investment Guarantee Agency	<i>Agência Multilateral de Garantia de Investimentos</i>
NHSFO	Non-Honoring Financial Obligations	<i>Inadimplência de Obrigações Financeiras</i>
NLTA	Non-Lending Technical Assistance	<i>Assistência Técnica Não-Reembolsável</i>
OECD	Organization for Economic Co-operation and Development	<i>Organização para a Cooperação e o Desenvolvimento Econômico</i>
PAC	Growth Acceleration Program	<i>Programa de Aceleração do Crescimento</i>
PISA	Program for International Student Assessment	<i>Programa de Avaliação Internacional de Estudantes</i>
PPP	Public-Private Partnerships	<i>Parcerias Público-Privadas</i>
PRONATEC	National Access to Technical Education and Employment	<i>Programa Nacional de Acesso ao Ensino Técnico e Emprego</i>
RAS	Reimbursable Advisory Service	<i>Serviços Reimbolsáveis de Consultoria</i>

RBM	Results Based Management	<i>Gestão baseado em resultados</i>
SBL	Single Borrower Limit	<i>Limite de Exposição aos Países</i>
SME	Small and Medium Enterprises	<i>Pequenas e Médias Empresas</i>
SPCI	Shared Prosperity Convergence Index	<i>Índice de Convergência de Prosperidade Compartilhada</i>
SUS	Universal Health System	<i>Sistema Único de Saúde</i>
SWAp	Sector Wide Approach	<i>Abordagem Setorial Ampla</i>
TA	Technical Assistance	<i>Assistência Técnica</i>
WB	World Bank	<i>Banco Mundial</i>

	<b>World Bank</b>	<b>IFC</b>	<b>MIGA</b>
<b>Vice President:</b>	Jorge Familiar	Snezana Stoiljkovic	Keiko Honda
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**ANNEX B**  
**BRAZIL 2012-15 CPS COMPLETION AND LEARNING REVIEW**

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## I. INTRODUCTION

1. **This Completion and Learning Review (CLR) is a self-evaluation by the World Bank Group (WBG) of the outcome and implementation of the *Brazil FY12-15 Country Partnership Strategy (Report No. 63731-BR)*.**<sup>1</sup> It evaluates the extent to which the CPS was successful in achieving its stated objectives, how well the WBG designed and implemented the program, and how well the program focused on the twin corporate goals of reducing poverty and boosting shared prosperity in a sustainable manner. The CLR uses the results matrix as updated in the *Brazil FY12-15 CPS Progress Report (Report No. 89496-BR)* to assess outcomes.

2. **The overall progress toward achieving the CPS objectives was *moderately unsatisfactory*.** The WBG program Mostly Achieved or Partially Achieved the majority of the 19 Outcomes specified in the updated results matrix. It was designed to support Brazil's efforts to eradicate poverty and to become a more prosperous and inclusive country. It aimed to do so by supporting activities to achieve four strategic objectives: (a) increase the efficiency of public and private investment, (b) improve the quality and expand the provision of public services for low-income households, (c) promote regional economic development, and (d) improve sustainable natural resource management and climate resilience.

3. **The design of the CPS highlighted the challenge inherent in preparing a WBG strategy for a large Federal country.** The program was well aligned with the corporate goals and highly focused on Brazil's efforts to eliminate poverty and promote prosperity and inclusion. It did so both through the content of operations and the effective shift of operations to poorer regions. Brazil's innovative and highly successful experience in poverty reduction was also effectively shared with other countries. Nonetheless, the design of the CPS suffered from the difficulty of attributing project level outcomes, mostly at the subnational level, to national level CPS outcome areas.

4. **WBG performance in implementation of the program was *good*.** The program was well-aligned with Brazil's priorities and focused on sub-national entities, effectively combining national level analytic work with a lending program composed mostly of multi-sector operations at the sub-national level. The program was largely implemented as designed and total IBRD lending (US\$9.6 billion) surpassed that originally envisaged. IFC investments totaled US\$8.8 billion, of which \$6.1 were from IFC's own account and \$2.7 were in mobilized from other players. However, towards the end of the CPS period, the quality of the lending portfolio suffered from a substantial deterioration associated with the deepening economic and fiscal crisis in Brazil, raising questions over its resilience.

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<sup>1</sup> The FY12-15 CPS was discussed by the Executive Directors on November 1, 2011.

## II. PROGRESS TOWARDS COUNTRY DEVELOPMENT OUTCOMES

### *Evolution of Poverty Reduction and Shared Prosperity*

5. **Between 2001 and 2013, 24.6 million Brazilians have escaped poverty, although Brazil remains one of the most unequal countries in the world.** The country experienced a rapid decline in inequality over the past decade, with the Gini coefficient of household incomes falling from 0.59 to 0.53. To a large extent, it was due to a booming economy, fueled by favorable external conditions, generating formal employment and allowing an increase in real wages, and, to a lesser extent, active policies of social inclusion.

6. **Labor markets drove shared prosperity, while transfers helped reduce extreme poverty.** The road to prosperity for the majority of poorer Brazilians has been through a formal sector job. For the poorest Brazilians, however, social transfers have been more important than labor markets in the past decade. Sixty-two percent of the decline in extreme poverty in Brazil between 2004 and 2013 was due to changes in non-labor income (mainly transfers from the *Bolsa-Família* Conditional Cash Transfer program).

7. **The rapid decline in poverty and inequality between 2001 and 2013 has come to a halt in recent years, and there is a risk that poverty may increase due to the economic crisis.** After two years of severe recession, poverty rates have started to increase again and may rise further as unemployment has increased sharply. The moderate poverty rate, measured by the international line of US\$ 4 a day, is expected to reach 20.2 percent in 2018—2.1 p.p. higher than in 2014. The extreme poverty rate (US\$ 2.5 a day) is projected to increase (between 2014 and 2018) by 1.4 p.p. to 9.2 percent. The relatively limited increase in poverty rates, despite the severe recession, is partly explained by the strong growth in incomes during the past decade, resulting in lower shares of the population around the poverty lines. Many Brazilians are suffering a setback, but most of them will still be able to sustain incomes high enough not to fall into poverty. Similarly, the improved access to basic public services seems largely irreversible. This highlights a welcome degree of resilience of Brazil's social achievements.

### *Evolution in Key Macroeconomic Developments*

8. **The CPS period was characterized by two distinct phases in macroeconomic performance.** Growth in 2011-12 was positive, with Brazil experiencing buoyant terms of trade, substantial capital inflows, rising incomes and rapidly rising employment. In the second half of 2012, however, the economy started losing steam. The commodity cycle turned and global credit conditions began tightening. Initially the government reacted by continuing with the countercyclical policy begun during the 2009 recession, lowering interest rates, expanding government directed credit, and controlling utility prices to support demand. Against the background of longer-term shifts in the global outlook, these policies simply aggravated underlying structural imbalances, including excessive spending commitments enshrined in basic legislation, market distortions and lack of competition and thus weak productivity performance. As a result, from 2014 onwards investor and consumer confidence fell and Brazil moved into the deepest recession in several generations, with incomes falling by close to 8 percent cumulatively in 2014-2016.

9. **The depth of Brazil's recession has unmasked fiscal challenges that the country believed to have addressed with a series of reforms in the late 1990s.** Tight fiscal policy, inflation targeting and a flexible exchange rate regime ensured macroeconomic stability and falling interest rates and was the foundation for a credit-fueled consumption boom during the 2000s. However, throughout this period, consolidated government spending continued rising as a share of GDP (by 3.4 percent between 2002 and 2014), driven by growing health, education and social security spending. The additional stimulus in 2012-

14 added to fiscal pressures and the primary balance moved from a 2.1 percent surplus to a 0.6 percent deficit in 2014. The deteriorating fiscal outlook prompted the loss of Brazil's investment grade credit rating in August 2015. The *Lava Jato* investigations of a wide-spread party-financing and corruption scandal have further undermined confidence and paralyzed private investment, as some of Brazil's largest companies have been tried for bribery and money laundering.

10. **Since the start of 2015, Brazil has been attempting fiscal consolidation in the middle of a deep recession.** In 2015, despite deep cuts to public investment and other austerity measures (notably the tightening of eligibility for unemployment benefits and survivor pensions) and a series of steps to raise revenue, the primary and overall fiscal deficit widened to 2.5 and 10 percent of GDP in 2016. Fiscal consolidation has been complicated by the continuous decline in revenues (which given the weight of consumption based taxes are highly pro-cyclical), legal obstacles against reducing spending commitments on social security and public employment (in part related to indexation mechanisms), and the need to bail-out subnational governments and state-owned enterprises which had overextended themselves during the boom years. The deterioration in fiscal performance has had a direct impact on the World Bank's program and portfolio as discussed further below.

11. **Fiscal consolidation is key to the return in confidence.** Growing fiscal imbalances have led to rapidly rising debt levels – general government debt has risen from 57 percent of GDP at end 2014 to 70 percent by August 2016.<sup>2</sup> The poor fiscal outlook has led to rising interest rates and declining prices for all Brazilian assets, aggravating the slump in aggregate demand. The impeachment of President Dilma Rousseff and the transition to a new government led by former Vice President Michel Temer in mid-2016 raised market expectations that fiscal consolidation will happen. Confidence indicators and asset prices (including the exchange rate) have bounced back and economic activity seems to have bottomed out, with GDP expected to grow moderately in 2017. However, the unemployment rate is still rising, standing at 12.8 percent in January 2017, and impeding a rebound in consumption. With inflation falling after mid-2016, the Central Bank has cutting interest rates rapidly from the high of 14.25 percent. Sustained economic recovery will remain contingent on real progress in fiscal consolidation, falling rates and a recovery in private investment.

### *New or Emerging Country Development Issues*

12. **Recent changes in the macroeconomic environment have exposed shortcomings in Brazil's development model.** Insufficient infrastructure marked by low levels of public and private investment, weak domestic competition and low levels of international integration have limited Brazil's growth potential. The unsustainable nature of public spending commitments in the face of low growth and considerable public sector inefficiencies creates fiscal pressures and puts macroeconomic stability at risk. It also negatively impacts the provision of public services which disproportionately affects the Bottom 40. While public transfers have grown considerably, the majority of public spending benefits individuals who are not poor (particularly through an unaffordable pension system), and firms that are uncompetitive and specialize in rent seeking rather than innovation. Brazil will have to improve the way public resources are allocated and overcome vested interests that militate against the reduction of rents. It will also have to combine public transfers to the poor and vulnerable with stronger incentives for private investment and harness the power of market competition to encourage innovation.

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<sup>2</sup> This is in accordance with Brazilian methodology. According to IMF methodology, public debt is several percentage points higher.

### III. CPS PROGRAM PERFORMANCE

13. **Overall, the CPS Program performance is rated *Moderately Unsatisfactory*.** This is based on the Self Evaluation Framework, which indicates that for the four Strategic Objectives, the majority of CPS outcomes were either mostly achieved or partially achieved. These outcomes were the result of the Bank Group's activities through provision of financial services and advisory services, details of which are provided in Annexes 3 and 9, respectively.

14. **Brazil has made progress towards many of the development outcomes that comprise the CPS, although in some areas the Bank's contribution is difficult to assess.** Brazil has made significant progress in reducing poverty and promoting shared prosperity during the CPS period. It also made substantial progress towards many of the national level development outcomes which are included in the CPS results matrix, even though the recent economic crisis has had a negative impact in some areas. The WBG's contribution to the achievement of several of these results is difficult to measure, however, since, as requested by the federal government, most of the Bank's interventions have been at the subnational level.

15. **While many of Brazil's social and environmental achievements over the past decade appear so far to have been resilient to the sharp economic downturn, the same cannot be said of the World Bank's portfolio.** Starting in FY15, World Bank funded projects started to experience growing problems in implementation related to lack of counterpart funding, budget sequestration and lack of government attention, reflected in the rise in problem projects to over a third of the portfolio by end FY15 and a sharp drop in disbursement rates. A detailed portfolio analysis revealed that the decline in performance was not associated with program design. No patterns were detected across states, sectors, instruments, preparation times or use of multi-sector vs single sector interventions (see Annex 11 for details). This suggests that the portfolio as a whole lacked resilience in the face of the sharp swing in macroeconomic and fiscal conditions. The impact of the macro crisis on portfolio performance was most significant in states that faced the deepest fiscal challenges, but also on federal technical assistance loans that suffered from repeated sequestration. Lending volumes also dropped sharply from around US\$2.5 billion in FY12-14 to US\$650 million in FY15-16. In sum, the Bank's subnationally-focused business model was effective during the boom years, but could not be sustained as Brazil's economic development model ran aground.

16. **The WBG's analytical work program shifted towards addressing Brazil's long-standing structural constraints only in the last two years of the CPS.** Work on fiscal policy, public spending, infrastructure gaps and productivity growth began in 2015 with recommendations feeding into the design of the Government's current adjustment efforts and into the new CPS. The limited attention on the sustainability of Brazil's economic and social policies may have contributed to the fact the neither the Bank nor its clients at the federal and subnational level were well-prepared for the possible negative impact of the recession on the operational program.

17. The status and evaluation of each CPS outcome is summarized in Annex 1 and detailed in Annex 2.

### ***Strategic Objective 1: Increase Efficiency of Public and Private Investment***

18. Activities under this area focused on promoting greater adoption of medium-term fiscal frameworks in states and municipalities as well as achieving increased result orientation in planning, budgeting, and expenditure in states. They also focused on strengthening institutional framework for public-private partnerships and on making a contribution to the policy dialogue on productivity issues.

19. **Outcome 1: *Not Achieved.* While there has been some progress towards improved medium-term fiscal planning, the economic and political crisis diverted the energy of governments towards short term management.** Moreover, changes in political leadership has in several cases led to reversals of earlier gains. As detailed in Annex 2, of the 15 subnational governments that were supposed to have adopted Medium-Term Expenditure Frameworks and improved public investment screening methodologies, only four states have made comprehensive progress on the framework and in most cases implementation has been sketchy. From a broader perspective, despite the successful introduction of fiscal management components in a number of subnational projects, the fiscal situation of all subnational governments has deteriorated substantially due to the recession, leading to the re-emergence of payment and salary arrears, the use of creative accounting practices and an overall deterioration in the environment for mid-term fiscal planning. A subnationally focused approach is demonstratively insufficient to deal with structural fiscal problems stemming from national legislation.

20. **Outcome 2: *Mostly Achieved.* Results-based management reforms have proved to be more robust than efforts to improve fiscal planning, particularly when implemented in selected sectors such as education, health, and security.** Results-orientation has been under implementation in Manaus and Acre since 2013; Ceara has been receiving technical assistance in these areas since 2012 and results-based management (RBM) is expected to be implemented in 2017 or 2018. Tocantins and Rio Grande do Norte are in the process of implementing results agreements for the first time. Minas Gerais has partially reversed some of the RBM reforms after the election of 2014 but has maintained them in education, health and security. Bahia, Pernambuco, and Rio de Janeiro continue with their policies of results-based management in the education and security sectors. The RMB model, first implemented in Minas Gerais, quickly disseminated and there is a strong and sustained demand for Bank support in this area. Other states that have implemented results-based management without Bank support include Sao Paulo, Goais, Espírito Santo and Mato Grosso do Sul. In the case of Mato Grosso do Sul there was no direct Bank support, but the RBM was strong influenced by the experience of Minas Gerais, and former officials of Minas Gerais were contracted as consultants. Bruns et al. (2013) report that 15 municipalities (including Belo Horizonte, Curitiba, Rio de Janeiro, and Sao Paulo) are using management for results in the education sector. Recife and Salvador are using results contracts and monitoring in the security sector, as they have endorsed their respective states' security strategy "Pacto pela Vida". Salvador is also in the process of implementing RBM in the social protection, health, and education sectors.

21. **Outcome 3: *Partially Achieved.* The WBG has strengthened the capacity of the Federal Government, States of Minas Gerais, São Paulo, Bahia State, and the Municipality of Rio de Janeiro to prepare and manage a PPP project pipeline through lending operations and Reimbursable Advisory Services (RAS).** In the municipality of Rio de Janeiro procedures for the technical analysis of PPPs were established and a PPP project pipeline was created. However, it is still too early to assess the quality of the PPP institutions and processes established. In São Paulo, a MIGA Guarantee coupled to an IBRD Loan has attracted private financing for the State highway rehabilitation program. This project could become a model for crowding in more private capital in the transport sector in the future. During the CPS period, the IFC helped to structure and implement nine PPP projects aimed at improving infrastructure and access to services in roads, health, education, and waste management. A total of US\$3.9 billion have been mobilized through these PPPs. A World Bank Report was prepared on PPP practices in Brazil, which has led to discussions on ways to strengthen institutional frameworks and seek support from the Global

Infrastructure Facility to strengthen regulatory frameworks and support the structuring of PPP projects. Despite advances in the design and implementation of PPP projects, institutional frameworks to support PPPs are still relatively weak and will require sustained support. In addition, efforts should continue to focus on increasing competition, opening the market to new private players, and improving the quality of the PPP project pipeline.

22. **The retreat of public banks in Brazil has created new opportunities for IFC.** IFC has had a successful partnership with the BNDES and IDB to design and structure public-private partnerships. Through the partnership, IFC worked on innovative PPPs in the social sectors that were able to have a demonstration effect in the market. Since 2016, with the retreat of the public banks from providing subsidized financing for up to the full cost of PPPs and concessions, IFC has begun to renew its PPP strategy to focus on more traditional, but larger and potentially higher impact PPP sectors such as road and sanitation infrastructure. IFC's role will now be to bring international best practices to project design and preparation in order to attract international private players to the market, while adjusting to a smaller role of the BNDES in long-term financing.

23. **Outcome 4: Partially Achieved. Substantive policy dialogue at the federal level on productivity issues has been initiated since the beginning of FY 2015,** including 4 major events (on cross-cutting productivity issues, on DB regulatory simplification, on innovation, and on the digital economy). IFC has supported APEX (Brazil's national investment promotion agency) and other investment promotion agencies in frontier states. The CPS outcome indicator in this area was process oriented and on this narrow definition, the objective was achieved. But to show demonstrable impact, the WBG would have had to have a discernible impact on policy itself. This has not happened until late 2016 after the CPS had expired. It is possible that impact would have been larger had the Bank placed greater emphasis on productivity and competitiveness issues in its program earlier on, although government demand at that time was limited. On balance, therefore, this CLR rates the outcome partially achieved.

24. **Despite a problematic business environment, IFC has continued to support micro, small and medium enterprises (MSME) and farmers through the provision of credit in partnership with domestic financial institutions.** In the 2011-2014 period financial institutions supported by IFC investments grew their MSME portfolio from 109,000 to 448,000 MSMEs, and made available over US\$38.5 billion of financing<sup>3</sup>. Through the Global Trade Finance program (GTFP) IFC guaranteed trade transactions of financial institutions in Brazil and strengthened their capacity to deliver trade finance. Between 2011 and 2015, IFC GTFP clients supported about 2,050 export and import transactions worth nearly US\$3.65 billion.

### ***Strategic Objective 2: Improve the Quality and Expand the Provision of Public Services for Low-Income Households***

25. Activities under this area focused on supporting improvements in the Government's poverty eradication programs, on improving the quality of early childhood development (ECD) services for the lowest income quartiles, on improving learning outcomes and completion rates in primary and secondary education, and on improving access to quality primary health care as well as the development of integrated health networks. Additionally, activities under this area strongly promoted support for active gender policies.

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<sup>3</sup> Source: IFC's DOTS- Development Outcome Tracking System

26. **Outcome 5: Achieved. Programs in this area were largely successful.** In 2014, 75 percent of families in income Quintile 1 received transfers from the *Bolsa Família* program, slightly missing the target of 78%. However, the WBG made significant contributions to the improvement of the targeting mechanisms, the strengthening of monitoring and evaluation systems and of basic operation of the program and, therefore, the outcome was considered achieved. Moreover, the recent Brazilian experience in fighting extreme poverty has been used as an example for other countries and the WBG has partnered with Brazil, the UNDP and the local think-tank IPEA to disseminate the country's experience through the "World Without Poverty" (WPP) learning initiative. At the same time, case studies on productive inclusion and international workshops on multidimensional poverty, and management of social program carried out under the WPP have translated into important inputs for improvements in MDSA policy guidelines and programs.

27. **Outcome 6: Partially Achieved. During the period of the CPS, the target for preschool (4-5 years of age) enrollment was largely exceeded, but the target for *creches* (0-3 years of age) was slightly missed.** The Ministry of Education (MEC) promotes a traditional model of service provision with high standards for infrastructure, equipment and staffing. Although investment and recurrent costs are partially financed by MEC, the municipalities that are responsible for the *creches* and preschool, are not able to increase supply fast enough to meet the potential demand and reach the 2021 targets set in the National Plan of Education. Since the bulk of the Bank's program was to support the expansion of access to *creches*, the rating for this outcome is *partially achieved*.

28. Operations in Recife, Ceará and Acre supported the expansion and improvement of service delivery in early childhood development (ECD). Specifically, in Recife, the Bank has worked with the Municipality to build new facilities in poor and underserved neighborhoods for children aged six months to 5 years of age, as well as to rehabilitate many of the existing ECD facilities. In Ceará, the Bank supported the training for municipal ECD coordinators and school principals through an innovative program that places strong focus in results based management and pedagogy. In addition, the Bank is also supporting the development and evaluation of a home-based parenting pilot program (*Programa de Apoio ao Desenvolvimento Infantil, PADIN*), which will train parents and caregivers in providing better cognitive and non-cognitive stimulation to children under five years old. In Acre, the WBG supported the *Asinhas da Floresta* program, which is expanding the coverage of ECD home-based programs to children of ages 0 to 3 years for approximately 3,000 children living in isolated areas. Going forward, to achieve further expansion of services, new delivery models that leverage parental initiative and private sector provision will be needed given fiscal constraints. This may also require engagement at the federal level to ensure national policy supports such new delivery models.

29. **Outcome 7: Partially Achieved.** During the CPS period targets measuring both learning outcomes and efficiency were met in 2011, but were missed in 2015, except to the early grades of primary education. Brazil has a national education assessment tool (IDEB), which measures both learning outcomes and internal efficiency.<sup>4</sup> IDEB scores improved rapidly for primary education until 2012 but have slowed since. For secondary education, outcomes have been stagnant and targets were missed by a large margin. One interpretation of this result is that early gains in educational effectiveness have been largely exhausted and deeper changes in education management, curriculum and teacher training will be needed. In general, there was a significant increase in the IDEB scores and a reduction in dropout rates in all areas that benefited from Bank supported primary and secondary interventions, but not significantly different from national trend. However specific impact evaluation would be required in order to assess how much can be attributed to WBG interventions.

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<sup>4</sup> IDEB is calculated by INEP/MEC every two years at the school, municipal, state and national levels and is based on two components: student performance in the nationwide standardized test (*Prova Brasil/SAEB*) and student pass rates.



30. **There were substantial improvements in coverage in the Bottom 40 of the income distribution as well as in primary and secondary education quality in public schools**, which mostly serve low-income students. Net enrollment for children in the Bottom 40 increased from 25.5% in 2012 to 30.4% in 2015 for children ages 0 to 3 and from 85.7% to 90.4% for children ages 4 to 5.

31. **The World Bank has supported several innovative education programs with promising results.** In Pernambuco and Recife, the Bank supported students enrolled in programs sponsored by the Ayrton Senna Foundation and Roberto Marinho Foundation helping them to catch up and reintegrate into the school system at the correct age-grade level. The Bank also supported the extension of the school day in Pernambuco and Piauí. The provision of full-time school in upper secondary education in Pernambuco contributed to reduce dropout rates and was a factor behind the recent progress made by the State on IDEB. Pernambuco and Rio de Janeiro also benefited from WBG support in the implementation of an M&E program that increased accountability and allowed customized support to be provided to individual schools. The state networks of both states had the largest increase in IDEB in upper secondary education between 2009 and 2013. This is one outcome area in the CPS where national level targets were unlikely to be influenced by subnational interventions and where CPS outcomes were not fully reached despite significant project achievements on the ground.

32. **IFC investments in education focused on institutions that provide private tertiary education services to low and middle-income students** in the south, north, and north-east regions of Brazil. As a result, between 2011 and 2014, IFC clients reached 2.8 million students with their services; an average of 700,000 students per year. Over 1.5 million students reached by IFC clients (of which 54 percent were women).

33. **Outcome 8: Achieved. As of December 2014, 48.2 percent of the population in municipalities with more than 100,000 inhabitants were covered by Family Health Strategy and were benefitting from PROESF, exceeding the target of 43 percent.** Bank interventions supported the expansion of family health care both at the federal level (Family Health II, part of an APL that started in 2002) and through state level interventions in Acre, Bahia, Rio Grande do Norte and Parana. Additionally, IFC supported Rede D'Or, the largest private hospital network in Brazil, and Allier, a diagnostic imaging industry, to expand affordable and high quality health care services to low income population and underserved regions of Brazil. Patients served by these clients increased from 893,000 in 2011 to 3.9 million in 2014. About 1.7 million patients served by these IFC clients in 2014 (43 percent of the total) were women. Despite significant achievements in meeting CPS targets, the WBG's efforts at the project level to achieve improved health outcomes and efficiency gains beyond merely expanding coverage were less successful, as reflected in project ratings at exit (Annex 11).

34. **Outcome 9: Achieved. The percentage of Regional Health Care Networks (RHCN) having implemented new governance mechanisms to improve regional coordination has increased and the target has been achieved in 2015.** The WBG engagement helped to put the concept of regionalization of health care networks on the government's agenda, and supported the development of the legal and institutional basis for their implementation. The WBG also supported through technical dialogue the implementation of innovative governance mechanisms (regional management committees, inter-regional base contracts or intergovernmental agreements based regional or global health consortia) for integrated healthcare networks. Subnational level interventions were also required to be subject to the same governance framework established by the Ministry of Health for the *Sistema Único de Saúde (SUS)* and were, therefore, in alignment with the Bank's project support in this area (Qualisus). This operation, however, suffered from a mid-term change in government priorities which led to implementation delays and the failure to reach project targets despite reaching the CPS outcome target. The gap between the achievement of outcome indicators at the CPS level and project level indicators raises questions over the attribution of CPS outcomes to Bank activities in both outcome areas related to health.

35. **Outcome 10: *Achieved*. By December 2015, 6 states have been supported by the Bank in implementing projects with a stand-alone gender component** (Bahia, Pernambuco, Acre, Amazonas, Sergipe and Rio de Janeiro), exceeding the target of 5 states. These operations supported actions on the following themes: 1) Strengthening of the role and capacity of the Women’s Secretariats at the state level; 2) Implementation of VAW legislation and policies at the state level; 3) Economic autonomy (of women); 4) Teenage pregnancy and maternal health. A qualitative review of the WBG’s experience in this area based on desk review and individual interviews with counterparts and Bank staff showed increased visibility and bargaining power of state institutions (see executive summary in Annex 12). It also showed that gender issues are now being placed at the core of the development policies of these states. However, in the context of fiscal austerity the creation of women’s secretariats may be at risk and the Bank’s continued advocacy on gender issues will be required to sustain past gains.

### ***Strategic Objective 3: Promote Regional Economic Development***

36. Activities under this area focused on increasing access to quality infrastructure such as water supply, waste water treatment, transport infrastructure, and energy in remote areas in an effort to reduce inequality between and within regions.

37. **Outcome 11: *Mostly Achieved***. According to official data, 95.8 percent of the population in Brazil had access to clean and safe water in 2014, exceeding the target of 93 percent. In urban areas, access to clean and safe water is about to reach universalization – 98,9 percent of the urban population has access to clean and safe water, of which 93.5 percent through individual household connections to the public water supply network. The situation is however much worse in rural areas, in which access to safe and clean water is still a major challenge. Water supply coverage through household connections is only 40 percent, while adequate sanitation through either connection to sewerage or to septic tanks stands at 35 percent. Twelve projects have components that support the expansion of rural water supply systems based and ensuring the systems are viable and sustainable in the long-term. The design of these projects build on a Bank evaluation of alternative management models to ensure sustainable rural water supply. In addition, in Ceara State, the World Bank supported, through the Ceara Rural Sustainable Development and Competitiveness Project, the implementation of the Rural Water and Sanitation Information System (SIASAR), based on a new Water Supply and Sanitation Law and its regulation.

38. **Outcome 12: *Achieved*. In 2014 the target of having 76 percent of the population with access to adequate sanitation services (sewerage and septic tanks) was reached**. However, important segments of the population still lack access to adequate sanitation in both urban and rural areas. Increasing urbanization and degradation of water resources require faster expansion of sewerage and wastewater treatment.

39. **World Bank Projects adopt an integrated approach in which water resources management, water security infrastructure, efficient use of water and expansion of water and sanitation services are combined**. This integrated approach provided the tools and mechanisms to better address water challenges, combining institutional development, investments in infrastructure and improved climate forecasting to respond to the impact of climate change. Bank support helped both national and state governments to improve climate monitoring and forecasting, water allocation and planning, preparedness for extreme events such as droughts and floods, from response to reconstruction and increased resilience. The water projects in the states of Pernambuco, Sergipe, Espírito Santo and São Paulo are examples of that integrated approach, as well as the Federal INTERAGUAS technical assistance loan. Despite the strong alignment between national policies and Bank support in this area, the portfolio of federal and subnational operations in the water sector has been affected by substantial implementation delays as short term fiscal constraints or climatic emergencies have diverted attention from longer-term challenges.

40. **IFC investments in AEGEA Saneamento and Companhia Catarinense de Águas e Saneamento (CASAN)** have facilitated the expansion of IFC clients' water and sewage services to frontier regions of Brazil with low coverage of these basic services. Specifically, AEGEA Saneamento increased its water distribution customers from 1.5 million in 2012 to 2.73 million in 2014, while sewage customers increased from 0.74 to 1.17 million in the same period. In addition to these results, AEGEA helped municipalities prepare contracts to attract private sector participation. IFC also supported CASAN to improve its access to commercial bank lending and capital markets. As a result of IFC and other commercially financed investments, CASAN increased its water system coverage from 2.22 to 2.87 million customers between 2011 and 2013.

41. **Outcome 13: Partially Achieved. WBG support has been critical in developing transport and logistics planning at subnational level.** World Bank contributions have come mainly through technical assistance components in a series transport of multisector operations in Parana, Rio Grande do Sul, Sao Paulo and Tocantins. However, TA activities have suffered from delays due to budget cuts and integrated transport planning capacity remains behind the expectations at the CPS design stage. Performance based management contracts have been introduced in a series of states and WBG support has facilitated the preparation of a pipeline of transport projects at the subnational level, awaiting funding for implementation. IFC investment (TRG, BTP Santos and Tecon El Salvador) supported capacity expansion of terminals and increased cargo operations of key ports of Brazil, such as Rio Grande, Santos, and Salvador ports. IFC investments in these ports helped improve not only cargo operations, but also efficiency of key transport infrastructure in the south and central part of Brazil. Between During the CPS period, an additional investment from IFC in Hidrovias<sup>5</sup> has been committed with the aim at unlocking waterway transport in the North of Brazil to open trade for inland areas and increase grain handling capacity. Support for increasing transport planning capacity at the federal level could have been more significant, had the use of the Reimbursable Advisory Services instrument been possible.

42. **Outcome 14: Achieved. The target of reducing the number of households without access to electricity by 500,000 has been exceeded by over 10 percent.** The "Light for All" program (*Luz para Todos*, LpT), has delivered over 562,832 new electricity connections mainly in the North and Northeast, between January 2010 and February 2014. However, quality of access and sustainability is still a challenge, in particular in poor (Northeast) and low density (Amazon) regions requiring focus on improving both quality of service and sustainability. The only IBRD project in this area approved during the CPS period, the Energy and Mineral Sector Strengthening project, focused on building the institutional capacity of select national energy and mineral sector agencies, and not specifically on increasing access to energy in remote areas. An ongoing large investment project with Eletrobras is focused on improving the transmission grid, metering and modernizing regional distribution companies, with significant results achieved, which however again are not directly linked to CPS outcomes. Hence, this is another area where attribution of CPS outcomes to Bank activities is not entirely clear. However, IFC funded investment increased the supply of clean and efficient energy services in the states of Maranhão, Ceará, Bahia, Pernambuco and Rio Grande do Norte.

#### ***Strategic Objective 4: Improve Sustainable of Natural Resource Management and Climate Resilience***

43. Activities under this area focused on improving water resources management and the development of innovative irrigation approaches; on improved market access for and adoption of Climate Smart Agriculture (CSA) by small rural producers' organizations; expanding areas under effective environmental

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<sup>5</sup> IFC project 34846: Hidrovias

protection; improving institutional capacity for environmental management, upscaling of the *Cadastro Ambiental Rural*; and on improving disaster preparedness as well as the coordination of post-disaster response in states and municipalities.

44. **Outcome 15: Mostly Achieved. All 26 states and the Federal District have institutions in charge of water resources management and 10 river basin agencies were created and are operational.** Additionally, Brazil achieved the target for water consumed that was billed to consumers, and exceed the target of water bills paid (50 percent) by a large margin (89 percent). The one area where Brazil remained behind CPS outcome targets was in the conclusion of PPP contracts for irrigation projects, as national policy became more hesitant on the use of PPPs in the irrigation sector.

45. **The Bank portfolio supported the Federal Government and the States of Rio Grande do Sul, São Paulo, Espírito Santo, Bahia, Sergipe, Pernambuco and Ceará in improving water resources management.** At the Federal level, the Interáguas Project is currently supporting the Government to improve the coordination and strengthen the capacity among key federal institutions in the water sector toward an integrated approach. Through this TAL, the Bank supports ongoing water sector reforms and institutional strengthening in individual sectors at the national level and a cross-sectoral component focused on improving implementation performance and coordination of sector policies and activities. In addition, several studies are being implemented to deal with water security issues, e.g. (i) Brazil's National Water Security Plan (PNSH); (ii) the Ecological-Economic Macro zoning of São Francisco River Basin; (iii) the design of Water Quality Management pilots in the State of Ceará; (iv) the National Wastewater Treatment Atlas; (v) the National Study on Wastewater Reuse; and (vi) Water Supply Atlas for the main Metropolitan Regions of Brazil (to be launched shortly). At the State level, the Bank supports the institutional development of water resources agencies in the States of Rio Grande do Sul, Sergipe and Pernambuco, and the improvement of water resources management and planning in all states benefiting from Bank water projects. These efforts directly contributed to reducing water losses and building institutional capacity thus contributing to CPS outcomes.

46. **Outcome 16: Partially Achieved. By 2015, seven states were implementing programs that promote the adoption of climate smart agriculture by farmers.** CSA focuses on the promotion of sustainable agriculture approaches that simultaneously deliver higher agriculture productivity, improved resilience and lower emissions. In 2010 the Government of Brazil started offering producers a credit line for the adoption of CSA technologies to improve the farms' agriculture practices and consequently reduce the pressure on native forests. In order to increase the rate of adoption, the WBG supported training and technical assistance on low carbon agriculture technologies for small and mid-sized farms in the Cerrado region. Over 14 thousand small producer organizations were supported by Bank-financed projects in eleven states. The number of small producer organizations supported remained 27 percent below target, but the number of states adopting climate smart agriculture exceeded the target of four states.

47. **Outcome 17: Achieved.** During the CPS period the total hectares of area under protection (which includes existing protected areas under improved management and newly created protected areas) increased by 31.24 million ha., surpassing the target of 15 million. Brazil has been a world leader in the fight against climate change and the WBG has supported the government in expanding the areas under effective protection, particularly under the Amazon Region Protected Areas Program (ARPA), which supported the creation of 26 million ha of newly created and/or existing areas with improved management effectiveness during this CPF period. During the CPS, attention also shifted to the Cerrado, which became the focus of land use conversion as protection of the Amazon tightened. The WBG has supported the implementation of three programs specifically focused on the Cerrado Biome, which will total nearly US\$100 million in investments between 2010 and 2020 and cover a total of around 7 million ha of protected areas. Additionally, the Tocantins Integrated Sustainable Regional Development Project is investing about US\$32 million in actions aimed at promoting the environmental sustainability of productive activities. The Sustainable Cerrado Initiative (SCI) supported actions to improve management of 24 existing protected

areas (PA), covering 4.25 million ha. SCI also supported the creation of 401,868 ha of new protected areas in the Cerrado Biome and the identification of new PAs totalizing 2.3 million ha (which remain however to be fully designated). In Rio Grande do Sul, 11 protected areas amounting to 887,815 ha were supported through the GEF Biodiversity project.

48. **The IFC has focused on supporting environmentally sustainable and commercially viable productive activities in the Amazon and the Cerrado.** This approach has been challenging. While the IFC program enjoyed initial success, further progress would depend on a re-consideration of IFC's risk appetite and ability to carry out investments with long gestation periods. IFC learned that doing sustainable business in the Amazon and Cerrado also requires active partnerships and proper incentives set by state and local governments. Clear rules and supply chain standards need to be set and enforced in order to create a level playing field for all actors in the market. In addition, IFC found that due to the small size of many players in the region, venture capital funds may be a more appropriate vehicle to support growing businesses in areas such as sustainable timber.

49. **Outcome 18: Partially Achieved. Significant progress has been made in building the capacity for environmental management.** The Bank supported improvements in the environmental licensing process in five states (Acre, Sao Paulo, Parana, Tocantins and Rio Grande do Sul). The process is ongoing as the projects are still under implementation. However, this fell short of the target of 10 states to be supported by 2015. As part of multi sectoral Projects, the Bank is supporting the preparation and/or implementation of the landscape management instruments (ecological and economic territorial planning ZEEs and watershed management process) in the following States and watershed: São Paulo, Tocantins, Rio Grande do Sul, and São Francisco Watershed. The regularization of rural landholdings through the Rural Environmental Cadaster (*Cadastro Ambiental Rural*, CAR) increasingly allows for more effective supervision and monitoring of deforestation and degradation of natural vegetation. Federal and state agency staff have trained 40,000 technical staff to support the implementation of the CAR nationwide. By 2015, approximately 60 percent, or 239.5 million ha of 398 million ha to be covered, were registered. This amount of area corresponded to some 41 percent of the landholdings that will eventually enter into the system (that is, 2.1 million out of 5.1 million landholdings). However, progress in the implementation of the CAR has been slower than anticipated, and Bank support in this areas has equally suffered from delays – in case of the Forest Investment Program (FIP) of over 3 years in project approvals.

50. **Outcome 19: Partially Achieved. The CPS aimed to support 10 cities with early warning systems.** The Bank is directly or indirectly financing Early Warning Systems (EWS) in the states of Rio Grande do Sul, Paraná, São Paulo, Rio de Janeiro and Espírito Santo. The EWS in Paraná and Rio de Janeiro were completed and cover many more than 10 municipalities, although the focus has been at the state and federal rather than city level as foreseen. The Bank has supported national initiatives, such as the National Center for Disaster Alert (CENAD) from the Ministry of National Integration, the National Center for Monitoring and Disaster Alert (CEMADEN) from the Ministry of Science, Technology and Innovation and the State Situation Rooms financed by the National Water Agency (ANA). The Bank is also supporting CENAD to make better use of its National Disaster database (S2ID) for damage and loss assessment, and response planning among others.

51. **In addition to project level interventions at the subnational level, the Bank has been engaged in extensive analytical assistance on disaster risk management.** The Drought Preparedness and Climate Resilience program in Brazil delivered a total of 22 reports covering a wide range of topics related to droughts and addressing socio-economic, technical, institutional and financial aspects. The WBG has supported a paradigm shift from disaster response toward a more proactive drought preparedness and management approach at the national and regional level. The Bank supported the creation of a partnership between ANA and Northeastern States to monitor droughts in the Northeast (<http://monitordesecas.ana.gov.br/>) and provide real-time information to the government and the public. A select number of states have prepared drought preparedness plans. In addition, the Bank has brought high

level technical support to improve water quality management in reservoirs in semi-arid regions of Brazil, and to revise the water tariffs structure by SABESP in São Paulo to manage water consumption and reduce impacts during scarcity periods.

52. **Safety of Dams.** Dams play a very important role in the economy of Brazil as nearly 67 percent of the electricity comes from hydropower and economic development, especially in the water scarce Northeast depends on dams. The World Bank brought international and national expertise to support Brazil's National Water Agency (ANA) to take up the mandate established in the Dam Safety Law (Law 12.334/2010) as the regulating authority for the safety of multipurpose dams on federal rivers. The Bank helped develop the technical capacity of ANA and supported the preparation of guidelines and manuals on dam classification, the design of the National Dam Safety Information System and the dam safety management.

#### IV. WORLD BANK GROUP PERFORMANCE

##### *Design and Relevance*

53. **The CPS program was aligned with the Government's goal of eradicating poverty and promoting prosperity and inclusion, and WBG's performance is assessed as *Fair*.** It built on past success in such programs as the *Bolsa Família* conditional cash transfer program, focused operations on the poorer regions of Brazil, and brought innovative instruments appropriate for a large, middle-income borrower. The flexibility included in the CPS design proved crucial to respond to new opportunities and changed circumstances, such as the strengthened interest in service delivery following public demonstrations in 2013. Innovative services were part of the CPS design and included: (a) the first World Bank "Program for Results (P4R)" operation—a US\$350 million loan for the Northeastern state of Ceará; (b) increased use of multi-sector operations; and, (c) and MIGA coverage for private sector financing linked to the São Paulo Sustainable Transport Project. Given Brazil's importance and notable success in some areas, such as conditional cash transfers, the program also emphasized South-South exchanges that were highly valuable to other WBG clients.

54. **The CPS included an explicit focus on the poorer regions of Brazil and sectorally in areas where the Bank could have a catalytic role and strong demonstration effects.** This focus overall strengthened the WBG program by directly contributing to the government's poverty reduction and social inclusion agenda as well as the WBG's corporate goals, at the same time leveraging the impact of its relatively limited financial portfolio. However, while the regional focus on the poorer Northeast was largely implemented (see below), the Bank's focus on emerging corporate themes such as gender, disaster risk management, protection of marginalized groups, and violence preventing was largely additional to ongoing dialogue in improved service provision and de facto added little selectivity. The demand driven nature of the Bank's program at the subnational level strengthened ownership and sustainability of Bank supported interventions, and allowed for a natural division of labor to emerge with other development partners (in particular IADB), but made the Bank's portfolio vulnerable to the fiscal crisis as there was little appetite at the subnational level for deeper fiscal measures until the dimension of the crisis became fully known.

55. **The Bank's performance in the design of the CPS is rated as *fair* because of the complexity of the results framework and the difficulty in attribution.** The original CPS design suffered from too many objectives: The FY2012-15 CPS originally included 37 development outcomes. The first years of implementation showed that it was more effective to have fewer, more focused outcomes and indicators. The CPS Progress Report appropriately revised the results matrix to reduce the outcomes to 19 while maintaining the original four strategic objectives and related results areas. As part of this revision, a specific gender-related outcome was also introduced.

56. **The outcomes that comprised the revised CPS results matrix after the CPSPR were selected based on** the level of engagement the WBG had or could potentially have at the time as well as based on the demand expressed by the Government in those areas. Some of the outcomes and indicators were revised so as to reflect more realistic expectations with regards to the results that could be achieved and some of the targets were re-calibrated. A decision was made to do less in areas related to the financial sector, housing and solid waste management, as demand proved less sustained than expected.

57. **The CPS results framework measures, in many cases, a series of national level indicators that were considered relevant to track advances in the four strategic objectives, but which corresponded only loosely with subnational project-level outcomes.** A results matrix with national level indicators was chosen to reflect the strategic priorities set by the federal government. However, these priorities were not necessarily shared by the 27 states, whose demand for assistance determined the areas of focus of the Bank's operational work. In a few sectors (notably environment, water and agriculture) subnational interventions were directly aligned with federal priorities and strategies. In others the alignment was less direct, such that it is difficult to attribute the progress made by Brazil towards the national level outcomes to any WBG interventions. For example, the Federal Government encouraged the WBG to work at subnational level to improve quality of service delivery, which only indirectly contributed to national targets for improved coverage and access (e.g. in health, electricity, early childhood education). To evaluate the extent of correspondence between project and national level outcomes, the team matched every project implemented during the CPS period to the four strategic objectives and compared project ratings to the ratings in the CPS results matrix (Annex 12). The project ratings (mostly subnational) and the results matrix ratings (national level) were consistent in most areas suggesting that the CPS program implemented was for the most part aligned with national level priorities. However, as noted in Section III, in some cases national level progress contrasted with project level failures, or project successes were not reflected in progress towards national targets.

### *Program Implementation*

58. **The CPS program was largely implemented as designed.** It was highly demand driven and successfully supported Brazil's poverty reduction and social inclusion agenda. The focus of operations shifted to sub-national entities and, in particular, to poorer states and larger municipalities where inequality is great and where the majority of the poor live. By FY13 all of IBRD lending was to states and municipalities and the total share of new loans approved for the North and Northeastern regions (the poorest regions in the country) went from 32.5 percent in the previous CPS period to 61 percent during the FY12-FY15 CPS period. The program also shifted towards greater emphasis on poverty reduction and social inclusion, as both operations and analytical work increased the focus on improving the lives of the bottom forty percent, including on gender, indigenous people and other vulnerable groups.

59. **For the most part the WBG selected subnational projects that directly linked to the CPS four strategic pillars** agreed with the federal government, but remained flexible to respond to some of the states' and municipalities' specific demands. The WBG also became nimbler and reduced preparation times as promised. Average preparation time for investment operations approved during the CPS period was 10 percent lower than that for the previous period and, most notably, the share of operations with preparation

time exceeding two years was cut in half.<sup>6</sup> Overall, the Bank's implementation performance was *good* reflecting strong client ownership and close alignment with national objectives.

60. **The CPSPR identified a series macroeconomic risks associated with a continued period of slow growth and the deterioration of the fiscal accounts** which could result in a crowding out of spending in areas essential to the WBG program and affect demand for Bank lending. The WBG intensified its emphasis on knowledge support activities as the primary risk mitigation tool against constraints in lending and to enhance its effectiveness in achieving development results in Brazil. The depth of the crises was not foreseen by the time the CPSPR was finalized and further corrective actions were not deemed necessary at that moment.

61. **However, the end of the CPS period saw a sharp deterioration in the quality of the Bank's portfolio in tandem with the economic crisis.** The number of problem projects rose from 18 percent of the portfolio in FY11 to 34 percent in FY15 and the disbursement rate of investment projects fell from 32 percent to 20 percent over the same period. Low disbursements and implementation delays were largely explained by the deeper than anticipated macroeconomic crisis, which significantly affected the government's fiscal situation and the availability of counterpart funds. Intensive attention to portfolio issues in FY15-16 led to a considerable improvement in portfolio quality and the number of problem projects fell to around 13 percent of the active portfolio by the end of FY16. This recent improvement reinforces the importance of allocating the appropriate level of resources to project supervision in order to anticipate and address issues that could negatively affect portfolio performance and quality.

62. **A retrospective review of the portfolio (Annex 11) shows that the decline in portfolio quality during the CPS period was not related to factors commonly associated with program design.** A few variables were significant in explaining development outcome ratings. First, lending to municipalities was problematic, with a significantly higher share of problem projects than federal and state levels. Second, project lending in the urban sector, whether to states or to municipalities, was also more problematic than that to other sectors. Other design factors, such as project preparation times, capacity of the clients, number of sectors included, and choice of instrument had limited impact.<sup>7</sup> The results of this analysis therefore suggest that the deterioration of the portfolio in recent years may have more to do with the impact of the severe political and economic crisis on project performance. The Bank did, however, fail to anticipate the depth of the crisis Brazil has experienced, in part because of insufficient attention in its analytical work to the fundamental structural challenges facing the country.

63. **As planned in the CPS and requested by the Government, the program of advisory services and analytics (ASA) was closely linked to the poverty and inclusion agenda and to the environment and sustainability issues.** The majority of ASA activities were related to service delivery, environmental management, and sustainable agriculture. Most of them were technical assistance activities, closely linked to implementation issues. Only 43 percent of ASA activities were core diagnostic work aimed at better understanding Brazil's development challenges, out of which links to implementation issues were also a key selection criterion. The process and the selection criteria for allocating resources to analytical work varied throughout the CPS period and in average 14.8% of the budget per year was spent on ASA activities between FY12 and FY15. This reflects the high lending volumes which required that significant share of

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<sup>6</sup> The average time from Project Concept Note (PCN) to Board approval declined from 20.7 months to 18.8 months and the share of operations with PCN to Board approval exceeding 24 months fell from 26 to 15 percent. Interestingly, the detailed portfolio performance analysis does not suggest that shorter preparation times led to poorer implementation. Rather difficult projects took both longer to prepare and longer to implement and had higher risk ratings.

<sup>7</sup> DPLs performed better than IPFs, and more sectors were associated with better performance. Smaller loans performed less well, notably TA loans. The effects are small, however, and statistically less significant.



the resources to be allocated to lending and supervision. The original CPS had foreseen a sustained RAS program, however, contractual issues brought RAS to a halt in the course of FY14, thus effectively reducing the scope of the Bank's technical assistance program.

64. **The Bank's analytical program in many cases was able to successfully influence the government's agenda and policies.** The Dam Safety RAS helped develop capacity at the National Water Agency and supported the design and implementation of important agency policies and guidelines including the design of a National Dam Safety Information System. The World Without Poverty programmatic approach provided important input into the design of the new Productive Inclusion Plan under construction by the Ministry of Social Development (MDSA). The Early Childhood Development NLTA has supported the development of a community of practice and facilitated cooperation across municipalities in 10 states. It also informed key Bank operations in this sector (ex.: Recife SWAp, Rio de Janeiro Municipality TAL, Ceara and Acre). It has also supported ongoing development of Latin America's most rigorous evidence for investing in early child education.

65. **However, the WBG was not able to engage successfully in areas that are considered important structural weaknesses for the country** such as closing the infrastructure gap, raising productivity growth, reforming financial markets, fiscal policy and governance. These issues have been identified as key constraints in the Brazil SCD, but there was little or no government demand for Bank engagement. To the extent that these underlying factors exacerbated the current deep recession, the Bank's inability to advance the policy dialogue in these areas, meant that the risks inherent in Brazil's development model and their impact on the Bank's portfolio if they were to materialize were insufficiently understood. Only towards the end of the CPS period (in FY15-16), the Bank increased the share of resources devoted to analytical work, including a Public Spending Review, a deep analysis of constraints to infrastructure investment and a programmatic engagement on productivity issues.

66. **IFC adapted quickly to the changing context in Brazil.** Given the fast pace of change and the new market needs that arose in the CPS period, IFC re-designed its strategy to serve the changing needs of the market, which meant an increased focus on job preservation and creation, targeting export oriented companies and Tier I countries serving the local market, as well as support to distressed assets. IFC also created a senior level working group to strategically and flexibly respond to new risks. As a result of these efforts, IFC's portfolio did not suffer significant deterioration during the economic crisis. Despite the fact that new commitments dropped in FY2016 from 2015 levels, the committed portfolio remained in the same range of \$4.2-4.1 billion during the FY2014-FY2016 period.

67. **The CPS was designed in partnership with the IFC.** However, the Results Framework had a limited number of outcome measures relevant to IFC activities. In practice, IBRD and IFC partnered in few select areas. Joint work on PPPs – both in infrastructure but also in the health and education sectors - intensified towards the end of the CPF period as Brazil's needs for increased private sector financing increased. IFC provided market insights to IBRD analytical work on improving the business environment and infrastructure, as well as linking educational training to improved labor market outcomes. IBRD and IFC also collaborated in the agricultural sector, aiming to link agri-business investments with productive inclusion projects, albeit with limited practical results, and in the area of environmental licensing reform, with a focus on developing new best practices for private investment in the Amazon Region. MIGA was able to expand its activities in Brazil, particularly in the context of a flagship deal in the transport sector with the state of Sao Paulo Going forward, there is scope to improve IFC and IBRD collaboration to increase the overall impact of the WBG in Brazil and the recent efforts to increase collaboration have informed the design of the new CPF.

## V. LESSONS LEARNED

68. This section provides general lessons related to the strategic design and implementation of the CPS program and builds on the specific lessons that are detailed in Annex 2 for each CPS outcome.

### *Strategic Design*

69. **Brazil's strong government ownership and explicit commitment** to reducing poverty and boosting shared prosperity for more than a decade was a key success factor in the design and implementation of the CPS program.

70. **While Brazil's social achievements seem to be resilient, the current crisis reflects the limitations of the country's growth model.** The WBG's new strategy needs to go beyond the social inclusion agenda and support the Government to tackle Brazil's structural weaknesses, including in areas such as productivity, fiscal policy, governance and infrastructure where dialogue in the past has been difficult. There seems to be a window of opportunity to do this as the federal government has recently shown more interest and the Bank's ASA program has consequently started diagnostic work on all key structural constraints.

71. **The economic and political crisis that started in the second half of the CPS period exposed the limitations to the WBG's current client driven subnational business model in Brazil.** When federal level constraints became dominant, the design of the strategy didn't have the necessary instruments to rapidly engage at the federal level. This business model also had little resilience in the face of growing fiscal constraints which affected both implementation and new business development. A shift towards a more balanced engagement between federal and subnational level may be in order, together with greater attention to fiscal sustainability issues at all levels of government.

72. **The design of a CPS in a large federal country like Brazil creates an inherent tension** between national level strategic objectives and a subnational implementation program in states and municipalities which not always share the same priorities. The new strategy needs to be more explicit on how to deal with this tension, either by adopting federal level criteria for subnational borrowing in focus areas corresponding with national priorities, or by choosing subnational operations explicitly with the objective to test policy innovations of national relevance and disseminate the results. In the second case, ex ante design of a federal level CPF results matrix will continue to present challenges.

73. **It is important to maintain realistic expectations about the potential impact of the WBG program in Brazil** and avoid being over ambitious when establishing the goals and targets for the new CPF. The financial capacity of the WBG for an economy the size of Brazil is very limited, which in itself limits the impact that the WBG can achieve. The expected decrease in lending volumes in the future, as compared to the current and previous CPS periods, makes this even more challenging. Impact on national level outcomes can in some cases be achieved through policy dialogue, but for most areas, WBG impact will need to come through the aggregation of existing projects and probably will be too small to move the needle at national level.

74. **Institutional changes at both Federal and subnational level are fundamental to Brazil's development, but can easily be undermined by political change and adverse economic conditions.** The WBG supported many institutional changes at the sub-national level. However, in many cases the combination of adverse economic conditions (particularly revenue shortfalls) and political changes at the state level, as well as the probable involvement of many state and municipal politicians in systemic corruption, has meant that some of the reforms have been reversed. This points to the need both to be more

modest as to what can be achieved in the short to medium term, but also to the need to maintain long term engagements, and recognize that setbacks will be inevitable. The result of the Lava-Jato investigations may be that there is an opportunity to support significant institutional changes at the Federal level, particularly in the allocation of budget resources and investment planning and preparation.

75. **Effective ASA on fundamental policy issues requires particular attention to political economy constraints.** The WBG's ASA program needs to address underlying binding constraints to growth and poverty reduction, as this provides possible risk mitigation for adverse circumstances. If Bank analytic work is restricted to areas of government demand, there is a risk that it could fail to effectively address big strategic economic issues facing the country. However, analytic work that does not have strong government support requires particular attention to quality and to upfront thinking about dissemination.

76. **Finally, given limited WBG budgets, the share of resources devoted to ASA relative to lending and supervision needs to be a strategic management decision.** As lending volumes and the size of the portfolio are expected to decrease, a higher share of the budget will be available for ASA which will make it easier for the WBG to increase focus on areas that are considered important but where there isn't strong client demand. The shift of WBG budget resources away from middle income countries will however continue to cause a significant tension between the need to maintain a viable business model and to engage in important diagnostic work.

### *Program Implementation*

77. **Stricter federal controls on financing limits and thematic priorities could create incentives for subnational entities in need of resources to submit projects that are aligned with federal objectives.** However, this also creates a risk of lack of local ownership that could complicate implementation. The WB's project screening process needs to go beyond the technical merits of the proposals to include broader consultation and stakeholder analysis in order to ensure that there is a shared understanding of the projects' relevance and also that they can survive political cycles.

78. **The deterioration of public finances at the federal and subnational levels is at the root of Brazil's economic crisis and of the deterioration in the WB's portfolio performance towards the end of the CPS period,** resulting in low disbursements, implementation delays, and significant shortfalls in the availability of counterpart funds (resulting in implementation stoppages). While the economic crisis and its impact on the WBG portfolio were not anticipated, the Bank has stepped up (and will continue to reinforce) the monitoring of the fiscal stance at all levels of government and to assess related risks carefully during project preparation as well as supervision.

79. **The deterioration of portfolio performance highlights the need to place more emphasis on increasing resilience and identifying potential risks** during project preparation and implementation, as well as to ensure that the appropriate level of resources is allocated to supervision. The Brazil team faced trade-offs during the CPS period between allocating resources to project preparation in order to respond to the demand for financing by the Brazilian government, and the need to supervise an increasingly large portfolio. These trade-offs are expected to be less prevalent during the next CPF period as lending volumes will likely be smaller.

80. **Particular care is due to the design and implementation of municipal and urban operations.** Projects at the municipal level, especially those involving basic infrastructure investments tended to post significant performance issues during implementation. The Bank team carried out a portfolio analysis to better understand the reasons behind the concentration of problem projects in these two categories, and to

identify possible preventive and corrective action.<sup>8</sup> The analysis concluded that urban infrastructure projects, by nature, are located in very complex environments, involving many stakeholders and extensive resettlement needs that delayed implementation. In addition, most of the municipalities involved were first-time borrowers that lacked the capacity and understanding of Bank policies and procedures. Finally, most municipalities faced fiscal constraints and depended heavily on conditional transfers from the federal government, which limited their capacity to invest in infrastructure and basic service delivery. These constraints had a direct impact on the progress and performance of many Bank projects. Moving forward, there is a need to focus more resources on project preparation to ensure readiness of investments and proper quantification of resettlement needs and costs. A detailed analysis of the fiscal capacity and indebtedness of municipalities during project preparation is also recommended. Opportunities to leverage more private investments in infrastructure and service delivery should be actively pursued. However, since all of the above will increase preparation costs for urban and municipal projects the Bank will need to engage in this area with great selectivity and aim to partner with the national development banks to create financing lines and national capacity to take quality municipal investments to scale.

**81. The analysis of portfolio data showed no evidence that the performance of operations in states with lower levels of institutional capacity, especially in the Northeast, was significantly worse than those at the federal level or those with higher capacity states in the South and Southeast.** The evidence also does not suggest that these states presented a higher level of risk. The experience during the CPS period showed that the WBG can work effectively with sub-national clients with limited capacity if it adjusts the complexity of operations appropriately, identifies problems and solutions based on strong analytics, emphasizes ownership, and anticipates capacity issues that require attention.

**82. Sub-national DPL lending can be very effective at addressing implementation issues at the level where services are actually delivered but they must also take into account sub-national fiscal sustainability issues.** Sub-national DPLs successfully supported public sector management and service delivery reforms in states and municipalities, particularly when based on strong analytics and helped with strong implementation support. They were unable, however, to adequately address sub-national fiscal sustainability and thus, at best, weakened their long run impact or, at worst, contributed to unsustainable fiscal imbalances. This was made more difficult by the fact that pensions and personnel costs are partly determined at the federal level, which meant that the scope to identify fiscal measures at the subnational level was limited.

**83. The Bank's engagement at the federal level was mainly composed of Technical Assistance Loans which had a mixed performance.** Mostly they were affected by challenges in government capacity to administer them, which resulted in delays in implementation and limited disbursements. Nevertheless, in some sectors they provided a key avenue to maintain an active and strategic policy dialogue with the federal government. The next CPF will continue and expand the engagement at the federal level, including through TA loans, but will seek to privilege other modalities for a close policy dialogue when possible through ASA and RASs.

**84. The Bank's engagement through RASs has decreased in recent years because a legal obstacle has impeded signing of new RASs.** This has created a critical gap in the Bank's engagement, since as in most emerging countries, RASs represent a primary instrument for closer policy and technical dialogue. This is all the more important in Brazil where most of the lending has been directed to the subnational level, leaving the RASs as one of the main instruments for engaging at the federal level. The Bank will intensify

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<sup>8</sup> The analysis included a total of 16 integrated urban and water projects that were active at some point during FY12-15, of which 13 were investment projects including slum resettlement and environmental rehabilitation, 1 was a multisector TA, and 2 were DPLs.

its efforts to resolve the legal obstacles by working closely with government in reaching a solution, taking advantage of the new political situation which may make it easier for the government to address this issue.

85. **The World Bank can play a particularly useful role in providing a venue for discussion of controversial economic issues.** The generally perceived impartiality of the WBG gives it the opportunity to strengthen the quality of discussion of economic issues, particularly in highly polarized political environments where such discussion may be easily captured by various interests. The successful launch and dissemination of the Strategic Country Diagnostic in Brazil during the final year of the CPS is a good example of this role, on which the increased analytical program now under way can build.

## VI. ANNEXES

**Annex 1: Brazil CPS FY12-15 Results Framework (Summary Table)**

Outcomes	CPS Ratings		
<b>STRATEGIC OBJECTIVE 1: INCREASE EFFICIENCY OF PUBLIC AND PRIVATE INVESTMENTS</b>		<b>MU</b>	
<b>Results Area 1. Fiscal and Public Sector Management</b>			
<b>Outcome 1:</b> Greater adoption of some elements of medium-term fiscal frameworks (MTEFs) in States and Municipalities (Ceará, Minas Gerais, Rio Grande do Sul, Federal District, Alagoas, Rio de Janeiro, São Paulo, Bahia, Tocantins, Paraná, Recife, Pernambuco, Belo Horizonte, Piauí)	<i>Not Achieved</i>		
<b>Outcome 2:</b> Increased result orientation in planning, budgeting and expenditure (including procurement processes) in one or more sectors in States supported by the Bank (Acre, Amazonas, Bahia, Ceará, Minas Gerais, Paraná, Pernambuco, Piauí, Tocantins, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, São Paulo and Sergipe)	<i>Mostly Achieved</i>		
<b>Results Area 2. Private Sector Development Policies</b>			
<b>Outcome 3:</b> Strengthened institutional framework for public-private partnerships (PPPs) in Bank-supported states	<i>Partially Achieved</i>		
<b>Outcome 4:</b> Demonstrable contribution to policy dialogue on productivity issues and progress achieved in improving institutional frameworks and policy actions to promote productivity and competitiveness enhancing investments in Bank-supported states (e.g. Ceará, Rio Grande do Sul, Pernambuco).	<i>Partially Achieved</i>		
<b>STRATEGIC OBJECTIVE 2: IMPROVE THE QUALITY AND EXPAND THE PROVISION OF PUBLIC SERVICES FOR LOW INCOME HOUSEHOLDS</b>			<b>S</b>
<b>Results Area 3. Consolidated and Strengthened Social Protection System</b>			
<b>Outcome 5:</b> Enhanced extreme poverty eradication program	<i>Achieved</i>		
<b>Results Area 4. Improved Quality of Education for the Poor</b>			
<b>Outcome 6:</b> Improve quality and increase coverage of ECD services ( <i>creche</i> and pre-school), targeted to the lowest income quintiles	<i>Partially Achieved</i>		
<b>Outcome 7:</b> Improve learning outcomes and completion rates in primary and secondary education as measured by national education quality index, IDEB	<i>Partially Achieved</i>		
<b>Results Area 5. Improved Access to Health Care, Especially for the Poor</b>			
<b>Outcome 8:</b> Improved access to quality primary health care	<i>Achieved</i>		
<b>Outcome 9:</b> Development of integrated health care networks	<i>Achieved</i>		
<b>Outcome 10:</b> Support for active Gender Policies	<i>Achieved</i>		
<b>STRATEGIC OBJECTIVE 3: PROMOTE REGIONAL ECONOMIC DEVELOPMENT THROUGH IMPROVED POLICIES AND STRATEGIC PUBLIC AND PRIVATE INVESTMENTS</b>		<b>MS</b>	
<b>Results Area 7. Expanded Access to Improved Basic Sanitation</b>			
<b>Outcome 11:</b> Increased access to and improved efficiency of water supply	<i>Mostly Achieved</i>		
<b>Outcome 12:</b> Increased access to sewage services and treatment of waste water	<i>Achieved</i>		
<b>Results Area 8. Improved Transport and Logistics</b>			
<b>Outcome 13:</b> Improved integrated transport infrastructure and management with sustainable urban mobility	<i>Partially Achieved</i>		
<b>Results Area 9. Increased Supply of Clean and Efficient Energy Services</b>			
<b>Outcome 14:</b> Increased access to energy services in remote areas	<i>Achieved</i>		

<b>STRATEGIC OBJECTIVE 4: IMPROVE SUSTAINABLE NATURAL RESOURCE MANAGEMENT AND CLIMATE RESILIENCE</b>		<b>MU</b>
<b>Results Area 10. Integrated Water Resources Management</b>		
<b>Outcome 15:</b> Improved water resources management and development of innovative irrigation approaches.	<i>Mostly Achieved</i>	
<b>Results Area 11. Expanded Sustainable Agriculture</b>		
<b>Outcome 16:</b> Improved Market Access for and adoption of Climate Smart Agriculture (CSA) by Small Rural Producers Organizations (% of organizations led by women)	<i>Partially Achieved</i>	
<b>Results Area 12. Improved environmental management, biodiversity conservation and climate change mitigation</b>		
<b>Outcome 17:</b> Expansion of areas under effective protection	<i>Achieved</i>	
<b>Outcome 18:</b> Improved institutional capacity for environmental management and upscaling of <i>Cadastro Ambiental Rural</i>	<i>Partially Achieved</i>	
<b>Results Area 13. More Effective Disaster Risk Management</b>		
<b>Outcome 19:</b> Improved disaster preparedness and coordination of post disaster response in states/cities of Bank engagement	<i>Partially Achieved</i>	

**Outcome Ratings:** Not Achieved, Partially Achieved, Mostly Achieved, Achieved

**Strategic Objectives Ratings:** Highly Unsatisfactory (HU) Unsatisfactory (U), Moderately Unsatisfactory (MU), Moderately Satisfactory (MS), Satisfactory (S), Highly Satisfactory (HS)

## Annex 2: Brazil CPS FY12-15 Results Matrix

Outcomes	Indicators	Status at CLR (2016)	Lessons Learned and Suggestions for the New CPF	Relevant Interventions
<b>STRATEGIC OBJECTIVE 1: INCREASE EFFICIENCY OF PUBLIC AND PRIVATE INVESTMENTS</b>				
<b>Results Area 1. Fiscal and Public Sector Management</b>				
<p><b>Outcome 1:</b> Greater adoption of some elements of medium-term fiscal frameworks (MTEFs) in States and Municipalities (Ceará, Minas Gerais, Rio Grande do Sul, Federal District, Alagoas, Rio State, Rio de Janeiro, São Paulo, Bahia, Tocantins, Paraná, Recife, Pernambuco, Belo Horizonte, Piauí)</p>	<p><b>Baseline:</b> No full-fledged MTEFs, relatively basic multi-year expenditure management system, fiscal risk analysis methodology and fiscal control systems <b>Target:</b> Functioning investment screening processes in Minas Gerais, Rio de Janeiro, Ceará, Rio Grande do Sul, Pernambuco and work initiated on such processes in other States and Municipalities.</p>	<p><b>Not Achieved.</b> Progress has been slow since the CPSPR. Only Pernambuco has a functioning investment screening process. Rio de Janeiro State developed some elements of investment screening but these have not been adopted, mainly due to the pressures of the economic and political crisis. In addition, Rio is conducting a study on how to customize costing information systems, but implementation is not likely in the short term. The city of Rio de Janeiro has multi-year fiscal targets and projections. Minas Gerais is using a basic investment screening process and multi-annual management of procurement. Both Ceará and Rio Grande do Sul are in the process of preparing investment screening processes, but these are not effective</p>	<p>The deterioration of public finances at subnational level has slowed down the progress in this area, focusing the government's energy on short term management as opposed to institutional reforms. Institutional reforms have also been vulnerable to changes in political leadership, particularly when reforms are incomplete. Technical assistance, consultations with key government stakeholders, trainings, and benchmark analysis vis a vis other experiences have proven to be important for greater buy-in across changes of government.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P107843 - Federal District MST Swap</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126465 - Rio State Fiscal Eff. For Quality Public Service DPL III</li> <li>• P126343 - Paraná MST Development Swap</li> <li>• P127245 - Rio de Janeiro Municipal Strengthening PSM</li> <li>• P132768 - Pernambuco Equity &amp; Inclusion Growth DPL</li> <li>• P148083 - Rio Grande do Sul Fiscal &amp; Water Mgmt. DPL</li> <li>• P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</li> <li>• P153203 - Manaus Service Delivery &amp; Fiscal Management DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P117222 - Monitoring and Evaluation</li> <li>• P117386 - Brazil: Monetary Policy, Credit Cycles and Growth</li> <li>• P132936 - JIT Efficiency of Public Spending</li> <li>• P132347 - Intergovernmental Finance</li> <li>• P132324 - Pernambuco State Equity Assessment</li> <li>• P132342 - Rio State Fiscal Model</li> <li>• P154631 - LC5 - FM Workshops</li> <li>• P154958 - Brazil Internal Audit Evaluation</li> </ul>



		<p>yet. In the case of Rio Grande do Sul, the fiscal crisis means that it is unlikely for investment screening to be implemented soon. São Paulo has made progress on costing systems, but with limited support from the WBG. Bahia, Tocantins, Paraná, Piauí and Recife, are all only at the initial stages of investment planning systems. Proposed operations in the Federal District and Alagoas did not take place and there has been no progress in these States.</p>		
<p><b>Outcome 2:</b> Increased result orientation in planning, budgeting and expenditure (including procurement processes) in one or more sectors in States supported by the Bank (Acre, Amazonas, Bahia, Ceará, Minas Gerais, Paraná, Pernambuco, Piauí, Tocantins, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, São Paulo and Sergipe)</p>	<p><b>Baseline:</b> Significant result orientation in planning, budgeting and expenditures exists in Minas Gerais and is at earlier stages of development in other states.</p> <p><b>Target:</b> Increased (or deepened) coverage of sectors by formal RBM processes including results agreements or formal results monitoring systems providing feedback to program managers in States supported by the Bank. (Acre, Amazonas, Bahia, Ceará, Minas Gerais, Paraná, Pernambuco, Piauí, Tocantins, Rio de</p>	<p><b>Mostly Achieved.</b> Results-orientation under implementation in Manaus since 2012; Ceara receiving TA on these areas since 2014, to be implemented in 2017 or 2018 (estimated). Minas Gerais reverted general RBM reforms after the election of 2014, but these have been maintained in Education, health and Security. Bahia, Pernambuco, and Rio de Janeiro continue with their policies of results-based management the education and security sectors. Amazonas has recently established</p>	<p>As with fiscal reforms, results based management reforms have also proved to be vulnerable to both the short term focus resulting from economic crisis or changes in political leadership. However, they appear to be more robust when implemented in selected sectors such as education and security.</p> <p>It is essential that subnational DPLs supporting public sector management reforms address fiscal sustainability issues.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P113540 - AIDS SUS Project</li> <li>• P114204 - Eletrobras Distribution Rehabilitation</li> <li>• P107843 - Federal District MST Swap</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> <li>• P106768 - Rio de Janeiro PSM/Fiscal MST</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• P12013 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P126372 - Recife Education and Public Management</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P121495 - MST Tocantins Integrated Sustainable Regional Development</li> <li>• P121590 - 3rd Minas Gerais Partnership DPL</li> <li>• P126343 - Paraná MST Development Swap</li> </ul>

	<p>Janeiro, Rio Grande do Norte, Rio Grande do Sul, São Paulo and Sergipe)</p>	<p>performance management in the security sector. Similarly, Sao Paulo maintains RBM but the Bank has not supported them directly. Acre has just completed the first year of implementation of the new performance based bonus for teachers and school staff. It has also implemented a monitoring system of investment and an integrated procurement system. Piauí is receiving support to strengthen the monitoring of capital projects.</p> <p>Rio Grande do Norte, Piauí and Tocantins are in the process of implementing results agreements for the first time, but these will not be linked to financial rewards. Rio Grande do Sul and Paraná are not implementing RBM but focusing on other aspects of public management. A proposed operation in Sergipe did not take place due to the fiscal crisis in Brazil and there has been no progress towards RBM in the State.</p>		<ul style="list-style-type: none"> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> <li>• P129652 - Sergipe DPL</li> <li>• P127245 - Rio de Janeiro Municipal Strengthening PSM</li> <li>• P13276 - Pernambuco Equity &amp; Inclusion Growth DPL</li> <li>• P126735 - Rio State Strengthening PM and Territorial Dev.</li> <li>• P147913 - Acre Strengthening Public Policies DPL</li> <li>• P147979 - Amazonas Fiscal Consolidation for Improved Service Delivery DPL</li> <li>• P127463 - Strengthening Service Delivery Ceará PforR</li> <li>• P147695 - Rio de Janeiro Enhancing Public Mgt. for Service Delivery DPL</li> <li>• P130593 - AF MST Proacre</li> <li>• P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</li> <li>• P153203 - Manaus Service Delivery &amp; Fiscal Management DPL</li> <li>• P146870 - AF Teresina Municipal Governance</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P129008 - BRAZIL Accounting &amp; Auditing Report on the Observance of Standards and Codes (ROSC)</li> <li>• P132936 - JIT Efficiency of Public Spending</li> <li>• P132347 - Intergovernmental Finance</li> <li>• P121521 - Improving the Managerial Skills of Social Interest Housing</li> <li>• P129598 - TF Social Housing Information System SBDC</li> <li>• P143545 -(MST) Metropolitan Governance</li> </ul>
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**Results Area 2. Private Sector Development Policies**

<p><b>Outcome 3:</b> Strengthened institutional framework for public-private partnerships (PPPs) in Bank-supported states</p>	<p><b>Baseline:</b> PPP framework still under-developed in Paraná and Rio de Janeiro, and other sub-national entities.</p> <p><b>Target:</b> Improved PPP frameworks in Paraná, Bahia and Rio de Janeiro, some progress in other entities and support through IFC in structuring PPP transactions.</p>	<p><b>Partially Achieved.</b> During the CLR period, IFC helped to structure and implement 9 PPP projects aimed at improving infrastructure and access to services in roads, health, education, airports (Rio and BH international airports), and waste management. It is expected that private investments amounting to US\$ 3.9 billion will be mobilized in private investments. The PPP unit is continuing to function in Rio municipality. The World Bank produced a report reviewing PPP practices in Brazil, and has held discussions to strengthen institutional frameworks within the context of the Global Infrastructure Facility.</p>	<p>PPP support requires long term commitment to maintain and strengthen institutional structures.</p>	<p>Approved During CPS Period</p> <p>Financial Services</p> <ul style="list-style-type: none"> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123292 - Implications of Oil &amp; Gas Discoveries</li> <li>• P133671 - Review of PPPs Practice in Brazil</li> <li>• P126815 - Fee-based Analytical and Advisory Services to the Municipality of Rio</li> <li>• P127677 - Airports Public Private Partnerships in Brazil</li> <li>• P132428 - Logistics and Trade Facilitation in Brazil NLTA</li> <li>• P148311 - Implications of a Changing China for Brazil: A New Window of Opportunity</li> <li>• P154890 - BR Infrastructure Financing</li> <li>• P155206 - Brazil I-D ETF FY16</li> <li>• P128397 - BR PSD Impact Evaluation</li> <li>• P122571 - BR RAS Baixio do Irece III</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• 579487 - BH Primary Care</li> <li>• 600354 - Curitiba Waste</li> <li>• 600579 - Bahia Roads - PPP</li> <li>• 601051 - Goiás Disco</li> <li>• 582687 - Belo Horizonte Schools</li> <li>• 588887 - Bahia Health II - Imaging and Telemedicine PPP</li> <li>• 595967 - Brazilian Airports Project</li> <li>• 601015 - Pará Schools</li> <li>• 589267 - BR Amazon Forest</li> </ul>
<p><b>Outcome 4:</b> Demonstrable contribution to policy dialogue on productivity issues and progress achieved in improving institutional frameworks and policy actions to promote productivity and competitiveness</p>	<p><b>Indicator:</b> Number of joint dialogues on productivity policy at federal level and productivity-focused policy actions linked to Bank support at State level.</p> <p><b>Baseline:</b> none</p>	<p><b>Partially Achieved:</b> Substantive policy dialogue at the federal level on productivity issues has been initiated since beginning of FY 2015, including 4 major events (on cross-cutting productivity issues, on DB regulatory</p>	<p>This is an area where there was not much interest from the government until towards the end of the CPS period. Productivity dialogue requires continuous interaction with a range of Government partners to be able to opportunistically take advantage of changing priorities.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> <li>• P099369 - Ceará Regional Development</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p>

<p>enhancing investments in Bank-supported states (e.g. Ceará, Rio Grande do Sul, Pernambuco).</p>	<p><b>Target (2015): 3</b></p>	<p>simplification, on innovation, and on the digital economy). IFC has supported APEX (Brazil's national investment promotion agency) and other investment promotion agencies in frontier states. However, this has not so far translated into specific reform actions.</p> <p>The dialogue on skills development in Ceara is proceeding well, with evidence that the operation is leading public vocational training providers to better align supply with demand. A Bank-supported RCT evaluation is planned. The RCT evaluation of support for firm upgrading in Rio Grande do Sul was abandoned after too few firms participated in the training program and an observational study substituted for it.</p>	<p>Firm-level RCTs are beyond the capacity of state agencies to implement without in-the-field Bank support, financed from outside the regular supervision budget.</p> <p>If the Bank's analytical work is restricted to areas where there is demand from the government it risks failing to address issues that are strategic to the country.</p>	<ul style="list-style-type: none"> <li>• P120139 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P121495 - MST Tocantins Integrated Sustainable Regional Development</li> <li>• P121590 - 3rd Minas Gerais Partnership DPL</li> <li>• P127463 - Strengthening Service Delivery Ceará PforR</li> <li>• P148083 - Rio Grande do Sul Fiscal &amp; Water Mgmt. DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123109 - Brazil: Productivity and Upgrading</li> <li>• P123948 - Brazil Agricultural Productivity and Competitiveness</li> <li>• P123275 - Locking in Performance Gains</li> <li>• P128193 - Brazil Productivity</li> <li>• P132428 - Logistics and Trade Facilitation in Brazil NLTA</li> <li>• P133162 - Brazil: Skills and Jobs</li> <li>• P155763 - PA-Launch Productivity Dialogue</li> <li>• P156555 - Improving South South Cooperation</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• 567240 Banco Fibra SA</li> <li>• 517654 Banco Triangulo SA</li> <li>• 518615 Banco Santander (Brasil) SA</li> <li>• 549618 Banco Industrial e Comercial SA</li> <li>• 549638 Banco ABC Brasil SA</li> <li>• 562375 Banco INDUSVAL SA</li> <li>• 566174 Banco DAYCOVAL SA</li> <li>• 617279 Banco SOFISA SA</li> <li>• 639345 Banco Cooperativo SICREDI SA</li> <li>• 640593 Banco Industrial do Brasil SA</li> <li>• 733 Itaú Unibanco SA</li> <li>• 53212 Microinvest SA Sociedade de Credito a Microempreendedor</li> </ul>
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**STRATEGIC OBJECTIVE 2: IMPROVE THE QUALITY AND EXPAND THE PROVISION OF PUBLIC SERVICES FOR LOW INCOME HOUSEHOLDS**

**Results Area 3. Consolidated and Strengthened Social Protection System**

<p><b>Outcome 5:</b> Enhanced extreme poverty eradication program</p>	<p><b>Indicator:</b> % of families in Quintile 1 that receive</p>	<p><b>Achieved.</b> In 2014, 75% of families in Quintile 1</p>	<p>Brazil's strong commitment and ownership in this area was a key success factor. The</p>	<p>Legacy from previous CPS Period</p>
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	<p>transfers from <i>Bolsa Família</i> (PNAD)  <b>Baseline (2009):</b> 50%  <b>Target (2015):</b> 78%</p>	<p>received transfers from <i>Bolsa Família</i></p> <p>The 78% target was higher than most programs of comparable size, and was ambitious for programs aimed at the poor. There is a tradeoff between reducing inclusion error (Beneficiaries in Q1) and reducing exclusion error (ensuring high coverage in Q1). The program expanded by 40% since 2008, from 10.6 M households in 2008 to 14 million in 2014. There are limitations in the methodology to capture the <i>Bolsa Família</i> program in the PNAD. There are no questions for the direct identification of the benefit in the survey, thus there are imputation methods to identify beneficiaries. We cannot guarantee the compatibility of these methods over the years, since the program design has changed, and the questionnaire changed. The PNAD 2014 included extra questions to identify beneficiaries of social programs with more precision than in previous years, which could explain the</p>	<p>recent Brazilian experience in fighting extreme poverty has been used as an example for other countries (WWP). This exchange has also opened the door under the new administration to expand the dialogue to Brazil's own challenges in further improving social protection, including:</p> <ul style="list-style-type: none"> <li>• Improve monitoring and evaluation systems, especially for the efficiency of the targeting of the Program</li> <li>• Shape different strategies for specific target populations (ie. Beneficiaries in different stages of the life cycle, in different geographical regions, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• P101504 - APL 2 Bolsa Família</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P121167 - Ceará Rural Sustainable &amp; Competiveness</li> <li>• P120139 - Pernambuco Rural Economic Inclusion</li> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• P120139 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P121590 - 3rd Minas Gerais Partnership DPL</li> <li>• P126749 - MST Belo Horizonte Urban DPL</li> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> <li>• P129652 - Sergipe DPL</li> <li>• P132768 - Pernambuco Equity &amp; Inclusion Growth DPL</li> <li>• P126735 - Rio State Strengthening PM and Territorial Dev.</li> <li>• P127463 - Strengthening Service Delivery Ceará PforR</li> <li>• P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</li> <li>• P146870 - AF Teresina Municipal Governance</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P117541 - Social Protection during the Twin Crises of 2008</li> <li>• P129384 - Brazil Eradicating Extreme Poverty</li> <li>• P132325 - Gender and Social Inclusion NLTA</li> <li>• P128199 - Leveling the Playing Field: Improving the Sustainable Protection and Promotion of Vulnerable Populations in Brazil</li> <li>• P133368 - Productive inclusion in BsM</li> <li>• P133484 - HD Impact Evaluation</li> <li>• P143831 - TA Pensions Brazil</li> <li>• P146605-Urban Poverty and Vulnerability in Metropolitan Area</li> <li>• P152338 - Preventing Urban Violence in Brazil</li> <li>• P145969 - BR TF Pacto Pela Vida PSIA</li> <li>• P158706 - Building Evidence for Operations</li> <li>• P158705 - Brazil Poverty Measurement &amp; Monitoring</li> </ul>
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		reduction from 81.5% to 75% in the indicator from the 2012 PNAD to 2014 PNAD.		
<b>Results Area 4. Improved Quality of Education for the Poor</b>				
<p><b>Outcome 6:</b> Improve quality and increase coverage of ECD services (<i>creche</i> and pre-school), targeted to the lowest income quintiles</p>	<p><b>Indicator:</b> Pre-school participation for the poorest two quintiles of the population</p> <p><b>Baseline (2009):</b> 42% <b>Latest data (2012):</b> 48% <b>Target (2015):</b> 54%</p> <p><i>Boys</i> <i>Girls</i></p> <p><b>Baseline (2009):</b> 42.7% <b>Baseline (2009):</b> 42.0% <b>Latest data (2012):</b> 49% <b>Latest data (2012):</b> 47.6% <b>Target (2015):</b> 54% <b>Target (2015):</b> 54%</p>	<p><b>Achieved</b></p> <p><b>Latest data (2014):</b> 79 %</p> <p><i>Boys</i> <i>Girls</i></p> <p><b>Latest data (2014):</b> 78% <b>Latest data (2014):</b> 80%</p>	<p>The Ministry of Education (MEC) promotes a traditional model of service provision with high standards for infrastructure, equipment and staffing. Although investment and recurrent costs are partially financed by MEC, the municipalities that are responsible for the <i>creches</i> and preschool, are not able to increase supply fast enough to meet the potential demand and reach the 2021 targets set in the National Plan of Education.</p> <p>To expand early childhood development (ECD) some states and municipalities have experimented with different models of provision (i.e.: home visitation, parental training), but these models are not supported by MEC. Bank interventions in the area were not always targeted at supporting national outcomes. Hence attribution is difficult.</p> <p>Some key issues for ECD are: (a) the lack of measurement of the children's development (either cognitive or not); (b) poor qualification of ECD personnel; (c) no ECD curriculum setting the development milestones for</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>P107146 - Acre Social Inclusion Sust. Dev.</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>P126372 - Recife Education and Public Management</li> <li>P121495 - MST Tocantins Integrated Sustainable Regional Development</li> <li>P127245 - Rio de Janeiro Municipal Strengthening PSM</li> <li>P127463 - Strengthening Service Delivery Ceará PforR</li> <li>P130593 - AF MST Proacre</li> <li>P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>P123148 - Education Evidence-Based Policy</li> <li>P123497 - Early Childhood Development NLTA</li> <li>P128005 - Evidence-based Policy in Education</li> <li>P150088 - Brazil Extension of the School Day NLTA</li> <li>P150110 - Ceara Teacher Feedback Impact Evaluat</li> </ul>
	<p><b>Indicator:</b> <i>Creche</i> (daycare) participation for the poorest two quintiles of the population</p> <p><b>Baseline (2009):</b> 14% <b>Latest data (2012):</b> 17% <b>Target (2015):</b> 20%</p> <p><i>Boys</i> <i>Girls</i></p> <p><b>Baseline (2009):</b> 13.7% <b>Baseline (2009):</b> 14.1%</p>	<p><b>Partially Achieved</b></p> <p><b>Latest data (2014):</b> 18%</p> <p><i>Boys</i> <i>Girls</i></p> <p><b>Latest data (2014):</b> 17 % <b>Latest data (2014):</b> 18%</p> <p>During the period of the CPS, the targets for preschool (4-5 years of age) enrollment was</p>		

	<p><b>Latest data (2012):</b> 17.1% <b>Latest data (2012):</b> 17.0%  <b>Target (2015):</b> 20%  <b>Target (2015):</b> 20%</p>	<p>largely exceeded, but the target for <i>creches</i> (0-3 years of age) was slightly missed.</p>	<p>the children; and (d) no system of quality assurance.</p>	
<p><b>Outcome 7:</b> Improve learning outcomes and completion rates in primary and secondary education as measured by national education quality index, IDEB</p>	<p><b>Indicator:</b> Improve IDEB scores for end of primary cycle</p> <p><b>Baseline (2009):</b> 4.0 (target 3.7)  <b>Latest data (2011):</b> 4.1 (target 3.9)  <b>2013 target:</b> 4.4  <b>Target (2015):</b> 4.7</p> <p><b>Indicator:</b> Improve IDEB scores for end of secondary school</p> <p><b>Baseline (2009):</b> 3.6 (target 3.5)  <b>2011 target:</b> 3.7 (achieved)  <b>2013 target:</b> 3.9  <b>Target (2015):</b> 4.3</p>	<p><b>Partially Achieved.</b></p> <p><b>Primary</b>  <b>Baseline (2009):</b> 4.0  <b>2011:</b> 4.1  <b>Latest data (2015):</b> 4.5  <b>Target (2015):</b> 4.7</p> <p><b>Secondary</b>  <b>Baseline (2009):</b> 3.6  <b>2011:</b> 3.7  <b>Latest data (2015):</b> 3.7  <b>Target (2015):</b> 4.3</p> <p>IDEB targets measuring both learning outcomes and efficiency were met in 2011, missed in 2015. Project level outcomes, including state level IDEB results were however positive.</p>	<p>There is a disconnect between federal level outcome indicators and the Bank's subnational implementation program.</p> <p>Nationally, learning outcomes are stalling and most of the gains in terms of efficiency have already been achieved. Considerable experience gained by the Bank in subnational education operations has not so far translated into a coherent national policy platform, particularly in reforming secondary education.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P107843 - Federal District MST Swap</li> <li>• P106208 - Pernambuco Educational Results and Accountability</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> <li>• P106768 - Rio de Janeiro PSM/Fiscal MST</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> <li>• P120139 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P126465 - Rio State Fiscal Eff. For Quality Public Service DPL III</li> <li>• P126343 - Paraná MST Development Swap</li> <li>• P129652 - Sergipe DPL</li> <li>• P132768 - Pernambuco Equity &amp; Inclusion Growth DPL</li> <li>• P126735 - Rio State Strengthening PM and Territorial Dev.</li> <li>• P147913 - Acre Strengthening Public Policies DPL</li> <li>• P130593 - AF MST Proacre</li> <li>• P153203 - Manaus Service Delivery &amp; Fiscal Management DPL</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> <li>• P146981 - Piauí Productive and Social Inclusion DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123148 - Education Evidence-Based Policy</li> <li>• P128005 - Evidence-based Policy in Education</li> <li>• P133366 - Fee-Based Services to the State of São Paulo in Support of Education</li> <li>• P150088 - Brazil Extension of the School Day NLTA</li> <li>• P150110 - Ceara Teacher Feedback Impact Evaluation</li> </ul>

				<p>IFC:</p> <ul style="list-style-type: none"> <li>• Ideal Invest (519053)</li> <li>• Estacio Participações S.A (519606)</li> <li>• Anhanguera (AES) (531441)</li> <li>• Anima (621864)</li> <li>• Grupo Ser Educacional - Mauricio (638586)</li> </ul>
<b>Results Area 5. Improved Access to Health Care, Especially for the Poor</b>				
<p><b>Outcome 8:</b> Improved access to quality primary health care</p>	<p><b>Indicator:</b> Population covered by Family Health Strategy in municipalities with more than 100,000 population and benefitting from PROESF</p> <p><b>Baseline (2009):</b> 36.2% <b>Target (2015):</b> 43%</p>	<p><b>Achieved</b></p> <p>Target exceeded. In December 2014, 48.2% of the population in municipalities with more than 100,000 inhabitants were covered by Family Health Strategy and were benefitting from PROESF</p> <p>Evolution of Access in selected states 2011-2015<sup>9</sup>:</p> <ul style="list-style-type: none"> <li>- Parana: 34.07% to 45.44%</li> <li>- Rio Grande do Norte: 28.33% to 47.26%</li> <li>- Bahia: 17.54% to 29.27%</li> <li>- Acre: 23.61% to 60.41%</li> </ul>	<p>There is a disconnect between federal level outcome indicators and the Bank's implementation program. National coverage indicators were met but the Family Health Care II project, which supported this objective, nonetheless failed to achieve its PDO in other, more quality related dimensions. Subnational interventions also supported expansion of coverage but this was only one of several indicators.</p> <p>Projects (and programs) that support increases in coverage produce notable results in their early phases. With coverage increased, and more basic needs met, further progress depends on improvements in quality of service delivery. But quality improvements require the simultaneous adoption of interrelated measures, including integration of care across levels of the service delivery network, professional qualifications, information</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P095626 - APL 2 Family Health Extension</li> <li>• P107843 - Federal District MST Swap</li> <li>• P083997 - MST Alto Solimões</li> <li>• P089013 - Municipal APL: Recife</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> <li>• P095171 - MST Bahia Health and Water Swap</li> <li>• P106768 - Rio de Janeiro PSM/Fiscal MST</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> <li>• P120139 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P126465 - Rio State Fiscal Eff. For Quality Public Service DPL III</li> <li>• P129652 - Sergipe DPL</li> <li>• P132768 - Pernambuco Equity &amp; Inclusion Growth DPL</li> <li>• P126735 - Rio State Strengthening PM and Territorial Dev.</li> <li>• P130593 - AF MST Proacre</li> <li>• P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> <li>• P146981 - Piauí Productive and Social Inclusion DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P120864 - Country Study on Health Finance</li> </ul>

<sup>9</sup> Coverage at the state level was calculated using the state capitals as a proxy for all municipalities with over 100,000 inhabitants



			systems, efficiency, management and regulation, etc. These are complex measures that require a longer timeframe to demonstrate results	<ul style="list-style-type: none"> <li>• P133175 - Chronic disease and the health system</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• Rede D'Or (631587)</li> <li>• Alliar (708108).</li> </ul>
<p><b>Outcome 9:</b> Development of integrated health care networks</p>	<p><b>Indicator:</b> Number of RHCNs that deploy governance mechanisms (regional management committees, Inter-regional base contracts or intergovernmental agreements based regional or global consortium)</p> <p><b>Baseline (2009):</b> None <b>Target (2015):</b> 15</p>	<p><b>Achieved</b></p> <p>Target exceeded: In December 2015 target was 15. However, it must be mentioned that the indicator changed to “Percentage of priority health regions that implemented new governance mechanisms to support regional coordination and collaboration (regional management committees, Inter-regional base contracts or intergovernmental agreements based regional or global consortium)” after a Level II restructuring process completed in June 2015.</p> <p>Baseline: 0 (Dec 2010) End Target: 80% (Dec 2015) Actual: 100% (Dec 2015)</p> <p>Changes included revision of indicators, baselines and targets to align the RF with</p>	<p>There is a disconnect between national level and project level outcomes.</p> <p>Despite the relatively limited overall achievements of the Qualisus<sup>10</sup> Project designed to support CPS national level objectives, the project’s priority areas continue to receive attention in the Government Action Plan (Plano Plurianual – PPA) for 2016-2019. This is an indication that the operation remains relevant.</p> <p>The team has identified opportunities for replicating some of the results of the successful subprojects, especially with regards to the Patient Transportation intervention in Ceará and the Pharmaceutical Management System in several states with health management components.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P088716 - Health Network Formation Qualisus</li> <li>• P113540 - AIDS SUS Project</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126343 - Paraná MST Development Swap</li> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P120864 - Country Study on Health Finance</li> <li>• P133175 - Chronic disease and the health system</li> </ul>

<sup>10</sup> QUALISUS-REDE Brazil Health Network Formation and Quality Improvement Project (P088716) – this project was approved during the previous CPS (FY09) but closed during the FY12-FY15 CPS period

		government's indicators and data availability. The RF maintained the focus on improved effectiveness of the SUS' health care network, but acknowledged the Project's limitations to influence quality and efficiency of SUS' RHCNs.		
<b>Outcome 10:</b> Support for active Gender Policies	<p><b>Indicator:</b> Number of States supported by the World Bank Group in implementing substantive policy or institutional reforms or investments for the empowerment of women and protection of women from Gender Based Violence.</p> <p><b>Baseline:</b> None <b>Target (2015):</b> 5</p>	<p><b>Achieved</b></p> <p>Target exceeded. By December 2015, 6 states have been supported by the Bank in implementing projects with a stand-alone gender component (Bahia, Pernambuco, Acre, Amazonas, Sergipe and Rio de Janeiro). These operations supported actions on the following themes: 1) Strengthening of the role and capacity of the Women's Secretariats at the state level; 2) Implementation of VAW legislation and policies at the state level; 3) Economic autonomy (of women); 4) Teenage pregnancy and maternal health.</p> <p>Providing free services to women victims of VAW may particularly benefit women who would not be able to</p>	<p>The Poverty team conducted a qualitative review of this unique and innovative experience, based on desk review and individual interviews with counterparts and Bank staff. As positive impacts the review states increased visibility and bargaining power of weak institutions with gender issues now being placed at the core of the development policies of the state through their inclusion in these operations. On the other hand, some difficulties arose from the inclusion of indicators that were partially out of the main counterparts' exclusive control. Given the multi-sectoral and multi-level approach to addressing VAW in particular, future operations should be aware of the complications that may arise during implementation and thus pursue more realistic implementation objectives. Going forward, the review suggests to:</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• <b>P126351 - Bahia Inclusion and Econ Devel DPL</b></li> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• <b>P120139 - Pernambuco Expand. Opportunities, Enh. Equity</b></li> <li>• P126343 - Paraná MST Development Swap</li> <li>• P126749 - MST Belo Horizonte Urban DPL</li> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> <li>• <b>P129652 - Sergipe DPL</b></li> <li>• <b>P132768 - Pernambuco Equity &amp; Inclusion Growth DPL</b></li> <li>• <b>P147913 - Acre Strengthening Public Policies DPL</b></li> <li>• <b>P147979 - Amazonas Fiscal Consolidation for Improved Service Delivery DPL</b></li> <li>• P147157 - Bahia Sustainable Development</li> <li>• <b>P147695 - Rio de Janeiro Enhancing Public Mgt. for Service Delivery DPL</b></li> <li>• P130593 - AF MST Proacre</li> <li>• <b>P147984 - Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL</b></li> <li>• P146870 - AF Teresina Municipal Governance</li> <li>• P146981 - Piauí Productive and Social Inclusion DPL</li> </ul> <p>The operations in bold had stand-alone Gender components</p> <p>ASA:</p>

		<p>access private support services otherwise. A study from UERJ, monitoring access to Specialized Women's Reference Centers in Rio de Janeiro, found that 31% of beneficiaries had no income and the median income of the beneficiaries was around the minimum salary. Similarly, in a qualitative study that was conducted with specialized services for women victims of violence in Rio de Janeiro in 2015, the interviewed center coordinators said that while the profile of their beneficiaries is heterogeneous, economically vulnerable women are possibly the largest group among their beneficiary population.</p> <p>The Second Bahia DPL integrated gender into the three thematic areas supported by the operation – health, productive inclusion and violence – with particular attention to women, afro-descendants and ethnic minorities and addressing issues that disproportionately affect the poor.</p>	<ul style="list-style-type: none"> <li>• Strengthen support to the client institutions beyond DPL supervision (TA)</li> <li>• Respond to clients' demand on M&amp;E systems and knowledge and experience exchange</li> <li>• Continue WBG engagement in key priority areas of their engagement: addressing VAW and implementing the Maria da Penha law at the different levels of government; innovating and expanding on productive inclusion of poor women; engage with other sectors to address gender issues effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• P127423 - Gender Study</li> <li>• P132325 - Gender and Social Inclusion NLTA</li> <li>• P159321 - Ethical and Safe Data Collection on GBV</li> </ul>
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**STRATEGIC OBJECTIVE 3: PROMOTE REGIONAL ECONOMIC DEVELOPMENT THROUGH IMPROVED POLICIES AND STRATEGIC PUBLIC AND PRIVATE INVESTMENTS**

**Results Area 7. Expanded Access to Improved Basic Sanitation**

<p><b>Outcome 11:</b> Increased access to and improved efficiency of water supply</p>	<p><b>Indicator:</b> Percentage of households with access to clean water</p> <p><b>Baseline (2010):</b> 91% <b>Target (2015):</b> 93%</p>	<p><b>Achieved.</b> Access to piped water supply reached 84.5% in 2014, and 94% in urban areas. Access to safe water reached 95.8 % (PNAD/IBGE 2014). <a href="http://biblioteca.ibge.gov.br/biblioteca-catalogo?view=detalhes&amp;id=298887">http://biblioteca.ibge.gov.br/biblioteca-catalogo?view=detalhes&amp;id=298887</a></p> <p>24,5 k people had access to water in rural areas from Bank financed projects</p>	<p>Water services are becoming increasingly vulnerable to climate change, particularly droughts and floods. Increasing water resilience and security will require both infrastructure and institutional development. To face increasing investment needs sector reforms may be necessary, including revision of tariff and subsidies schemes, improving regulatory governance, improving corporate governance of SOE and increase private sector participation. The country also needs to move from safe water sources (wells and springs, many unprotected) to potable piped water in urban peripheries and rural areas. State level projects contributed to this results area but on their own may be insufficient to contribute significantly to national access targets.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P088966 - Municipal APL 3: Teresina</li> <li>• P089013 - Municipal APL: Recife</li> <li>• P089929 - RGN State Integrated Water Mgmt.</li> <li>• P108654 - Pernambuco Sustainable Water</li> <li>• P095171 - MST Bahia Health and Water Swap</li> <li>• P006553 - SP APL Integrated Water Management</li> <li>• P106703 - São Paulo Water Reagua</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P125829 - APL 2 São Bernardo Int. Water Mgmt</li> <li>• P121167 - Ceará Rural Sustainable &amp; Compettiveness</li> <li>• P112074 - Sergipe Water</li> <li>• P147157 - Bahia Sustainable Development</li> <li>• P130682 - Espirito Santo Integrated Sust. Water Mgt.</li> <li>• P127463 - Strenthening Service Delivery Ceará PforR</li> <li>• P130593 - AF MST Proacre</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123747 - Bringing the State Back to the Favelas of Rio de Janeiro</li> <li>• P125651 - Technical Assistance &amp; Guidance in Implementation of <i>Minha Casa Minha Vida</i></li> </ul>
	<p><b>Indicator:</b> Average non-revenue water losses</p> <p><b>Baseline (2010):</b> 37.4% <b>Target (2015):</b> 35%</p>	<p><b>Not Achieved.</b> Average Non-revenue water is 37% (SNIS, MofCities 2014, in <a href="http://www.snis.gov.br/diagnostico-agua-e-esgotos">http://www.snis.gov.br/diagnostico-agua-e-esgotos</a>).</p>	<p>Improvements in asset management and in operations are slow, outcome indicators have failed to improve. The current macroeconomic/ fiscal crisis will impact the sector with a reduction in modernization investments and asset management as utilities tend to prioritize investments in expansion.</p>	

			Sector reforms will be necessary to implement adequate incentives to save water and reduce losses, as well as to make resources available for asset management and operational improvements. In addition, water scarcity will put more pressure on water losses control – a non-regret measure to improve resilience and efficiency.	
	<p><b>Indicator:</b> Percentage of municipalities with services providers regulated by independent regulators</p> <p><b>Baseline (2010):</b> 30% <b>Target (2015):</b> 60%</p>	<p><b>Mostly Achieved.</b> ABAR data from 2014 (<a href="http://www.abar.org.br/images/pdf/revista-abar/revista-abar-m.pdf">http://www.abar.org.br/images/pdf/revista-abar/revista-abar-m.pdf</a>) shows that 3119 municipalities have services regulated by independent agencies, 56% of the total number of municipalities.</p>	Improving regulation is still a challenge for the water sector in Brazil, both in terms of governance and technical capacity. New institutional sector reforms should focus in improving regulatory capacity, with emphasis on the state regulatory agencies (represents the vast majority of regulated services).	
<p><b>Outcome 12:</b> Increased access to sewage services and treatment of waste water</p>	<p><b>Indicator:</b> % of Households with access to sewerage</p> <p><b>Baseline (2010):</b> 70% <b>Target (2015):</b> 75%</p>	<p><b>Achieved.</b> Target reached, total population with adequate sanitation services (sewerage and septic tanks) reached 75,4% (83,3% in urban areas), according to PNAD/IBGE/2014 <a href="http://biblioteca.ibge.gov.br/biblioteca-catalogo?view=detalhes&amp;id=298887">http://biblioteca.ibge.gov.br/biblioteca-catalogo?view=detalhes&amp;id=298887</a></p> <p><u><a href="#">30.6 k people had access to sanitation in rural areas from Bank financed project</a></u></p>	Increasing urbanization and degradation of water resources require faster expansion of sewerage (even in substitution of septic tanks) and wastewater treatment. Sector reforms should focus on tariff schemes to provide incentives to expand wastewater services. The adoption of alternative approaches can be considered to expedite wastewater treatment in critical areas, for instance, by recognizing the existence of combined systems and the adequate treatment of their effluents. Wastewater reuse should be incentivized in the same critical areas. Rural	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P083997 - MST Alto Solimões</li> <li>• P088966 - Municipal APL 3: Teresina</li> <li>• P094315 - Municipal APL 4: São Luís</li> <li>• P104995 - Municipal APL 5: Santos</li> <li>• P099369 - Ceará Regional Development</li> <li>• P108654 - Pernambuco Sustainable Water</li> <li>• P006553 - SP APL Integrated Water Management</li> <li>• P106703 - São Paulo Water Reagua</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P125829 - APL 2 São Bernardo Int. Water Mgmt</li> <li>• P121167 - Ceará Rural Sustainable &amp; Competiveness</li> <li>• P112074 - Sergipe Water</li> <li>• P147157 - Bahia Sustainable Development</li> <li>• P130682 - Espírito Santo Integrated Sust. Water Mgt.</li> <li>• P127463 - Strengthening Service Delivery Ceará PforR</li> </ul>

			sanitation should be expanded together with rural water supply combined with sustainable management models. The Bank has supported several innovations in this area which could be scaled up.	<ul style="list-style-type: none"> <li>• P130593 - AF MST Proacre</li> </ul> ASA: <ul style="list-style-type: none"> <li>• P123747 - Bringing the State Back to the Favelas of Rio de Janeiro</li> <li>• P127808 - Advisory Services for Integrated Urban Development in Rio</li> <li>• P147052 - Sustainable Vision for Rio de Janeiro MR</li> </ul> IFC: <ul style="list-style-type: none"> <li>• 31792 - AEGEA Saneamento</li> <li>• 27233 - CASAN</li> </ul>
<b>Results Area 8. Improved Transport and Logistics</b>				
<b>Outcome 13:</b> Improved integrated transport infrastructure and management with sustainable urban mobility	<b>Indicator:</b> States (Minas Gerais, Paraná, Rio Grande do Sul and Tocantins) will have in place improved integrated transport management and overall efficiency with emphasis on green transport, as measured within the supporting Bank projects.	<b>Partially achieved.</b> At subnational level, several states have developed multimodal transport and logistics plans (Rio Grande do Sul, Bahia, Tocantins and Parana). The State of Sao Paulo is still developing its <i>Plano Diretor de Transporte e Logística</i> , with a strong focus on environment and climate change considerations. At federal level, the planning process has also moved forward. In 2012, the <i>Empresa de Logística e Transporte</i> (EPL) was created so as to coordinate planning activities across the several federal transport agencies (ministry of transport, ports secretariat, and civil aviation secretariat). The EPL developed the Integrated National Logistics Plan (PNLI),	Bank support has been critical in developing transport and logistics planning at subnational level. Bank support at federal level at federal level could have been much more significant, had the use of the Reimbursable Advisory Services instrument been possible. Due to legal issues the Bank’s engagement through RASs has decreased consistently and it is necessary that the organization makes an effort to eliminate these obstacles. Improving integrated transport infrastructure and management planning is expected to remain an important topic under the upcoming CPF, scaling-up the results achieved so far, and making the planning process more sustainable within a renewed transportation governance framework.	Legacy from previous CPS Period <ul style="list-style-type: none"> <li>• P107843 - Federal District MST Swap</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P106038 - São Paulo Trains and Signaling</li> <li>• P106663 - São Paulo Feeder Roads</li> <li>• P118410 - Mato Grosso do Sul Road</li> <li>• P099369 - Ceará Regional Development</li> <li>• P106390 - São Paulo Metro Line 4 (Phase 2)</li> <li>• P111996 - Rio de Janeiro Mass Transit II - Greening</li> <li>• P116170 - São Paulo Metro Line 5</li> </ul> Approved During CPS Period Financial Services: <ul style="list-style-type: none"> <li>• P125630 - AF Upgrading and Greening Rio Railways - Rio de Janeiro Mass Transit II</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P121495 - MST Tocantins Integrated Sustainable Regional Development</li> <li>• P127723 - São Paulo Sustainable Transport Project</li> <li>• P147695 - Rio de Janeiro Enhancing Public Mgt. for Service Delivery DPL</li> <li>• P153203 - Manaus Service Delivery &amp; Fiscal Management DPL</li> <li>• P147272 - Bahia Road Rehabilitation and Maintenance</li> </ul> ASA: <ul style="list-style-type: none"> <li>• P127510 - Status of Urban Pollution Management in Brazil</li> </ul>

		<p>made operational in 2015. In 2015, the Port secretariat issue its Ports Logistics National Plan. State logistics and transport plan, aiming at efficiency improvement of state freight transport, has been prepared in Mato Grosso do Sul and is under preparation in Tocantins. Furthermore, SP is updating the existing plan taking into consideration DRM and climate change aspects.</p>		<ul style="list-style-type: none"> <li>• P123747 - Bringing the State Back to the Favelas of Rio de Janeiro</li> <li>• P132428 - Logistics and Trade Facilitation in Brazil NLTA</li> <li>• P130642 - Rio de Janeiro Low Carbon City Development Program</li> <li>• P127808 - Advisory Services for Integrated Urban Development in Rio</li> <li>• P131605 - BR Impact Evaluation Rural Rd Tocantins</li> <li>• P155406 - iRAP Study</li> <li>• P155604 - Federal Capacity Review</li> <li>• P154785 - Brazil Road Safety Improvement</li> <li>• P147052 - Sustainable Vision for Rio de Janeiro MR</li> <li>• P126072 - BR RAS Multimodal Corridor Sao Francisco</li> <li>• P155454 - Convening knowledge sharing Road Safety</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• 51301 Tecon Rio Grande</li> <li>• 656186 BTP Santos</li> <li>• 53235 Tecon Salvador</li> </ul> <p>MIGA:</p> <ul style="list-style-type: none"> <li>• 12191 Sao Paulo Sustainable Transport</li> </ul>
	<p><b>Indicator:</b> States and cities (Belo Horizonte and Rio de Janeiro) will have integrated transport within a broader urban management framework as measured with the support Bank operations.</p>	<p><b>Partially achieved.</b> While elements of projects under implementation have been delayed and the affordability and sustainability of fares continue to be a concern, public transport in Rio, SP, BH, and Curitiba have generally expanded public transport infrastructure, improved bus and rail services, expanded bikeways, improved pedestrian facilities, updated urban development plans and policies. Some of the more notable</p>	<p>Governments should maintain a stock of shovel-ready project designs for when investment resources become available. Greater focus is needed on the quality and financial sustainability of integrated public transport services vis-à-vis fare policies and public subsidies. Additional support is needed for fast-growing medium-sized cities through the Federal and State Governments to translate sustainable urban mobility plans into projects that are technically, financial and institutionally viable.</p>	

		<p>achievements in this period include:</p> <ul style="list-style-type: none"> <li>• SP implemented more than 100+ km of exclusive bus lanes, 80+ new trains, 50+ km of bikeways, established a Mobility Data Laboratory, updated its urban master plan by incorporating demand management strategies including the elimination of parking minimums, and implemented a nighttime truck delivery pilot with the support of the Bank.</li> <li>• Rio implemented three BRTs, several bus corridors, and X kms of bikeways.</li> <li>• BH implemented two BRTs and X kms of bikeways.</li> <li>• Most of the expected benefits from the Bank's SP Trains and Signaling project (closed in April 2015) were realized despite significant delays.</li> <li>• Brazil's urban mobility law of 2012 requires plans from all cities over 100,000 receiving federal financing.</li> </ul>		
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		Through the GEF (closed in December 2015), 600 people from 30 municipalities received training on sustainable urban mobility planning.		
<b>Results Area 9. Increased Supply of Clean and Efficient Energy Services</b>				
<b>Outcome 14:</b> Increased access to energy services in remote areas	<p><b>Indicator:</b> Households lacking electricity in North and Northeast reduced by 500,000 families by 2015</p> <p><b>Baseline (2010):</b> 590,294 <b>Target (2015):</b> 90,294</p>	<p><b>Achieved.</b></p> <p><b>Baseline (2010):</b> 590,294</p> <p><b>Households lacking electricity in North and Northeast (2015):</b> 27,462</p>	<p>Providing access is not sufficient: quality of access and sustainability is still a challenge, in particular in poor (Northeast) and low density (Amazon) regions, which put benefits of access at risk, with both social and economic consequences for the poor and business, in particular SMEs. It is therefore suggested to focus support on improving both quality of service and sustainability, in particular by (i) improving technical, commercial and financial performance of distribution companies serving areas with dispersed, poor population and (ii) connecting to the grid localities still served by unreliable, costly and polluting isolated diesel-based systems.</p> <p>Results targets should be chosen to reflect focus areas of Bank interventions, which in the energy sector focused rather on issues of regulation, efficiency improvements of energy distribution companies, and environmental management.</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P114204 – Eletrobras Distribution Rehabilitation</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126537 - Energy and Mineral Sector Strengthening</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123292 - Implications of Oil &amp; Gas Discoveries</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• 618255 - Cermar Equatorial</li> <li>• 54286 - CGTF</li> <li>• 658004 - CPFL Renovaveis</li> <li>• 760709 - Enel Brasil</li> </ul>

**STRATEGIC OBJECTIVE 4: IMPROVE SUSTAINABLE NATURAL RESOURCE MANAGEMENT AND CLIMATE RESILIENCE**

**Results Area 10. Integrated Water Resources Management**

<p><b>Outcome 15:</b> Improved water resources management and development of innovative irrigation approaches.</p>	<p>13 State water agencies and 4 river basin water agencies that are properly functioning, applying the management instruments established by law, and are reasonably well staffed.</p> <p>Volume (20 million m<sup>3</sup> per year) of bulk water being charged (and 50% percentage collected of that volume) in the country, excluding power generation.</p> <p><b>Indicator:</b> PPP arrangements signed for irrigation projects covering an expanded area:  <b>Baseline (2010):</b> &lt; 3,000 ha  <b>Target (2015):</b> 200,000 ha</p>	<p><b>Achieved.</b> All 26 states and the Federal District have institutions in charge of water resources management; there are 10 river basin agencies created and functioning (<a href="http://conjuntura.ana.gov.br/docs/conj2014_inf.pdf">http://conjuntura.ana.gov.br/docs/conj2014_inf.pdf</a>).</p> <p><b>Achieved.</b> Water charging indicator was also met. In 2014 water charged in the country reached BRL264 million, of which 89% of invoices were paid. (<a href="http://arquivos.ana.gov.br/institucional/sag/CobrancaUso/Estudos/CobrancaPeloUsoRecursosHidricos_01082014.pdf">http://arquivos.ana.gov.br/institucional/sag/CobrancaUso/Estudos/CobrancaPeloUsoRecursosHidricos_01082014.pdf</a>)</p> <p><b>Partially Achieved.</b> Indicator of PPP arrangement for irrigation project will not be met as the federal government postponed decisions on PPP arrangements until further notice and decided to continue the public operation of public irrigation perimeters in the meanwhile. Both RAS</p>	<p>Water challenges affect productivity, as the availability of water is critical in the water, energy, industry and agricultural sectors. Conflicts amongst uses are increasing and there is a need to consider water-energy-food nexus and integrated planning. Facing water challenges will require increased investments in water security (purpose reservoirs, water transfers, conveyance systems) and in management and use of economic instruments (allocation, charges, service tariffs).</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P089929 - RGN State Integrated Water Mgmt.</li> <li>• P108654 - Pernambuco Sustainable Water</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P112074 - Sergipe Water</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P148083 - Rio Grande do Sul Fiscal &amp; Water Mgmt. DPL</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P123869 - Adapting Water Resources Planning and Operation to Climate Change</li> <li>• P153724 - BR Rural Water Supply Study</li> <li>• P146301 - BR Drought Preparedness and Climate</li> <li>• P122571 - BR RAS Baixio do Irece III</li> <li>• P126072 - BR RAS Multimodal Corridor Sao Francisco</li> </ul>
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		will be closed by February 2016. The client showed satisfaction of the technical assistance provided by the Bank team and the bidding documents and related socio-economic, agronomic and financial studies delivered. However, none of these projects has been bid as a PPP concession as of today.		
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**Results Area 11. Expanded Sustainable Agriculture**

<p><b>Outcome 16:</b> Improved Market Access for and adoption of Climate Smart Agriculture (CSA) by Small Rural Producers Organizations (% of organizations led by women)</p>	<p><b>Indicator:</b> Number of Small Producers Organizations with improved market access in the States of Rio Grande do Norte, Rio de Janeiro, Bahia, Amazonas, Parana, Para, Sao Paulo, Santa Catarina, Pernambuco, and Ceara (% of organizations led by women)  <b>Baseline (2009):</b> 2,730 small producers organizations supported by Bank-financed Projects (844 organizations led by women, 30%)  <b>Target (2015):</b> 19,600 small producers organizations supported by Bank-financed Projects (5,800 organizations led by women, 30%)</p>	<p><b>Mostly Achieved.</b> By 2015, 14,218 small producer organization (27% below target) were supported by Bank-financed Projects in the States of Rio Grande do Norte, Rio de Janeiro, Bahia, Amazonas, Parana, Para, Sao Paulo, Santa Catarina, Pernambuco, and Ceara (4,266 organizations led by women, 30%)</p>	<ul style="list-style-type: none"> <li>• Training of a critical mass of specialists in the development of agribusiness plans to Small Producer Organizations.</li> <li>• Coordinate the support to Small Producer Organizations with financial institutions that can provide credit to co-finance the investment.</li> <li>• Train farmers on project design, management and planning before, during and after the investment in the agribusiness plan.</li> <li>• For new projects implementing market access approach, allow for sufficient time for disseminating and informing beneficiaries and specialist on the precise methodology and</li> </ul>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P083997 - MST Alto Solimões</li> <li>• P104752 - Parafba 2nd Rural Poverty Alleviation</li> <li>• P110617 - AF Bahia State Integrated Rural</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> <li>• P107146 - Acre Social Inclusion Sust. Dev.</li> <li>• P118540 - Santa Catarina Rural Competitiveness</li> <li>• P101508 - Rio de Janeiro Sustainable Development</li> <li>• P108443 - São Paulo Sustainable Rural Dev. &amp; Access to Markets</li> </ul> <p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P121167 - Ceará Rural Sustainable &amp; Competiveness</li> <li>• P120139 - Pernambuco Rural Economic Inclusion</li> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P126343 - Paraná MST Development Swap</li> <li>• P126684 - (AF) Rio de Janeiro Sustainable Rural Development</li> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> <li>• P147157 - Bahia Sustainable Development</li> <li>• P130593 - AF MST Proacre</li> </ul> <p>ASA:</p>
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			criteria for preparation of agribusiness plans.	<ul style="list-style-type: none"> <li>• P123869 - Adapting Water Resources Planning and Operation to Climate Change</li> <li>• P123948 - Brazil Agricultural Productivity and Competitiveness</li> <li>• P130721 - Impacts Of Climate Change On Brazilian Agriculture: Refocusing Impact Assessments To 2050</li> <li>• P155385 - Bahia Agriculture Risk Assessment</li> <li>• P155386 - Agriculture Risk Management Mapping</li> <li>• P155387 - Paraiba Agriculture Risk Assessment</li> <li>• P158438 - Agriculture Insurance Market Development</li> <li>• P158588 - Agrologistic Risks and Costs in Brazil</li> <li>• P150895 - BR Agriculture Risk Management in Brazil</li> </ul>
	<p><b>Indicator:</b> Brazilian States implementing programs that promote the adoption of CSA by farmers</p> <p><b>Baseline (2009):</b> 0 States</p> <p><b>Target (2015):</b> 4 States</p>	<p><b>Achieved.</b> By 2015, the states of Sao Paulo, Rio de Janeiro, Paraná, Ceara, Bahia, Rio Grande do Norte and Santa Catarina (7 States) were implementing programs that promote the adoption of CSA by farmers.</p>	<ul style="list-style-type: none"> <li>• Partnership with local agriculture R&amp;D institutions to validate and test CSA practices among farmers.</li> <li>• Training to farmers (in particular youth and women) on benefits of CSA, in particular beyond yields (environment, health).</li> </ul>	

**Results Area 12. Improved Environmental Management, Biodiversity Conservation and Climate Change Mitigation**

<p><b>Outcome 17:</b> Expansion of areas under effective protection (includes existing protected areas under improved management and newly created protected areas)</p>	<p><b>Protected areas to increase (ha)</b></p> <p><b>Baseline (2010):</b> 120 million ha.</p> <p><b>Target (2015):</b> 135 million ha. (increase of 15 million ha)</p>	<p><b>Achieved: Increase of 31.24 million ha (208% of target)</b></p> <p><b>Cerrado Biome</b> (completion date 12.31.2015): The Sustainable Cerrado Initiative (SCI) supported actions (completion 31.12.2015) to improve management of 24 existing protected areas (PA), covering 4.25 million ha. SCI also supported the creation of 401,868 ha of new</p>	<p>The Cerrado Biome dense occupation and high value land created difficulties in creating new strict use PAs, and indicated the need of re-evaluating the current biodiversity preservation strategies. A systemic approach encompassing water resources management, climate change, public health, land management, besides biodiversity preservation, has clear advantages in relation to the sole approach. Attention to diffuse activities, such as sustainable use of biodiversity and environmentally friendly</p>	<p>Legacy from previous CPS Period</p> <ul style="list-style-type: none"> <li>• P099469 - APL 2nd National Environment PNMA</li> <li>• P106702 - Integrated Solid Waste and Carbon Finance</li> <li>• P101324 - Second Minas Gerais Dev. Partnership Swap</li> </ul> <p>Approved During CPS Period Financial Services:</p> <ul style="list-style-type: none"> <li>• P125630 - AF Upgrading and Greening Rio Railways -Rio de Janeiro Mass Transit II</li> <li>• P125829 - APL 2 São Bernardo Int. Water Mgmt</li> <li>• P121495 - MST Tocantins Integrated Sustainable Regional Development</li> <li>• P121590 - 3rd Minas Gerais Partnership DPL</li> <li>• P126452 - MST Rio Grande do Norte Regional Development</li> <li>• P130682 - Espirito Santo Integrated Sust. Water Mgt.</li> </ul>
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		<p>protected areas in the Cerrado Biome.  <b>Subtotal (2015): 4.60million ha</b></p> <p><b>Pampa Biome</b>  (completion date on 03/31/2016): In Rio Grande do Sul State, 11 protected areas were supported through the counterpart of the GEF Biodiversity project. The total area supported was 223,432 ha. Quarta Colonia was proposed to State authorities as a conservation corridor, totaling 233,635.39ha  <b>Subtotal (2016): 0.47million ha</b></p> <p><b>Amazon Biome</b>  (ongoing, on track to be completed by 06.30.2017). The Amazon Region Protected Areas Program (ARPA) is supporting the implementation of Protected Areas with 26 million ha of newly created and/or existing areas with improved management effectiveness during this CPF period.  <b>Subtotal (2016): 25.96million ha</b></p> <p><b>Marine Protected Areas Project</b> (ongoing, to be completed by</p>	<p>management practices should be taken into consideration.</p> <p>The new Amazon Sustainable Landscapes Program, involving Brazil, Colombian and Peru, draws directly into the innovations and lessons learned produced by the ARPA Program. The Program’s “theory of change” builds on the notion that if an adequate area of Amazonia is conserved under various regimes, if agriculture and forested lands are managed sustainably, with zero illegal deforestation tolerance, if national policies and strategies support sustainable development aiming to minimize deforestation and loss of ecosystems services, and if regional cooperation and capacity building improves; the protection of globally significant biodiversity and be achieved and policies that promote sustainable land use and restoration of native vegetation cover can be mainstreamed.</p> <p>The innovative model of the “Transition Fund” implemented under ARPA, represents a ground-breaking finance mechanism that benefit Brazil’s entire protected-area system and are models for other tropical forest nations. The initiative is a “multi-party deal” in which no donor funds were placed into the Transition Fund until all</p>	<ul style="list-style-type: none"> <li>• P148083 - Rio Grande do Sul Fiscal &amp; Water Mgmt. DPL</li> <li>• P130593 - AF MST Proacre</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P121840 - Amazon Deforestation and Protection</li> <li>• P129693 - Involuntary Resettlement Policy TA</li> </ul> <p>IFC:</p> <ul style="list-style-type: none"> <li>• BR Amazon Forest 589267</li> </ul>
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		10.01.2019) is supporting the implementation of Coastal and Marine Protected Areas with 0.21 million ha of newly created and/or existing areas with improved management effectiveness during this CPF period. <b>Subtotal (2016): 0.21million ha</b>	needed funding and other commitments are secured. This created financial leverage from each actor’s perspective, thereby helping to attract more funding, and provides “finality” – securing the permanent funding needed all at once instead of over many years.	
<b>Outcome 18:</b> Improved institutional capacity for environmental management and upscaling of <i>Cadastro Ambiental Rural</i>	<p>1. Environmental management capacity will have improved through (a) development of more transparent and user-friendly tools to speed up licensing processes and improve social participation and control mechanisms, (b) the creation of ecological-economic zoning (ZEE) land use planning tools in three states.</p> <p>2. Strengthening the Environmental Agencies’ capacity to receive, analyze, and approve the rural environmental cadaster entries and link them to the national system (<i>Sistema de Cadastro Ambiental Rural</i>, SICAR), in accordance with Law 12651</p> <p><b>Baseline (2010): 0</b></p>	<p><b>1. Achieved.</b></p> <p><b>(a)</b> On track to be completed by 2019: As part of the multi sectoral Projects, activities to improve environmental licensing systems are being implemented in the follow Sates: <b>Acre, São Paulo, Paraná, Tocantins, and Rio Grande do Sul.</b> Tocantins and São Paulo are more advanced.</p> <p><b>(b)</b> On track to be completed by 2018-2019: As part of the multi sectoral Projects, the following States are preparing ZEEs: São Paulo, Tocantins and Rio Grande do Sul, Studies are being developed and ZEEs proposal are being prepared. As part of GEF Sustainable Cerrado Initiative, MMA developed the TERRACCLASS Cerrado,</p>	<p>Territorial planning tools as Cerrado TerraClass mapping and ZEEs will helpful for policy and decision making in those entities concerned with land use and rehabilitation of degraded areas in the Brazil, as well as to contribute to Brazil NDC.</p> <p>The Environmental Rural Registry (CAR, in Portuguese) is a mandatory digital registration, which aims to integrate environmental information regarding the property. Created by the New Forest Code, Law 12,651/2012. The CAR provides a database of strategic information for monitoring and combating deforestation and degradation of native vegetation in private rural properties, as well as for environmental and economic planning in rural regions. CAR is a critical policy to be considered part of all rural and environmental projects focus of private landholdings.</p>	<p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• P127723 - São Paulo Sustainable Transport Project</li> <li>• P130593 - AF MST Proacre</li> <li>• P129342 - Piauí Pillars of Growth and Social Inclusion Swap</li> <li>• P146981 - Piauí Productive and Social Inclusion DPL</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P130721 - Impacts Of Climate Change On Brazilian Agriculture: Refocusing Impact Assessments To 2050</li> <li>• P127740 - BR Land Governance Assessment</li> <li>• P153319 - Brazil Climate Change Country Dialogue</li> </ul>

	<p><b>Target (2015):</b> 10 States &amp; Federal District.</p>	<p>with support from EMBRAPA, IBAMA, INPE, UFG and UFU.</p> <p><b>TERRACLASS encompasses geographical information on the Cerrado biome degradation, and current land use</b>, such as different types of cropland and pastures. This information will contribute to policy making, as degraded areas rehabilitation planning.</p> <p>(2) The CAR will provide essential information for monitoring and controlling private rural land use, including compliance with reforestation obligations</p> <p><b>Not Achieved.</b> Delayed/ Not started/ To be completed by 2020: Under Brazil Investment Plan, Forest Investment Program, The FIP: Environmental regularization of rural land in Cerrado Project was prepared. This project was approved by the Board of Executive Directors on July 7, 2015 and has been submitted for approval to the Senate in Brazil, effectiveness is expected</p>		
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		<p>by June 2016. <b>The Project will support the implementation of the CAR in 9 States in the Cerrado Biome.</b></p> <p><b>Partially Achieved.</b> On track to be completed by 2018: As part of the Brazil Cerrado Climate Change Mitigation Trust Fund, funded by the Department for Environment, Food and Rural Affairs of the United Kingdom, the Bank is supporting the implementation of the CAR in selected municipalities in <b>Piauí and Bahia States.</b> As of January 30, 2016, <b>752 small rural landholdings</b> were enrolled in the National CAR System with Program supported, totaling <b>8,168ha.</b></p>		
<b>Results Area 13. More Effective Disaster Risk Management</b>				
<p><b>Outcome 19:</b> Improved disaster preparedness and coordination of post disaster response in states/cities of Bank engagement</p>	<p>State/City Early Warning Systems Revamped</p> <p><b>Baseline (2010): 0</b> <b>Target (2015): 10</b></p> <p>The target for this indicator was established <i>ex-post</i> after the CPS and CPSPR based on the evolution of the Bank's engagement with DRM in Brazil</p>	<p><b>Partially Achieved.</b> The Early Warning System has been implemented in two states (Rio de Janeiro and Paraná)</p> <p>Early Warning Systems are being developed following national initiatives, such as the National Center for Disaster Alert (CENAD) from the Ministry of National Integration, the</p>	<p>Over a period of almost 5 years since the deployment of the first CO based DRM Specialist in FY 12, a number of lessons were learned including:</p> <ul style="list-style-type: none"> <li>• GoB's disaster response priority at the National Level;</li> <li>• Limited capacity in integrating DRM subjects (risk identification/mapping, risk reduction, etc.);</li> <li>• Non existing Disaster Risk Finance and Insurance</li> </ul>	<p>Approved During CPS Period</p> <p>Financial Services:</p> <ul style="list-style-type: none"> <li>• P126351 - Bahia Inclusion and Econ Devel DPL</li> <li>• P126449 - Piauí Green Growth and Inclusion</li> <li>• P120139 - Pernambuco Expand. Opportunities, Enh. Equity</li> <li>• P120830 - Rio Grande do Sul Swap</li> <li>• P126343 - Paraná MST Development Swap</li> <li>• P126684 - (AF) Rio de Janeiro Sustainable Rural Development</li> <li>• P126749 - MST Belo Horizonte Urban DPL</li> <li>• P127723 - São Paulo Sustainable Transport Project</li> </ul>



		<p>National Center for Monitoring and Disaster Alert (CEMADEN) from the Ministry of Science, Technology and Innovation and the State Situation Rooms financed by the National Water Agency (ANA).</p> <p>At the national level, the Bank is supporting CENAD to benefit from its National Disaster database (S2ID) for a number of activities, such as damage and loss assessment, response/humanitarian logistics, among others. At subnational levels, the Bank is directly or indirectly financing Early Warning Systems in the states of Rio Grande do Sul, Paraná, São Paulo and Rio de Janeiro. Cities are contemplated as Bank's financed activities cover large portions of state territories as well as implement structural and non-structural activities at state level. For instance, Rio de Janeiro Renovating and Strengthening Public Management Project (P106768) alone has financed the acquisition and installation of two Meteorological Radars. Currently, the radars and</p>	<p>capacity at both National and Sub-national levels;</p> <ul style="list-style-type: none"> <li>• Lack of synergy between the urban growth &amp; planning and Disaster Risk Management agendas; and</li> <li>• Non-integrated strategies and activities from various institutions and agencies, which implies in many lost opportunities.</li> </ul> <p>Going forward the Urban Resilience agenda could consider the following approaches:</p> <ul style="list-style-type: none"> <li>• National Level: related TA to the Ministry of National Integration and other line Ministries (e.g. Planning and Finance) in order to build capacity and help the GoB to move from a reactive to a proactive culture when it comes to DRM; and</li> <li>• Sub-national Level: develop a comprehensive framework for Urban Resilience taking into account existing natural hazards and urban planning/growth challenges faced by many municipal governments. Such an integrated approach will place the Bank as both technical advisory provider and financing institution to meet investment needs from sub-national clients.</li> </ul>	<ul style="list-style-type: none"> <li>• P126735 - Rio State Strengthening PM and Territorial Dev.</li> <li>• P130682 - Espirito Santo Integrated Sust. Water Mgt.</li> <li>• P146870 - AF Teresina Municipal Governance</li> </ul> <p>ASA:</p> <ul style="list-style-type: none"> <li>• P126154 - Development of National Disaster Risk Management Strategy</li> <li>• P133127 - Economic and Fiscal Impact of Natural Disasters</li> <li>• P151954 - Disaster Risk Financing and Insurance</li> <li>• P128417 - BR RAS Dam Safety</li> <li>• P158438 - Agriculture Insurance Market Development</li> <li>• P158588 - Agrologistic Risks and Costs in Brazil</li> <li>• P150895 - BR Agriculture Risk Management in Brazil</li> </ul>
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		<p>related supported activities allow for more than 30. Additional work in progress can also be observed in Paraná Multi-Sector Development SWAP (P126343), which support a number of activities related to EWS.</p> <p>Additional work in progress can also be observed in Paraná Multi-Sector Development SWAP (P126343), São Paulo Sustainable Transport (P127723), which support a number of activities related to EWS.</p>		
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### Annex 3: Active, Closed IBRD Lending Operations per CPS Engagement Area

FY12: IBRD Lending Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	US\$	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
Energy & Mineral Sector Strengthening	49.6						√			
PE-Expanding Opportunities, Enhancing Equity DPL	500.0		√	√		√		√		
Sergipe Water	70.3						√	√		
Pernambuco - Rural Economic Inclusion	100.0						√	√	√	
(AF)Upgrading Greening Rio Urban Rail	600.0						√	√		√
APL2 Sao Bernardo Integrtd Water management SP	20.8						√	√		
MST Piauí Green Growth and Inclusion DPL	350.0	√		√					√	
Rio Grande do Sul SWAp (SIL)	480.0	√	√	√			√			
Ceara Rural Sustainability & Competitiveness	100.0					√	√	√	√	
Bahia DPL	700.0		√	√		√				
Recife Swap – Education & Public Management	130.0			√		√	√			
<b>Total</b>	<b>3,101</b>									

FY13: IBRD Lending Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	US\$	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
MST Tocantins Integrated Sustainable Regional Development	300.0	√		√		√	√			
3rd Minas Gerais Partnership DPL	450.0		√	√		√	√			
Rio State DPL III	300.0			√		√				
Parana Multi-Sector Development	350.0			√		√			√	
(AF) RJ Sustainable Rural Development	100.0								√	
MST Belo Horizonte Urban DPL	200			√		√	√			
MST Rio Grande do Norte Regional Development	360	√		√				√	√	
Sergipe DPL	150			√		√			√	
Rio de Janeiro Municipal Strengthening PSM	16.2			√		√				
SP Change, DRM & Transport SWAP	300	√					√			√
Pernambuco Equity & Inclusion Growth DPL	550					√				
<b>Total</b>	<b>3,076</b>									

FY14: IBRD Lending Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	US\$(M)	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
<b>Subnational</b>										
Rio de Janeiro DPL: Enhancing Public Management for Service Delivery	500	√				√	√			
Rio State Strengthening Public Management and Integrated Territorial Development	48			√		√	√			
Strengthening Service Delivery Ceará PforR	350	√	√	√				√		
Acre: Strengthening Public Policies DPL	250	√		√		√				
Espírito Santo Integrated Sustainable Development	225						√	√	√	
Amazonas Fiscal Consolidation for Improved Service Delivery DPL	216	√								
Rio Grande do Sul Strengthening Fiscal and Water Resources Management DPL	280	√				√		√	√	
Bahia Sustainable Rural Development	150	√		√		√			√	√
<b>Total</b>	<b>2,019</b>									

FY15: IBRD Lending Program		Strategic Objectives								
		Increase the Efficiency of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	US\$(M)	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
BR Bahia Strengthening Fisc. Mgmt Incl. Service Delivery DPL	400	√		√		√				
(AF) MST PROACRE Loan	150			√			√			
<b>Total</b>	<b>550</b>									

FY16: IBRD Lending Program		Strategic Objectives								
		Increase the Efficiency of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	US\$(M)	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
BR Manaus Service Delivery & Fiscal Mgm	150.0	√		√			√			
Bahia Road Rehabilitation and Maintenanc	200.0					√	√			
BR AF Teresina Municipal Governance	88.0	√			√		√			√
BR Piauí Pillars of Growth and Soc Incl	120.0			√			√		√	
BR Piauí Productive and Social Inclusion	200.0			√		√	√		√	
<b>Total</b>	<b>758</b>									

## Annex 4: Selected Indicators of Bank Portfolio Performance and Management

As of Date 02/24/2016

Indicator	FY13	FY14	FY15	FY16
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	58.0	63.0	54.0	48.0
Average Implementation Period (years) <sup>b</sup>	3.4	3.5	4.0	4.2
Percent of Problem Projects by Number <sup>a,c</sup>	20.0	23.3	34.0	24.4
Percent of Problem Projects by Amount <sup>a,c</sup>	10.0	15.1	24.4	22.3
Percent of Projects at Risk by Number <sup>a,d</sup>	20.0	25.0	34.0	24.4
Percent of Projects at Risk by Amount <sup>a,d</sup>	10.0	16.2	24.4	22.3
Disbursement Ratio (%) <sup>e</sup>	15.2	11.3	19.5	11.9
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	Yes			Yes
Supervision Resources (total US\$)	5,811	6,481	6,918	2,834
Average Supervision (US\$/project)	84	103	128	59

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	300	25
Proj Eval by OED by Amt (US\$ millions)	40,398.1	5,897.2
% of OED Projects Rated U or HU by Number	26.6	58.3
% of OED Projects Rated U or HU by Amt	23.8	16.7

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## Annex 5: Brazil Lending Program: Indicatively Planned FY12-16 vs. Actual FY12-16

CPS Completion Report Annex 1: - IBRD Program Summary					
As of March 28, 2016					
IBRD Lending Program					
Fiscal Year	Proposed	US\$(M)	Project ID	US\$(M)	Actual/Planned
<b>2012</b>					
<b>Federal</b>	Energy and Mineral Sector Strenghtening	50.0	Energy and Mineral Sector Strenghtening	49.6	2012
	Federal Integrated Water Sector	110.0	MST Federal Integrated Water Sector	107.3	2012
<b>Subtotal</b>	<b>Planned</b>	<b>160.0</b>	<b>Delivered</b>	<b>156.9</b>	
<b>Subnational</b>	AF Greening Rio de Janeiro Urban Rail System	600.0	AF Greening Rio de Janeiro Urban Rail System	600.0	2012
	AF Rio de Janeiro State (SIL)	40.0			2014
	AF Rio de Janeiro Sustainable Rural Development	100.0			2013
	APL São Bernardo Int. Water Management	27.0	APL2 São Bernardo Intgrtd. Water Mgment	20.8	2012
	Ceará Rural Sustainable & Competitiveness	100.0	Ceará Rural Sustainable & Competitiveness	100.0	2012
	Pernambuco Rural Economic Inclusion	100.0	Pernambuco Rural Economic Inclusion	100.0	2012
	Rio Municipal	16.0			2013
	Sergipe Water	70.0	Sergipe Water	70.3	2012
	Bahia DPL	700.0	Bahia DPL	700.0	2012
	Piauí Green Growth and Inclusion DPL	350.0	MST Piauí Green Growth and Inclusion DPL	350.0	2012
	Pernambuco Expand. Opportunities, Enh. Equity DPL	500.0	Pernambuco Expand. Opportunities, Enh. Equity DPL	500.0	2012
	Recife Education and Public Management SWAP	130.0	Recife Education and Public Management SWAP	130.0	2012
	Rio Grande do Sul SWAP	480.0	Rio Grande do Sul SWAP	480.0	2012
<b>Subtotal</b>	<b>Planned</b>	<b>3,213.0</b>	<b>Delivered</b>	<b>3,051.1</b>	
	<b>Total Planned for Fiscal Year</b>	<b>3,373.0</b>	<b>Total Delivered in Fiscal Year</b>	<b>3,208.0</b>	
<b>2013</b>					
<b>Federal</b>	Federal Transport SIL	100.0			Not Pursued
	South-South Cooperation for Economic Development	30.0			Not Pursued
<b>Subtotal</b>	<b>Planned</b>	<b>130.0</b>	<b>Delivered</b>	-	
<b>Subnational</b>	Paraná PSM for Development SWAP	350.0	Paraná Multi-Sector Development Swap	350.0	2013
	Alagoas Extreme Poverty Erraducadication	300.0			Dropped
	Rio Grande do Norte Regional Development	360.0	MST Rio Grande do Norte Regional Development	360.0	2013
	Tocantins Integrated Sustainable Regional Dev.	300.0	MST Tocantis Integrated Sust. Regional Dev.	300.0	2013
	3rd Minas Gerais Partnership DPL	450.0	3rd Minas Gerais Partnership DPL	450.0	2013
	Belo Horizonte Urban DPL	200.0	MST Belo Horizonte Urban DPL	200.0	2013
	Rio State DPL III	300.0	Rio State DPL III	300.0	2013
			AF Rio de Janeiro Sustainable Rural Development	100.0	2012
			Rio de Janeiro Municipal Strenght. PSM	16.2	2012
			Sergipe DPL	150.0	2013
			Pernambuco Equity & Inclusion Growth DPL II	550.0	2013
			São Paulo Sustainable Transport	300.0	2013
<b>Subtotal</b>	<b>Planned</b>	<b>2,260.0</b>	<b>Entregue</b>	<b>3,076.2</b>	
	<b>Total Planned for Fiscal Year</b>	<b>1,924.6</b>	<b>Total Delivered in Fiscal Year</b>	<b>3,076.2</b>	



<b>2014</b>					
<b>Federal</b>					
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	-	
<b>Subnational</b>			Strengthening PM and Int Territorial Dev	48.0	2012
			Acre: Strengthening Public Policies DPL	250.0	2014
			BR Amazonas DPL	216.0	2014
			BR BAHIA SUSTAINABLE RURAL DEVELOPMENT	150.0	2014
			BR ES Integrated Sust. Water Mgt Project	225.0	2014
			BR Strength. Serv. Delivery Ceará PforR	350.0	2014
			Enhancing Public Manag for Service Deliv	500.0	2014
			RS:Strengthening Fiscal & Water Mgmt DPL	280.0	2014
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	<b>2,019.0</b>	
	<b>Total Planned for Fiscal Year</b>	-	<b>Total Delivered in Fiscal Year</b>	<b>2,019.0</b>	
<b>2015</b>					
<b>Federal</b>					
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	-	
<b>Subnational</b>			BR MST PROACRE Loan AF	150.0	
			BR Bahia DPL	400.0	
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	<b>550.0</b>	
	<b>Total Planned for Fiscal Year</b>	-	<b>Total Delivered in Fiscal Year</b>	<b>550.0</b>	
<b>2016</b>					
<b>Federal</b>					
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	-	
<b>Subnational</b>			BR Manaus Service Delivery & Fiscal Mgm	150.0	
			Bahia Road Rehabilitation and Maintenanc	200.0	
			BR AF Teresina Municipal Governance	88.0	
			BR Piaui Pillars of Growth and Soc Incl	120.0	
			BR Piaui Productive and Social Inclusion	200.0	
	<b>Subtotal Planned</b>	-	<b>Delivered</b>	<b>758.0</b>	
	<b>Total Planned for Fiscal Year</b>	-	<b>Total Delivered in Fiscal Year</b>	<b>758.0</b>	
<b>Total de Financiamento por Ano</b>					
<b>2012</b>					<b>3,208.00</b>
<b>2013</b>					<b>3,076.20</b>
<b>2014</b>					<b>2,019.00</b>
<b>2015</b>					<b>550.00</b>
<b>2016</b>					<b>758.00</b>
<b>Total</b>					<b>9,611.20</b>

## Annex 6: IFC Committed and Outstanding Portfolio

As of 01/31/2016

(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY14	ABC BRASIL	20.00	0.00	0.00	0.00	60.00	20.00	0.00	0.00	0.00	60.00
FY12	AEGEA	22.88	9.85	0.00	0.00	0.00	22.88	9.85	0.00	0.00	0.00
FY14	AEGEA	0.00	7.36	0.00	0.00	0.00	0.00	7.21	0.00	0.00	0.00
FY15	AFFERO LAB	0.00	9.22	0.00	0.00	0.00	0.00	5.55	0.00	0.00	0.00
FY13	ALLIAR	23.16	0.00	10.00	0.00	0.00	23.16	0.00	10.00	0.00	0.00
FY14	AMAZON FUND	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	ANIMA	0.00	2.27	0.00	0.00	0.00	0.00	2.27	0.00	0.00	0.00
FY08	ARMCO	12.51	0.00	0.00	0.00	0.00	12.51	0.00	0.00	0.00	0.00
FY14	ASA PART	7.35	0.00	3.87	0.00	0.00	7.35	0.00	3.87	0.00	0.00
FY14	AUSTRAL PART.	0.00	36.51	0.00	0.00	0.00	0.00	35.88	0.00	0.00	0.00
FY13	BANCO DAYCOVAL	27.29	36.07	0.00	0.00	134.80	27.29	36.07	0.00	0.00	134.80
FY12	BANSICREDI	0.00	10.00	24.36	0.00	0.00	0.00	10.00	24.36	0.00	0.00
FY14	BANSICREDI	0.00	4.61	0.00	0.00	0.00	0.00	4.61	0.00	0.00	0.00
FY07	BAUDUCCO	5.63	0.00	0.00	0.00	0.00	5.63	0.00	0.00	0.00	0.00
FY09	BAUDUCCO	0.00	0.00	4.15	0.00	0.00	0.00	0.00	4.15	0.00	0.00
FY14	BBM	50.00	0.00	0.00	0.00	25.00	50.00	0.00	0.00	0.00	25.00
FY13	BI BRASIL	15.00	0.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00

FY15	BIOSEV S.A	0.00	29.83	0.00	0.00	0.00	0.00	29.83	0.00	0.00	0.00
FY16	BRADESCO	150.00	0.00	0.00	0.00	225.00	150.00	0.00	0.00	0.00	225.00
FY11	BTP SANTOS	68.87	0.00	0.00	0.00	413.22	68.87	0.00	0.00	0.00	413.22
FY14	BTP SANTOS	54.32	0.00	0.00	0.00	0.00	54.32	0.00	0.00	0.00	0.00
FY14	CAIXA GERAL BR	16.42	0.00	0.00	0.00	0.00	16.42	0.00	0.00	0.00	0.00
FY12	CANOPUS HOLDING	0.00	9.66	0.00	0.00	0.00	0.00	9.66	0.00	0.00	0.00
FY99	CIBRASEC	0.00	0.87	0.00	0.00	0.00	0.00	0.87	0.00	0.00	0.00
FY10	CONSTELLATION	0.00	103.00	0.00	0.00	0.00	0.00	102.45	0.00	0.00	0.00
FY13	CPFL RENOVAVEIS	0.00	34.81	0.00	0.00	0.00	0.00	34.81	0.00	0.00	0.00
FY14	CRUSADER RES	0.00	1.36	0.00	0.00	0.00	0.00	1.36	0.00	0.00	0.00
FY15	CVA	22.00	0.00	0.00	0.00	0.00	20.30	0.00	0.00	0.00	0.00
FY13	CVENTURES	0.00	4.01	0.00	0.00	0.00	0.00	1.24	0.00	0.00	0.00
FY10	DARP SFP	0.00	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
FY15	DARP SPV RENOVA	0.00	0.00	29.12	0.00	0.00	0.00	0.00	14.91	0.00	0.00
FY16	DARP SPV RENOVA	0.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	DARP SSF PLURAL	0.00	4.72	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00
FY07	EIFFEL RIDGE	6.46	0.00	0.00	0.00	0.00	6.46	0.00	0.00	0.00	0.00
FY14	ENEL BRASIL	101.69	0.00	0.00	0.00	0.00	101.69	0.00	0.00	0.00	0.00
FY13	EQUATORIAL	0.00	81.97	0.00	0.00	0.00	0.00	81.97	0.00	0.00	0.00
FY11	ESTACIO	7.92	0.00	0.00	0.00	0.00	7.92	0.00	0.00	0.00	0.00
FY12	ESTACIO	3.99	0.00	0.00	0.00	0.00	3.99	0.00	0.00	0.00	0.00
FY13	FIRST	0.00	15.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00
FY01	GPC PART.	0.00	0.00	8.63	0.00	0.00	0.00	0.00	8.63	0.00	0.00
FY15	HIDROVIAS	0.00	27.94	0.00	0.00	0.00	0.00	7.94	0.00	0.00	0.00
FY98	ICATU EQUITY	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

FY10	IDEALINVEST	0.00	4.30	0.00	0.00	0.00	0.00	4.30	0.00	0.00	0.00
FY13	INTERNEXA PART	0.00	19.43	0.00	0.00	0.00	0.00	19.43	0.00	0.00	0.00
FY14	INTERNEXA PART	0.00	1.85	0.00	0.00	0.00	0.00	1.85	0.00	0.00	0.00
FY15	INTERNEXA PART	0.00	0.57	0.00	0.00	0.00	0.00	0.57	0.00	0.00	0.00
FY08	ITAU UNIBANCO	18.58	0.00	0.00	0.00	0.00	18.58	0.00	0.00	0.00	0.00
FY12	ITAU UNIBANCO	50.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00
FY13	ITAU UNIBANCO	100.00	0.00	0.00	0.00	300.00	100.00	0.00	0.00	0.00	300.00
FY15	ITAU UNIBANCO	100.00	0.00	0.00	0.00	300.00	100.00	0.00	0.00	0.00	300.00
FY14	KLABIN	0.00	0.00	18.56	0.00	0.00	0.00	0.00	18.56	0.00	0.00
FY09	LATAPACK	9.09	0.00	0.00	0.00	0.00	9.09	0.00	0.00	0.00	0.00
FY11	LATAPACK	6.64	0.00	0.00	0.00	15.36	6.64	0.00	0.00	0.00	15.36
FY12	LATAPACK	8.05	0.00	0.00	0.00	24.15	8.05	0.00	0.00	0.00	24.15
FY13	MAURICIO	29.41	0.00	0.00	0.00	0.00	29.41	0.00	0.00	0.00	0.00
FY14	MAURICIO	0.00	3.86	0.00	0.00	0.00	0.00	3.86	0.00	0.00	0.00
FY12	MBAC	43.58	2.33	0.00	0.00	0.00	43.58	0.17	0.00	0.00	0.00
FY13	MINERVA S/A	31.65	14.24	0.00	0.00	0.00	31.65	9.79	0.00	0.00	0.00
FY13	NEOGAS	0.00	0.00	12.92	0.00	0.00	0.00	0.00	12.92	0.00	0.00
FY15	NETSHOES	0.00	20.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00
FY14	ON TELECOM	18.42	25.00	0.00	0.00	0.00	18.42	25.00	0.00	0.00	0.00
FY15	ON TELECOM	0.00	2.50	0.00	0.00	0.00	0.00	2.50	0.00	0.00	0.00
FY16	ON TELECOM	0.00	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY69	PETRO UNIAO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY70	POLIOLEFINAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY07	RANDON IMPL PART	0.00	0.00	9.09	0.00	0.00	0.00	0.00	9.09	0.00	0.00
FY11	REDE DOR	26.47	0.00	0.00	0.00	0.00	26.47	0.00	0.00	0.00	0.00

FY15	REDE DOR	35.00	0.00	15.00	0.00	115.00	35.00	0.00	15.00	0.00	115.00
FY08	SABO	16.30	0.00	0.00	0.00	0.00	16.30	0.00	0.00	0.00	0.00
FY10	SOFTWELL	0.00	4.80	0.00	0.00	0.00	0.00	2.80	0.00	0.00	0.00
FY13	SUL AMERICA SA	0.00	116.41	0.00	0.00	0.00	0.00	116.41	0.00	0.00	0.00
FY14	SUPPLIERCARD	7.63	0.00	0.00	0.00	0.00	7.63	0.00	0.00	0.00	0.00
FY08	TECON SALVADOR	0.32	0.00	0.00	0.00	0.00	0.32	0.00	0.00	0.00	0.00
FY12	TECON SALVADOR	21.90	0.00	0.00	0.00	36.50	21.90	0.00	0.00	0.00	36.50
FY11	TERRA BRASIS	0.00	3.41	0.00	0.00	0.00	0.00	3.41	0.00	0.00	0.00
FY11	TRIBANCO	0.00	7.12	0.00	0.00	0.00	0.00	7.12	0.00	0.00	0.00
FY12	TRIBANCO	4.29	0.00	0.00	0.00	0.00	4.29	0.00	0.00	0.00	0.00
FY15	USINA DELTA	40.00	0.00	0.00	0.00	20.00	40.00	0.00	0.00	0.00	20.00
FY08	USJ	0.00	0.00	8.89	0.00	0.00	0.00	0.00	8.89	0.00	0.00
FY07	VALE DO PARANA	0.00	0.00	7.00	0.00	0.00	0.00	0.00	7.00	0.00	0.00
FY14	VIX LOGISTICA	0.00	35.56	0.00	0.00	0.00	0.00	35.56	0.00	0.00	0.00
FY12	VONPAR	18.70	0.00	0.00	0.00	0.00	18.70	0.00	0.00	0.00	0.00
<b>Total Portfolio:</b>		<b>1,201.52</b>	<b>729.14</b>	<b>351.59</b>	<b>0.00</b>	<b>1,669.03</b>	<b>1,199.82</b>	<b>639.91</b>	<b>137.38</b>	<b>0.00</b>	<b>1,669.03</b>

## Annex 7: IFC Investment Operations Program

As of Date 02/24/2016

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
<b>Original Commitments (US\$m)</b>														
IFC and Participants	888.12	151.80	590.82	737.63	509.04	1,662.83	864.26	1,293.22	2,109.88	1,614.25	1,697.38	1,794.60	1,454.54	867.82
IFC's Own Accounts Only	318.38	93.70	400.82	480.13	509.04	1,090.33	641.93	1,154.06	1,139.49	1,285.10	1,397.38	1,504.95	994.54	642.82
<b>Original Commitments by Sector (%) - IFC Accounts only</b>														
COLLECTIVE INVESTMEN	12.56	0.00	8.73	0.00	0.00	4.59	0.00	8.93	0.00	0.00	1.07	0.47	3.02	0.00
OIL, GAS AND MINING	12.56	0.64	0.00	0.00	0.00	9.17	0.00	0.00	0.00	5.84	0.00	0.25	0.00	0.00
PRIMARY METALS	0.00	0.00	0.00	0.00	0.00	2.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FOOD & BEVERAGES	9.42	0.00	0.00	3.12	30.45	0.32	3.89	0.00	0.00	3.89	0.00	6.85	0.00	0.00
FINANCE & INSURANCE	3.53	21.34	34.45	24.81	51.58	60.38	88.40	76.57	81.01	71.22	83.40	52.68	65.81	96.19
ELECTRIC POWER	36.12	0.00	0.00	24.58	0.00	7.34	0.00	0.00	0.00	0.00	7.53	18.01	0.00	0.00
INDUSTRIAL & CONSUME	7.85	0.00	8.73	0.00	6.88	3.67	3.89	0.00	1.76	0.63	0.00	0.00	0.00	0.00
INFORMATION	1.57	0.00	1.84	0.00	0.00	0.28	0.00	0.00	0.00	0.00	0.00	8.23	0.32	0.39
TEXTILES, APPAREL &	9.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TRANSPORTATION AND W	6.95	8.64	0.00	22.08	9.82	0.54	0.00	0.00	8.51	2.33	0.00	3.61	9.76	0.00
WHOLESALE AND RETAIL	0.00	0.00	8.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.01	0.00
PROFESSIONAL, SCIENT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.42	0.00	0.00	0.00	0.00	0.00
EDUCATION SERVICES	0.00	0.00	0.00	2.50	0.00	1.23	0.00	6.10	2.63	5.45	0.00	2.03	5.00	0.00
UTILITIES	0.00	48.03	0.00	0.00	1.28	1.31	3.81	4.33	3.01	3.86	0.89	1.23	0.00	0.00
HEALTH CARE	0.00	21.34	0.00	0.00	0.00	1.56	0.00	0.00	2.66	1.53	3.58	0.00	5.03	0.00
AGRICULTURE AND FORE	0.00	0.00	24.95	0.00	0.00	7.34	0.00	0.00	0.00	1.37	0.00	0.00	9.05	3.42
CHEMICALS	0.00	0.00	0.00	22.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PULP & PAPER	0.00	0.00	12.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.64	0.00	0.00
CONSTRUCTION AND REA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.07	0.00	3.89	1.79	0.00	0.00	0.00
PLASTICS & RUBBER	0.00	0.00	0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ACCOMMODATION & TOUR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.74	0.00	0.00	0.00
<b>Total</b>	<b>99.98</b>	<b>99.99</b>	<b>99.99</b>	<b>100</b>	<b>100.01</b>	<b>100.02</b>	<b>99.99</b>	<b>100</b>	<b>100</b>	<b>100.01</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Original Commitments by Investment Instrument (%) - IFC Accounts only</b>														
EQUITY	5.27	0.00	11.43	11.87	5.21	1.75	1.66	10.98	8.58	6.56	36.79	13.58	25.66	0.39
GUARANTEE	0.00	0.00	0.00	14.02	24.07	24.06	74.57	70.80	66.27	63.70	51.12	44.06	34.62	41.74
LOAN	69.60	78.01	83.58	70.50	58.54	69.93	12.45	13.89	23.40	25.86	11.38	34.60	28.11	26.76
QUASI LOAN	25.13	0.00	4.99	3.54	12.18	4.22	11.32	4.33	1.76	3.89	0.72	7.76	11.61	31.11
RISK PRODUCT	0.00	21.99	0.00	0.07	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100.01</b>	<b>100.01</b>	<b>100.01</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Annex 8: Brazil: Active, Closed Trust Funds

Fund	Trust Fund Name	Program Source	Project Def.	Description	Donor	Donor Coun	Long Name	Exec.By	Net Grant	Grant Clos	Active Date
TF011559	Brazil FIP: Preparation Grant	CSCFIA	P130210	BR Preparation FIP Investment Plan	TF602001	ZZ	Other	Recipient	250.00	10/30/2014	06/25/2012
TF012956	MF Insurance BRA	IFC	IFC-00581947	MF Insurance BRA	TF810021	BE	Belgium	Bank	80.00	12/31/2014	08/10/2012
TF012929	Bottom up Costing for Medium T	GPF	P121590	BR 3rd Minas Gerais Partnership DPL	TF602001	ZZ	Other	Bank	200.00	10/31/2014	08/13/2012
TF010693	Fostering Short Sea Shipping i	SFLAC	P127925	BR Fostering Short Sea Shipping	TF521003	ES	Spain	Recipient	300.00	02/29/2016	08/24/2012
TF013019	Identifying Effective Agricult	SFLAC	P132069	DIME AADAPT Brazil	TF521003	ES	Spain	Bank	350.00	06/15/2015	08/27/2012
TF013078	KCPII - Knowledge at the Servi	KCPII	P152392	Knowledge at the service of the favelas	TF602001	ZZ	Other	Bank	100.00	06/30/2015	08/31/2012
TF013128	BRAZIL: Improving the Sustaina	PPIAF	IFC-00589267	BR Amazon Forest	TF602001	ZZ	Other	Bank	400.00	11/30/2014	09/13/2012
TF013367	Cancer and the Right to Health	NTF	P133175	BR Chronic disease and the health system	TF602001	ZZ	Other	Bank	160.00	11/30/2014	10/10/2012
TF013911	DEFRA TF ADMINISTRATION AND PR	DCTF	P129501	Cerrado Climate Change Mitigation	TF718012	GB	United Kingdom	Bank	471.01	08/31/2016	01/08/2013
TF014513	BRAZIL PSP PROGRAM - BNDES/IFC	IFC			TF602001	ZZ	Other	Bank	3,152.86	06/18/2017	04/01/2013
TF014589	Impact Evaluation for the Toca	PSIA	P121495	BR MST Tocantins Integrated Sust. Reg.	TF602001	ZZ	Other	Bank	46.00	04/30/2015	04/09/2013
TF014600	Environmental Regularization o	CSCFIA	P143334	BR FIP Environmental Cadastre	TF602001	ZZ	Other	Bank	245.00	09/30/2017	04/11/2013
TF014639	Promotion of Low Carbon Agricu	CSCFIA	P143184	BR ABC Cerrado	TF602001	ZZ	Other	Bank	245.00	06/30/2019	04/19/2013
TF014640	Development of systems to prev	CSCFIA	P143185	BR FIP Cerrado Monitoring systems	TF602001	ZZ	Other	Bank	220.00	06/30/2019	04/19/2013
TF014662	Pernambuco Equity and Inclusiv	PSIA	P132768	BR-Pernambuco Equity & Inclus.Growth DPL	TF602001	ZZ	Other	Bank	40.00	12/31/2014	04/22/2013
TF014958	Brazil - Dedicated Grant Mecha	CSCFIA	P143492	BR DGM for Indigenous People	TF602001	ZZ	Other	Bank	280.00	11/30/2018	06/06/2013
TF015000	Brazil: Assessing the Performa	PSIA	P145969	BR TF Pacto Pela Vida PSIA	TF602001	ZZ	Other	Bank	95.00	03/31/2015	06/17/2013
TF015227	Technical Assistance to MMA an	DCTF	P145822	BR NLTA DEFRA CERRADO Climate Change	TF718012	GB	United Kingdom	Bank	635.50	08/30/2016	07/30/2013
TF015272	Brazil- HRITF Impact Evaluatio	HRBF	P146465	Pernambuco Primary Health Care IE	TF602001	ZZ	Other	Bank	675.00	03/31/2015	08/07/2013
TF015400	KCP II - An Evaluation of Long	KCPII	P146706	Longterm impact of integrated childhood	TF602001	ZZ	Other	Bank	125.00	12/31/2015	08/23/2013
TF015596	BRAZIL: Institutional Strength	PPIAF	P099369	BR Ceara Regional Development	TF602001	ZZ	Other	Bank	75.00	12/31/2014	09/23/2013
TF015775	Expanding Women's Agency throu	GENTF	P126452	BR MST Rio Grande do Norte Regional Dev	TF602001	ZZ	Other	Bank	110.00	06/30/2015	10/08/2013
TF016179	PHRD STAFF GRANT SUPPORT FOR S	PHRD	P127723	Sao Paulo Sustainable Transport Project	TF513001	JP	Japan	Bank	391.35	12/15/2015	12/04/2013
TF016374	A Sustainable Vision for the R	KGTF	P147052	Sustainable Vision for Rio de Janeiro MR	TF537001	KR	Korea	Bank	320.00	06/30/2015	01/08/2014
TF016629	LCR Support to the Platform of	WPP	P122571	BR RAS Baixio do Irece III	TF602001	ZZ	Other	Bank	143.60	04/24/2015	02/08/2014
TF016771	DRM - Brazil Drought Preparedn	WPP	P146301	BR Drought Preparedness and Climate	TF602001	ZZ	Other	Bank	450.00	12/31/2015	02/26/2014
TF016986	DRM - Staff Costs TF016771 -	WPP	P146301	BR Drought Preparedness and Climate	TF602001	ZZ	Other	Bank	74.89	12/31/2015	03/22/2014
TF016991	Assessing Federal & State Prog	PSIA	P147157	BR BAHIA SUSTAINABLE RURAL DEVELOPMENT	TF602001	ZZ	Other	Bank	95.00	04/30/2015	03/24/2014
TF017164	Brazil Expansion of the School	PSIA	P150088	Brazil Extension of the School Day NLTA	TF602001	ZZ	Other	Bank	80.00	04/30/2015	04/17/2014
TF014140	Preparation Grant for the Deve	CSCFIA	P143185	BR FIP Cerrado Monitoring systems	TF602001	ZZ	Other	Recipient	0.00	02/20/2014	05/02/2014
TF016192	Rural Environmental Cadastre a	DCTF	P143362	BR Rural Environmental Cadastre in Piaui	TF718012	GB	United Kingdom	Recipient	4,400.00	06/30/2016	05/13/2014
TF017359	LCR: Finalize the Documentatio	WPP	P153724	BR Rural Water Supply Study	TF602001	ZZ	Other	Bank	50.00	06/30/2015	05/14/2014
TF017395	Urban Mass Transport: Gender A	GENTF	P147695	Enhancing Public Manag for Service Deliv	TF602001	ZZ	Other	Bank	150.00	12/30/2016	05/19/2014
TF017425	Rio de Janeiro Low Carbon City	KGTF	P130642	BR Rio de Janeiro Low Carbon City Dev	TF537001	KR	Korea	Bank	625.00	06/30/2016	05/22/2014
TF017658	Capacity Review - Fostering th	GRSF	P147272	Bahia Road Rehabilitation and Maintenanc	TF602001	ZZ	Other	Bank	100.00	06/30/2015	06/26/2014
TF017716	Brazil Sao Paulo Mechanisms to	PROFOR	P108443	BR SP Sust Rural Dev & Access to Markets	TF602001	ZZ	Other	Bank	120.00	06/30/2016	07/10/2014
TF017287	Brazil NovaGerar Landfill Gas	BIOCF	P079182	BR Nova Gerar Landfill Rio de Janeiro	TF602001	ZZ	Other	Recipient	2,277.25	12/31/2016	08/06/2014
TF017368	Sustainable Production in Area	CSCFIA	P143184	BR ABC Cerrado	TF602001	ZZ	Other	Recipient	10,620.00	11/20/2018	08/14/2014
TF017928	Brazil Federal IRAP	GRSF	P121495	BR MST Tocantins Integrated Sust. Reg.	TF875100	US	USA	Bank	150.00	02/28/2015	08/19/2014
TF017982	Mainstreaming Violence Prevent	CITIES	P152338	Preventing Urban Violence in Brazil	TF518001	IT	Italy	Bank	67.32	03/31/2015	08/27/2014
TF017987	Interface between Carbon and E	ESMAP	P146371	BR-Market Instruments for Climate Change	TF602001	ZZ	Other	Bank	50.00	12/31/2015	08/27/2014
TF018216	BRAZIL Ceara Teacher Feedback	SIEF	P150110	Ceara Teacher Feedback Impact Evaluat	TF602001	ZZ	Other	Bank	303.14	09/30/2016	09/30/2014
TF018481	Forest Resilience Scenarios fo	PROFOR	P143184	BR ABC Cerrado	TF602001	ZZ	Other	Bank	130.00	05/31/2016	11/08/2014
TF015228	Rural Environmental Cadastre a	DCTF	P143376	BR Rural Environmental Cadastre in Bahia	TF718012	GB	United Kingdom	Recipient	4,400.00	06/30/2016	11/21/2014
TF018654	Road Safety Capacity Review fo	GRSF	P121495	BR MST Tocantins Integrated Sust. Reg.	TF875100	US	USA	Bank	50.00	02/28/2015	12/03/2014
TF018698	Innovation in Disaster Risk Ma	GFDRR	P153019	Innovation in DRM Decision Making in BR	TF513001	JP	Japan	Bank	1,265.00	12/15/2016	12/09/2014
TF018747	BIOCF T1W1 BRAZIL BIOCF PLANTA	BIOCF	P120637	BR PLANTAR GREEN PIG IRON Project	TF602001	ZZ	Other	Bank	55.40	08/31/2020	12/18/2014
TF018803	dime_AG_BR matching grants Cea	IE2I	P132069	DIME AADAPT Brazil	TF602001	ZZ	Other	Bank	50.00	01/01/2018	12/23/2014
<b>IDF</b>											
Fund	Trust Fund Name	Program Source	Project Def.	Description	Donor	Donor Coun	Long Name	Exec.By	Net Grant	Grant Clos	Active Date
TF010771	Breaching the Justice Gap in B	IDF	P125937	CNJ Brazil - Breaching the Justice Gap	TF605001	US	USA	Recipient	450.00	04/17/2015	05/30/2012
TF011956	Strengthening the capacity of	IDF	P129617	BR Procuradoria Especial da Mulher	TF605001	US	USA	Recipient	305.50	09/10/2015	10/18/2012
TF014559	Brazil: Rio Grande do Norte St	IDF	P144735	BR RGN Instit Strengt Health Secretariat	TF605001	US	USA	Recipient	700.00	06/17/2016	07/10/2013
<b>GEF</b>											
Fund	Trust Fund Name	Program Source	Project Def.	Description	Donor	Donor Coun	Long Name	Exec.By	Net Grant	Grant Clos	Active Date
TF012073	Amazon Region Protected Areas	GEFIA	P114810	BR GEF Amazon Region Prot Areas Phase 2	TF602001	ZZ	Other	Recipient	15,890.00	11/30/2015	06/29/2012
TF018151	BR Marine Protected Areas Proj	GEFIA	P128968	BR Marine Protected Areas Project	TF602001	ZZ	Other	Recipient	18,200.00	10/31/2019	12/19/2014

### Annex 9: Brazil CPS Knowledge Services Program per CPS Engagement Area

FY12: IBRD Knowledge Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
<i>Project Name</i>	<i>Product Line</i>	<i>Fiscal and Public Sector Management</i>	<i>Private Sector Development Policies</i>	<i>Access to Social Protection, Health and Education</i>	<i>Access to Housing for Low Income Households</i>	<i>Regional Economic Development Policies</i>	<i>Sanitation, Transport and Energy Infrastructure</i>	<i>Water and Environmental Management</i>	<i>Sustainable Agriculture</i>	<i>Disaster Risk Management</i>
Education Evidence-Based Policy	TA			√						
Monitoring and Evaluation	TA	√								
Brazil: Productivity and Upgrading	EW		√							
Social Protection during the Twin Crises of 2008	EW			√						
Country Study on Health Finance	EW			√						
Early Childhood Development NLTA	TA			√						
Brazil: Monetary Policy, Credit Cycles and Growth	EW	√								
Implications of Oil & Gas Discoveries	EW		√				√			



FY13: IBRD Knowledge Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	Product Line	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
Evidence-based Policy in Education	EW			√						
Brazil Eradicating Extreme Poverty	EW	√		√						
BRAZIL Accounting & Auditing Report on the Observance of Standards and Codes (ROSC)	EW	√								
Amazon Deforestation and Protection	EW							√		
Status of Urban Pollution Management in Brazil	EW						√	√		
Gender Study	EW			√						
Gender and Social Inclusion NLTA	TA			√						
JIT Efficiency of Public Spending	TA	√								
Bringing the State Back to the Favelas of Rio de Janeiro	EW	√			√					
Adapting Water Resources Planning and Operation to Climate Change	EW							√		
Brazil Agricultural Productivity and Competitiveness	EW								√	
Technical Assistance & Guidance in Implementation of <i>Minha Casa Minha Vida</i>	TA				√					
Development of National Disaster Risk Management Strategy	TA									√
Impacts Of Climate Change On Brazilian Agriculture: Refocusing Impact Assessments To 2050	EW							√	√	

FY14: IBRD Knowledge Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	Product Line	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
Locking in Performance Gains	EW									
Review of PPPs Practice in Brazil	EW		√							
Leveling the Playing Field: Improving the Sustainable Protection and Promotion of Vulnerable Populations in Brazil	TA									
Intergovernmental Finance	TA	√								
Fee-Based Services to the State of São Paulo in Support of Education	TA									
Productive inclusion in BsM	TA			√						
Improving the Managerial Skills of Social Interest Housing	TA				√					
Fee-based Analytical and Advisory Services to the Municipality of Rio	TA									
TF Social Housing Information System SBDC	TA				√					
Public Broadcasting Network	TA	√								
Airports Public Private Partnerships in Brazil	TA		√							
Brazil Land Governance Assessment	EW									
Brazil Productivity	EW		√							
Pernambuco State Equity Assessment	EW	√				√				
Logistics and Trade Facilitation in Brazil NLTA	TA		√				√			
Economic and Fiscal Impact of Natural Disasters	TA									√

FY15: IBRD Knowledge Program		Strategic Objectives								
		Increase Volume and Productivity of Public and Private Investments		Improve access to Public Services by Low Income Households		Promote Regional Economic Development		Improve Natural Resources Management and Climate Resilience		
		Results Areas								
Project Name	Product Line	Fiscal and Public Sector Management	Private Sector Development Policies	Access to Social Protection, Health and Education	Access to Housing for Low Income Households	Regional Economic Development Policies	Sanitation, Transport and Energy Infrastructure	Water and Environmental Management	Sustainable Agriculture	Disaster Risk Management
Involuntary Resettlement Policy TA	TA				√	√				
Rio de Janeiro Low Carbon City Development Program	TA							√		
(MST) Metropolitan Governance	EW	√				√	√			
Advisory Services for Integrated Urban Development in Rio	TA	√				√				
HD Impact Evaluation	TA			√						
Chronic disease and the health system	EW			√						
Implications of a Changing China for Brazil: A New Window of Opportunity	EW		√							
Rio State Fiscal Model	TA	√				√				
TA Pensions Brazil	TA			√						
Brazil: Skills and Jobs	EW			√						
Urban Poverty and Vulnerability in Metropolitan Area	EW					√				
Bahia Agriculture Risk Assessment	EW								√	
Agriculture Risk Management Mapping	EW								√	
Paraiba Agriculture Risk Assessment	EW								√	
PA-Launch Productivity Dialogue	TA		√							
Disaster Risk Financing and Insurance	EW									√
BR Impact Evaluation Rural Rd Tocantins	IMPE					√	√			

Preventing Urban Violence in Brazil	TA			√						
South-South Cooperation	TA									
LC5 - FM Workshops	TE	√								
BR Land Governance Assessment	EW	√				√				
<b>FY16: IBRD Proposed Knowledge Program</b>		<b>Strategic Objectives</b>								
		<b>Increase Volume and Productivity of Public and Private Investments</b>		<b>Improve access to Public Services by Low Income Households</b>		<b>Promote Regional Economic Development</b>		<b>Improve Natural Resources Management and Climate Resilience</b>		
		<b>Results Areas</b>								
<i>Project Name</i>	<i>Product Line</i>	<i>Fiscal and Public Sector Management</i>	<i>Private Sector Development Policies</i>	<i>Access to Social Protection, Health and Education</i>	<i>Access to Housing for Low Income Households</i>	<i>Regional Economic Development Policies</i>	<i>Sanitation, Transport and Energy Infrastructure</i>	<i>Water and Environmental Management</i>	<i>Sustainable Agriculture</i>	<i>Disaster Risk Management</i>
BR TF Pacto Pela Vida PSIA	EW			√						
iRAP Study	EW						√			
Federal Capacity Review	EW						√			
BR Infrastructure Financing	EW		√				√			
Brazil Extension of the School Day NLTA	TA			√						
Brazil I-D ETF FY16	TA		√							
BR PSD Impact Evaluation	IE		√							
BR Rural Water Supply Study	TA							√		
BR RAS Dam Safety	TA							√		
Agriculture Insurance Market Development	EW								√	
Agrologistic Risks and Costs in Brazil	TA								√	√
BR Agriculture Risk Management in Brazil	PA								√	
Building Evidence for Operations	EW	√				√				
Brazil Poverty Measurement & Monitoring	TA	√		√						
BR Drought Preparedness and Climate	EW							√		√

Ceara Teacher Feedback Impact Evaluat	IE			√						
BR RAS Baixio do Irece III	TA									
Brazil Internal Audit Evaluation	EW	√								
Brazil Road Safety Improvement	PA						√			
Sustainable Vision for Rio de Janeiro MR	TA					√	√	√		
BR RAS Multimodal Corridor Sao Francisco	TA									
Brazil Climate Change Country Dialogue	TA							√		
Convening knowledge sharing Road Safety	TA						√			
Improving South South Cooperation	TA	√								
Ethical and Safe Data Collection on GBV	TE					√				

## Annex 10: Update on Brazil's Role in South-South Knowledge Exchanges

Region	FY11	FY12	FY13	FY14	FY15	TOTAL	TOTAL (%)
LCR	9	12	64	105	14	211	52.9%
AFRICA	6	11	5	29	6	71	17.8%
MENA	0	2	5	5	0	12	3.0%
ECA	3	5	6	7	1	22	5.5%
SAR	8	6	0	16	5	38	9.5%
EAP	5	12	14	6	5	45	11.3%

Global Practice / Cross-Cutting Solution Area	FY11	FY12	FY13	FY14	FY15	TOTAL	TOTAL (%)
Agriculture	2	0	3	1	3	9	56.3%
Climate Change	1	2	0	1	0	4	25.0%
Education	2	3	3	2	3	13	81.3%
Energy & Extractives	4	2	3	0	2	11	68.8%
Environmental & Natural Resources	2	1	0	0	3	6	37.5%
Finance & Markets	0	0	1	3	0	4	25.0%
Fragility, Conflict & Violence	0	2	0	0	0	2	12.5%
Gender	0	0	1	0	0	1	6.3%
Governance	3	4	4	1	2	14	87.5%
Health, Nutrition & Population	0	3	2	1	0	6	37.5%
Jobs	0	1	3	2	0	6	37.5%
Macroeconomics & Fiscal Management	0	3	0	4	0	7	43.8%
Poverty	0	0	2	0	0	2	12.5%
Public-Private Partnerships	0	0	1	0	2	3	18.8%
Social Protection and Labor	0	6	4	3	5	18	112.5%
Trade & Competitiveness	0	0	0	0	0	0	0.0%
Transport & ICT	3	2	6	2	2	15	93.8%
Urban, Rural & Social Development	2	0	5	4	5	16	100.0%
Water	5	3	5	9	1	23	143.8%
<b>TOTAL</b>	<b>24</b>	<b>32</b>	<b>43</b>	<b>33</b>	<b>28</b>	<b>160</b>	<b>1000%</b>

## Annex 11: Multivariate Portfolio Performance Analysis

### Ordered probit regression - LatestDO\_n

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n	LatestDO_n
DPL	0.57 (0.33)	0.68 (0.24)	0.35 (0.54)	0.37 (0.50)	0.36 (0.42)	0.49 (0.26)	0.62 (0.14)	0.72* (0.07)	0.64* (0.09)	0.65* (0.09)
Multisectoral	-0.05 (0.92)	0.04 (0.94)	-0.28 (0.60)	0.41 (0.36)	0.41 (0.36)					
Number of Sectors	0.08 (0.55)	0.08 (0.56)	0.13 (0.32)	0.06 (0.64)	0.06 (0.64)	0.14* (0.07)	0.14* (0.06)	0.15** (0.04)	0.15** (0.04)	0.16** (0.03)
Municipal	-1.25*** (0.00)	-1.02** (0.01)	-1.15*** (0.01)	-0.78** (0.04)	-0.78** (0.04)	-0.69* (0.06)	-0.71* (0.05)	-0.83** (0.02)	-0.78** (0.02)	-0.80** (0.02)
NE	-0.71 (0.30)	0.39 (0.49)	-0.51 (0.35)	-0.15 (0.75)	-0.15 (0.73)	-0.21 (0.63)	0.23 (0.40)	0.19 (0.50)	0.17 (0.52)	
totalofttislenspn	0.19 (0.26)	0.11 (0.51)	0.14 (0.38)	0.07 (0.60)	0.07 (0.57)	0.07 (0.58)	0.10 (0.44)	0.08 (0.51)		
Cost SPN	-0.00 (0.67)	0.00 (0.90)	-0.00 (0.44)	0.00 (0.98)						
ibrdidaamt	0.00* (0.09)	0.00 (0.16)	0.00* (0.06)	0.00** (0.04)	0.00** (0.02)	0.00** (0.03)	0.00* (0.05)	0.00** (0.02)	0.00** (0.02)	0.00** (0.02)
Lag time PCN - Board Approval	-0.00 (0.80)	-0.01 (0.69)	-0.00 (0.97)	-0.02 (0.14)	-0.02 (0.14)	-0.02 (0.15)	-0.02 (0.21)			
Igdp_pc	-2.81*** (0.00)									
Poverty	-0.08* (0.07)	-0.00 (0.90)								
Political Appointees Percentage	0.09 (0.50)	0.08 (0.55)	-0.02 (0.88)							
Turn Over	-0.02 (0.61)	-0.06 (0.10)	-0.04 (0.30)							
Political Environment in 2011	0.03* (0.10)	0.02 (0.38)	0.03* (0.09)							
Urban	-1.54*** (0.00)	-1.43*** (0.01)	-1.38*** (0.01)	-1.23*** (0.01)	-1.22*** (0.01)	-1.27*** (0.00)	-1.37*** (0.00)	-1.43*** (0.00)	-1.38*** (0.00)	-1.38*** (0.00)
IDHM			-13.71** (0.04)	-5.73 (0.24)	-5.77 (0.22)	-6.19 (0.18)				
Constant cut1	-28.66*** (0.00)	-0.93 (0.56)	-10.36** (0.03)	-5.75 (0.13)	-5.79 (0.11)	-6.14* (0.09)	-1.43*** (0.01)	-1.05** (0.02)	-1.25*** (0.00)	-1.31*** (0.00)
Constant cut2	-27.29*** (0.00)	0.23 (0.89)	-9.11* (0.06)	-4.70 (0.22)	-4.73 (0.19)	-5.08 (0.15)	-0.39 (0.43)	-0.04 (0.92)	-0.24 (0.41)	-0.29 (0.29)
Constant cut3	-25.88*** (0.00)	1.56 (0.32)	-7.74 (0.10)	-3.36 (0.37)	-3.40 (0.34)	-3.77 (0.29)	0.92* (0.07)	1.26*** (0.00)	1.06*** (0.00)	1.00*** (0.00)
Constant cut4	-23.22*** (0.01)	3.98** (0.02)	-5.24 (0.27)	-0.82 (0.83)	-0.85 (0.81)	-1.21 (0.73)	3.42*** (0.00)	3.79*** (0.00)	3.57*** (0.00)	3.49*** (0.00)
Observations	68	68	68	83	83	83	83	83	83	83
LR chi2	51.77	41.66	46.09	51.69	51.69	50.85	49.05	47.43	47	46.59
Prob > chi2	6.16e-06	0.000140	2.71e-05	3.10e-07	1.30e-07	7.46e-08	6.23e-08	4.60e-08	1.87e-08	6.88e-09
Pseudo R2	0.290	0.234	0.258	0.237	0.237	0.233	0.225	0.217	0.215	0.213

pval in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## Annex 12: Comparison of Results Matrix Ratings and Project Ratings

### Projects Approved during the CPS Period and Projects Approved before but Closed during CPS Period

	HS	S	MS	MU	U	HU
Achieved	All					
Mostly Achieved	Majority					
Partially Achieved		Majority				
Not Achieved				Majority		

			Last DO Rating						Resulting Rating	Team Rating	No. of Projects	Achieved	Mostly Achieved	Partially Achieved	Not Achieved
			HS	S	MS	MU	U	HU				% HS+S	% S+MS	% MS+MU	% MU+U+HU
Increase Efficiency of Public and Private Investments	1 - Fiscal and Public Sector Management	1- Greater adoption of some elements of medium-term fiscal frameworks (MTEFs)	0	3	4	1	1	0	Mostly achieved	Not Achieved	9	33%	78%	56%	22%
		2 - Increased Results Orientation in Planning, Budgeting and Expenditure in One or More Sectors in States Supported by the Bank	0	11	10	5	2	0	Mostly achieved	Partially achieved	28	39%	75%	54%	25%
	2 - Private Sector Development Policies	3 - Strengthened Institutional Framework for PPPs in Bank-supported States	0	0	1	0	0	0	Partially achieved	Partially achieved	1	0%	100%	100%	0%
		4 - Demonstrable contribution to Policy Dialogue on Productivity Improving Inst. Frameworks and Policy Actions to Promote Productivity and Compet. In Bank- Supported States	0	4	4	1	0	0	Mostly achieved	Partially achieved	9	44%	89%	56%	11%
Improve the Quality and Expand the Provision of Public Services for Low Income Households	3 - Consolidated and Strengthened Social Protection System	5 - Enhanced Extreme Poverty Erradication Program	0	5	9	2	0	0	Mostly achieved	Achieved	16	31%	88%	69%	13%
	4 - Improved Quality of Education for the Poor	6 - Improved Quality and Increase Coverage of ECD Services (creche and pre-school) targeted to the Lowest Income Quintiles	0	5	0	2	0	0	Mostly achieved	Partially achieved	7	71%	71%	29%	29%
		7 - Improve Learning Outcomes and Completion Rates in Primary and Secondary Education as Measured by National Education Quality Index IDEB	0	9	6	2	1	0	Mostly achieved	Not Achieved	18	50%	83%	44%	17%
	5 - Improved Access to Health Care. Especially for the Poor	8 - Improved Access to Quality Primary Health Care	0	8	6	2	2	1	Mostly achieved	Achieved	18	44%	78%	44%	28%
		9 - Development of Integrated Health Care Networks	0	0	2	1	1	0	Partially achieved	Achieved	4	0%	50%	75%	50%
		10 - Support to Active Gender Policies	0	8	7	2	0	0	Mostly achieved	Achieved	17	47%	88%	53%	12%
Promote Regional Economic Development Through Improved Policies and Strategic Public and Private Investments	6 - Expanded Access to Improved Basic Sanitation	11 - Increased Access to and Improved Efficiency of Water Supply	0	6	5	2	1	1	Mostly achieved	Mostly achieved	14	43%	79%	50%	29%
		12 - Increased Access to Sewage Services and Treatment of Waste Water	0	5	5	1	4	0	Mostly achieved	Achieved	15	33%	67%	40%	33%
	7 - Improved Transport and Logistics	13 - Improved Integrated Transport Infrastructure and Management with Sustainable Urban Mobility	0	7	7	1	1	0	Mostly achieved	Partially achieved	16	44%	88%	50%	13%
		8 - Increased Supply of Clean and Efficient Energy Services	14 - Increased Access to Energy Services in Remote Areas	0	0	2	0	0	0	Partially achieved	Achieved	2	0%	100%	100%
Improve Sustainable Natural Resource Management and Climate Resilience	9 - Integrated Water Resources Management	15 - Improved Water Resources Management and Development of Innovative Irrigation Approaches	0	1	4	1	0	0	Mostly achieved	Mostly achieved	6	17%	83%	83%	17%
		16 - Improved Market Access for and Adoption of Climate Smart Agriculture (CSA) by Small Rural Producers Organizations (% of organizations led by women)	0	6	8	2	1	0	Mostly achieved	Partially achieved	17	35%	82%	59%	18%
	11 - Improved Environmental Management, Biodiversity Conservation and Climate Change Mitigation	17 - Expansion of Areas Under Effective Protection	0	4	3	1	3	0	Mostly achieved	Partially achieved	11	36%	64%	36%	36%
		18 - Improved Institutional capacity for Environmental Management and Upscaling of Cadastro Ambiental Rural	0	3	2	0	0	0	Mostly achieved	Partially achieved	5	60%	100%	40%	0%
	12 - More Effective Disaster Risk Management	19 - Improved Disaster Preparedness and Coordination of Post Disaster Response in States/Cities of Bank Engagement	0	2	6	3	0	0	Partially achieved	Partially achieved	11	18%	73%	82%	27%





## ANNEX C: SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE & MANAGEMENT

### Selected Indicators\* of Bank Portfolio Performance and Management

As of Date 03/01/2017

Indicator	FY14	FY15	FY16	FY17
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	60.0	47.0	38.0	37.0
Average Implementation Period (years) <sup>b</sup>	3.5	4.0	4.5	5.0
Percent of Problem Projects by Number <sup>a,c</sup>	23.3	34.0	18.4	27.0
Percent of Problem Projects by Amount <sup>a,c</sup>	15.1	24.4	11.8	18.4
Percent of Projects at Risk by Number <sup>a,d</sup>	25.0	34.0	18.4	27.0
Percent of Projects at Risk by Amount <sup>a,d</sup>	16.2	24.4	11.8	18.4
Disbursement Ratio (%) <sup>e</sup>	11.3	19.5	18.2	9.7
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	No	Yes	No	Yes
Supervision Resources (total US\$)	7,360	6,991	5,942	3,237
Average Supervision (US\$/project)	98	115	114	85

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	319	32
Proj Eval by OED by Amt (US\$ millions)	43,654.1	6,169.4
% of OED Projects Rated U or HU by Number	27.8	53.1
% of OED Projects Rated U or HU by Amt	24.9	23.3

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year; Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## ANNEX D: OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

As of 01/31/2017

Closed Projects		381									
<b>IBRD/IDA*</b>											
Total Disbursed (Active)		3,848.71									
of which has been repaid		89.54									
Total Disbursed (Closed)		22,288.94									
of which has been repaid		18,576.67									
Total Disbursed (Active + Closed)		26,137.65									
of which has been repaid		18,666.20									
Total Undisbursed (Active)		3,348.35									
Total Undisbursed (Closed)		0.00									
Total Undisbursed (Active + Closed)		3348.347827									

<b>Active Projects</b>											
Project ID	Project Name	Last PSR			Original Amount in US\$ Millions					Difference Between Expected and Actual	
		Supervision Rating		Fiscal Year	IBRD	IDA	Grants	Cancel.	Undisb.	Disbursements <sup>a</sup>	
		Development Objectiv	Implementation Progress							Orig.	Frm Rev'd
P147272	Bahia Road Rehabilitation and Maintenan	S	S	2016	200.0	0.0		0.0	197.0	0.0	0.0
P006553	BR APL SP Integrated Wtr Mgmt	MU	MU	2010	124.8	0.0		20.7	22.0	21.9	15.1
P147157	BR BAHIA SUSTAINABLE RURAL DEVELOPMENT	S	S	2014	150.0	0.0		0.0	129.6	15.3	0.0
P101504	BR Bolsa Familia 2nd APL	S	MS	2011	200.0	0.0		0.0	6.6	6.6	0.0
P121167	BR Ceara Rural Sustainb&Competitiveness	MS	MS	2012	100.0	0.0		0.0	37.3	37.3	5.6
P126537	BR Energy & Mineral Sctr Strengthening	MS	MS	2012	49.6	0.0		0.0	26.2	26.2	19.8
P130682	BR ES Integrated Sust. Water Mgt Project	S	MS	2014	225.0	0.0		0.0	219.4	18.1	0.8
P114810	BR GEF Amazon Region Prot Areas Phase 2	S	S	2012	0.0	0.0	15.9	0.0	2.7	2.7	0.0
P153203	BR Manaus Service Delivery & Fiscal Mgm	#	#	2016	150.0	0.0		0.0	0.0	0.0	0.0
P128968	BR Marine Protected Areas Project	S	MS	2015	0.0	0.0	18.2	0.0	15.3	0.0	0.0
P107146	BR MST Acre Social Economic Inclusion	S	MS	2009	270.0	0.0		3.2	133.3	-13.5	26.7
P095171	BR (MST) Bahia Health and Wtr Mgt (SWAP)	S	S	2011	60.0	0.0		0.0	22.7	22.6	4.8
P112073	BR MST Federal Integrated Water Sector	MS	MU	2012	107.3	0.0		43.5	50.2	-13.6	-4.0
P126452	BR MST Rio Grande do Norte Regional Dev	MU	MU	2013	360.0	0.0		0.0	283.6	190.3	0.0
P121495	BR MST Tocantins Integrated Sust. Reg.	S	MS	2013	300.0	0.0		0.0	194.8	164.8	43.1
P088966	BR Municipal APL3: Teresina	S	S	2008	119.1	0.0		0.0	85.8	-2.2	-0.3
P126343	BR Parana Multi-sector Development	MS	MS	2013	350.0	0.0		0.0	128.3	127.4	108.3
P120139	BR Pernambuco - Rural Economic Inclusion	MS	MU	2012	100.0	0.0		0.0	49.4	41.8	13.1
P108654	BR Pernambuco Sustainable Water	MS	MS	2010	190.0	0.0		0.0	74.2	74.2	59.9
P129342	BR Piaui Pillars of Growth and Soc Incl	S	S	2016	120.0	0.0		0.0	93.7	7.8	0.0
P146981	BR Piaui Productive and Social Inclusion	#	#	2016	200.0	0.0		0.0	0.0	0.0	0.0
P126372	BR-Recife Swap - Educ & Public Mgmt.	MU	MU	2012	130.0	0.0		0.0	70.9	57.6	0.0
P127245	BR Rio de Janeiro Mun. Strengthening PSM	MU	MU	2013	16.2	0.0		0.0	12.8	12.1	3.0
P106768	BR Rio de Janeiro Public Management	S	S	2011	18.7	0.0		0.0	6.4	6.4	6.4
P120830	BR Rio Grande do Sul SWAp (SIL)	MS	MS	2012	480.0	0.0		0.0	202.4	201.2	-16.2
P111996	BR RJ Mass Transit II	S	S	2010	811.7	0.0		0.0	249.5	-350.5	193.3
P101508	BR-RJ Sustainable Rural Development	MU	MU	2010	139.5	0.0		0.0	86.3	-13.7	47.8
P118540	BR Santa Catarina Rural Competitiveness	HS	S	2011	90.0	0.0		0.0	6.0	0.0	2.7
P116170	BR Sao Paulo Metro Line 5	MS	MS	2010	650.4	0.0		0.0	324.3	324.3	-326.1
P112074	BR Sergipe Water	MS	MS	2012	70.3	0.0		0.0	47.6	0.0	0.0
P106390	BR SP METRO LINE 4 (PHASE 2)	MS	MS	2010	130.0	0.0		0.0	28.5	28.5	4.0
P108443	BR SP Sust Rural Dev & Access to Markets	MS	MS	2010	78.0	0.0		0.0	39.0	39.0	11.2
P106703	BR SP Water Reagua	MU	MU	2010	64.5	0.0		0.0	30.7	30.7	14.5
P127463	BR Strength. Serv. Delivery Ceará PforR	S	S	2014	350.0	0.0		0.0	106.2	0.0	0.0
P114204	ELETRORBRAS Distribution Rehabilitation	MS	MS	2010	495.0	0.0		0.0	223.2	0.0	168.5
P127723	Sao Paulo Sustainable Transport Project	MU	MU	2013	300.0	0.0		0.0	100.0	-3.3	-3.6
P126735	Strengthening PM and Int Territorial Dev	U	U	2014	48.0	0.0		0.0	42.5	0.0	0.0
<b>Overall Result</b>					<b>7,248.1</b>	<b>0.0</b>	<b>34.1</b>	<b>67.4</b>	<b>3,348.3</b>	<b>1,060.0</b>	<b>398.3</b>

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

## ANNEX E: STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO, AND MIGA'S ACTIVE GUARANTEES

### Committed and Disbursed Outstanding Investment Portfolio

As of 01/31/2017

(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY14	ABC BRASIL	20.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00
FY17	ABC BRASIL	50.00	0.00	0.00	0.00	125.00	50.00	0.00	0.00	0.00	125.00
FY12	AEGEA	0.00	9.85	0.00	0.00	0.00	0.00	9.85	0.00	0.00	0.00
FY14	AEGEA	0.00	7.36	0.00	0.00	0.00	0.00	7.21	0.00	0.00	0.00
FY16	AEGEA	0.00	19.34	0.00	0.00	0.00	0.00	19.34	0.00	0.00	0.00
FY15	AFFERO LAB	0.00	7.46	0.00	0.00	0.00	0.00	7.46	0.00	0.00	0.00
FY13	ALLIAR	26.56	0.00	10.00	0.00	0.00	26.56	0.00	10.00	0.00	0.00
FY14	ANIMA	0.00	2.27	0.00	0.00	0.00	0.00	2.27	0.00	0.00	0.00
FY16	ANIMA	44.67	10.00	0.00	0.00	0.00	44.67	0.00	0.00	0.00	0.00
FY08	ARMCO	12.51	0.00	0.00	0.00	0.00	12.51	0.00	0.00	0.00	0.00
FY14	ASA PART	9.64	0.00	5.08	0.00	0.00	9.64	0.00	5.08	0.00	0.00
FY14	AUSTRAL PART.	0.00	36.70	0.00	0.00	0.00	0.00	35.88	0.00	0.00	0.00
FY16	BANCO BRADESCO S	150.00	0.00	0.00	0.00	225.00	150.00	0.00	0.00	0.00	225.00
FY13	BANCO DAYCOVAL	23.84	0.00	0.00	0.00	0.00	23.84	0.00	0.00	0.00	0.00
FY12	BANSICREDI	0.00	10.00	31.92	0.00	0.00	0.00	10.00	31.92	0.00	0.00
FY14	BANSICREDI	0.00	4.61	0.00	0.00	0.00	0.00	4.61	0.00	0.00	0.00
FY07	BAUDUCCO	1.88	0.00	0.00	0.00	0.00	1.88	0.00	0.00	0.00	0.00
FY16	BAUDUCCO	40.00	0.00	0.00	0.00	0.00	40.00	0.00	0.00	0.00	0.00
FY14	BBM	50.00	0.00	0.00	0.00	25.00	50.00	0.00	0.00	0.00	25.00
FY16	BELAGRICOLA	0.00	0.00	36.52	0.00	0.00	0.00	0.00	26.52	0.00	0.00
FY13	BI BRASIL	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
FY15	BIOSEV	0.00	29.30	0.00	0.00	0.00	0.00	29.30	0.00	0.00	0.00
FY11	BTP SANTOS	57.23	0.00	0.00	0.00	343.38	57.23	0.00	0.00	0.00	343.38
FY14	BTP SANTOS	54.32	0.00	0.00	0.00	0.00	54.32	0.00	0.00	0.00	0.00
FY14	CAIXA GERAL BR	15.37	0.00	0.00	0.00	0.00	15.37	0.00	0.00	0.00	0.00
FY12	CANOPUS HOLDING	0.00	9.66	0.00	0.00	0.00	0.00	9.66	0.00	0.00	0.00
FY16	CERRADINHO	49.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY99	CIBRASEC	0.00	0.91	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00
FY10	CONSTELLATION	0.00	99.20	0.00	0.00	0.00	0.00	98.64	0.00	0.00	0.00
FY13	CPFL RENOVAVEIS	0.00	34.81	0.00	0.00	0.00	0.00	34.81	0.00	0.00	0.00
FY14	CRUSADER RES	0.00	1.36	0.00	0.00	0.00	0.00	1.36	0.00	0.00	0.00
FY15	CVA	22.00	0.00	0.00	0.00	0.00	21.56	0.00	0.00	0.00	0.00
FY13	CVENTURES	0.00	4.75	0.00	0.00	0.00	0.00	2.53	0.00	0.00	0.00
FY10	DARP SFP	0.00	1.83	0.00	0.00	0.00	0.00	1.83	0.00	0.00	0.00
FY15	DARP SPV RENOVA	0.00	0.00	12.24	0.00	0.00	0.00	0.00	2.30	0.00	0.00
FY16	DARP SPV RENOVA	0.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	DARP SSF PLURAL	0.00	5.81	0.00	0.00	0.00	0.00	3.21	0.00	0.00	0.00
FY07	EIFFEL RIDGE	1.64	0.00	0.00	0.00	0.00	1.64	0.00	0.00	0.00	0.00
FY14	ENEL BRASIL	124.52	0.00	0.00	0.00	0.00	124.52	0.00	0.00	0.00	0.00
FY13	EQUATORIAL	0.00	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
FY11	ESTACIO	8.31	0.00	0.00	0.00	0.00	8.31	0.00	0.00	0.00	0.00
FY12	ESTACIO	4.36	0.00	0.00	0.00	0.00	4.36	0.00	0.00	0.00	0.00

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY16	ESTACIO	50.00	10.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00
FY01	GPC PART.	0.00	0.00	8.63	0.00	0.00	0.00	0.00	8.63	0.00	0.00
FY16	GUIA BOLSO	0.00	3.50	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00
FY15	HIDROVIAS	0.00	27.94	0.00	0.00	0.00	0.00	14.64	0.00	0.00	0.00
FY98	ICATU EQUITY	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY10	IDEALINVEST	0.00	4.30	0.00	0.00	0.00	0.00	4.30	0.00	0.00	0.00
FY13	INTERNEXA PART	0.00	19.43	0.00	0.00	0.00	0.00	19.43	0.00	0.00	0.00
FY14	INTERNEXA PART	0.00	1.85	0.00	0.00	0.00	0.00	1.85	0.00	0.00	0.00
FY15	INTERNEXA PART	0.00	0.57	0.00	0.00	0.00	0.00	0.57	0.00	0.00	0.00
FY16	INTERNEXA PART	0.00	1.91	0.00	0.00	0.00	0.00	1.87	0.00	0.00	0.00
FY12	ITAFOS	0.00	2.23	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00
FY12	ITAU UNIBANCO	50.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00
FY13	ITAU UNIBANCO	100.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00
FY15	ITAU UNIBANCO	100.00	0.00	0.00	0.00	300.00	100.00	0.00	0.00	0.00	300.00
FY14	KLABIN	0.00	0.00	24.32	0.00	0.00	0.00	0.00	24.32	0.00	0.00
FY13	MAURICIO	38.54	0.00	0.00	0.00	0.00	38.54	0.00	0.00	0.00	0.00
FY14	MAURICIO	0.00	3.86	0.00	0.00	0.00	0.00	3.86	0.00	0.00	0.00
FY13	MINERVA	35.94	14.24	0.00	0.00	0.00	35.94	9.79	0.00	0.00	0.00
FY13	NEOGAS	0.00	0.00	8.80	0.00	0.00	0.00	0.00	8.80	0.00	0.00
FY15	NETSHOES	0.00	20.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00
FY14	ON TELECOM	0.00	25.00	0.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00
FY15	ON TELECOM	0.00	2.50	0.00	0.00	0.00	0.00	2.50	0.00	0.00	0.00
FY69	PETRO UNIAO	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY16	PHOENIX TOWER BR	25.69	0.00	0.00	0.00	0.00	25.69	0.00	0.00	0.00	0.00
FY07	RANDON IMPL PART	0.00	0.00	4.55	0.00	0.00	0.00	0.00	4.55	0.00	0.00
FY11	REDE DOR	20.59	0.00	0.00	0.00	0.00	20.59	0.00	0.00	0.00	0.00
FY15	REDE DOR	35.00	0.00	15.00	0.00	113.85	35.00	0.00	15.00	0.00	113.85
FY08	SABO	9.33	0.00	0.00	0.00	0.00	9.33	0.00	0.00	0.00	0.00
FY13	SUL AMERICA SA	0.00	116.41	0.00	0.00	0.00	0.00	116.41	0.00	0.00	0.00
FY12	TECON SALVADOR	18.00	0.00	0.00	0.00	30.00	18.00	0.00	0.00	0.00	30.00
FY11	TERRA BRASIS	0.00	3.41	0.00	0.00	0.00	0.00	3.41	0.00	0.00	0.00
FY11	TRIBANCO	0.00	7.12	0.00	0.00	0.00	0.00	7.12	0.00	0.00	0.00
FY15	USINA DELTA	40.00	0.00	0.00	0.00	20.00	40.00	0.00	0.00	0.00	20.00
FY08	USJ	0.00	0.00	5.56	0.00	0.00	0.00	0.00	5.56	0.00	0.00
FY14	VIX LOGISTICA	0.00	34.40	0.00	0.00	0.00	0.00	34.40	0.00	0.00	0.00
FY17	WOW NUTRITION	0.00	25.00	15.53	0.00	0.00	0.00	25.00	15.53	0.00	0.00
<b>Total Portfolio:</b>		<b>1,293.94</b>	<b>620.10</b>	<b>378.15</b>	<b>0.00</b>	<b>1,232.23</b>	<b>1,194.50</b>	<b>572.60</b>	<b>158.21</b>	<b>0.00</b>	<b>1,182.23</b>

MIGA's active guarantee portfolio is solely represented by one active guarantee of a non-honoring of a sovereign financial obligation for the Sao Paulo Sustainable Transport project by investor, banco Santander SA of Spain; total guarantee amount of US\$335 million, as of May 3, 2017.

## ANNEX F: A SNAPSHOT OF GENDER IN BRAZIL TODAY - EXECUTIVE SUMMARY

**Brazil has made great strides in gender equality in the past two decades, as evidenced by its political commitment to policies for women, legal framework on gender-based violence (GBV), and improvements in women's endowments.** While many governments voice a commitment to the issue, Brazil's has taken concrete actions to integrate gender equality into the broader policy-making agenda in a participatory manner and has achieved substantial advances in women's education and health and equality before the law. Brazilian women now even outperform men in various education indicators.

**This report details progress Brazil has made on reducing gender inequality, highlights persisting gaps—particularly in race/ethnicity and geographic differences—and points to areas for further work<sup>11</sup>.**

**Major achievements to date include:**

- ***The creation of the Secretariat for Policies for Women (SPM) under the Presidency of the Republic in 2003 and similar institutions at the state level.*** SPM is charged with mainstreaming gender equality and, along with several partners, outlining the nation's course for improving gender equality through National Plans of Policies for Women, which are carried out in a participatory process with civil society representatives. All states have created similar specialized government institutions for mainstreaming gender equality.
- ***The Government of Brazil's commitment to addressing domestic violence through internationally innovative policies and legal frameworks.*** This is evidenced by the enactment of the Maria da Penha Law (2006),<sup>12</sup> the launch of the *Pacto Nacional pelo Enfrentamento da Violência Contra as Mulheres I and II* (National Pact for Combating Violence Against Women I and II) and the creation of the program *Mulher Brasileira—Viver Sem Violência* (Brazilian Woman—Living Free of Violence), which includes the establishment of *Casas da Mulher Brasileira* (Brazilian Women's Houses).
- ***Closing (and in some cases even reversing) the gender gap in education.*** Educational attainment is consistently increasing for both men and women, and the youth literacy rate (15-24-year-olds) has reached 98 percent for males and 99 percent for females, up from 84 percent in 1980. Currently, close to two-thirds of each year's graduates from tertiary institutions are women.
- ***Substantial improvements to maternal health.*** The maternal mortality rate in Brazil fell from 120 per 100,000 live births in 1990 to 69 in 2013. Currently 98 percent of births are attended by skilled personnel, compared to 88 percent in the mid-1990s.

**Progress has been weaker, however, in the areas of women's economic opportunities and agency.** While Brazil has made clear progress towards gender equality in education and health, outcomes relating to women's economic opportunities and agency (i.e., the capacity to make decisions and take control over one's life projects) lag behind.

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<sup>11</sup> Full report available at

[https://hubs.worldbank.org/docs/imagebank/pages/docprofile.aspx?sq=%7B%22k%22%3A%22a%20snapshot%20of%20gender%22%2C%22rf%22%3A%5B%5D%2C%22pg%22%3A1%2C%22sb%22%3A%22Rank%22%2C%22so%22%3A%221%22%2C%22pr%22%3A%2210%22%2C%22dt%22%3A%5B%5D%2C%22sf%22%3A%22All%20Documents%22%7D&nodeid=27135458&pos=0\\_1](https://hubs.worldbank.org/docs/imagebank/pages/docprofile.aspx?sq=%7B%22k%22%3A%22a%20snapshot%20of%20gender%22%2C%22rf%22%3A%5B%5D%2C%22pg%22%3A1%2C%22sb%22%3A%22Rank%22%2C%22so%22%3A%221%22%2C%22pr%22%3A%2210%22%2C%22dt%22%3A%5B%5D%2C%22sf%22%3A%22All%20Documents%22%7D&nodeid=27135458&pos=0_1)

<sup>12</sup>The Maria da Penha law (2006) has been internationally recognized as one of the most innovative laws on domestic violence worldwide. It is mentioned as a “significant legal advance at the national level” in the UN's Progress of the World's Women 2010.

**Moreover, aggregate advances by women often mask racial or geographic differences in every dimension of gender equality.** Even in areas where progress has been made on average, large groups of women are being left behind due to their racial, ethnic or geographic identities. And where inequalities do remain, these same women face disadvantages for being female as well as those brought about by their other identities. The following examples call for lifting the veil on aggregate outcomes and taking differences *among* women into account when considering gender equality and policies for achieving it:

- ***Racial and geographic inequalities in education persist despite aggregate improvements.*** Girls 13-16 years of age in the Southeast and South are more likely to attend school than those in the North, Northeast, or Center-West regions. Moreover, while women over the age of 19 are more likely to attend school than their male counterparts within each racial group, white young adults attend school at higher rates than Afro-Brazilians. In 2013, the university enrollment rate for Afro-Brazilians was less than half that of whites (10.8 percent versus 23.8 percent), despite the adoption of quotas for Afro-descendants and indigenous people in public universities.
- ***Maternal health is similarly marked by racial inequalities.*** Of the 1,465 maternal deaths registered by the Ministry of Health in 2014, 65 percent were Afro-Brazilian women and 30 percent were white women. Likewise, differences in access to prenatal care are evident: three-quarters of pregnant white women receive seven or more prenatal visits, compared to roughly half of pregnant Afro-descendant women and only a quarter of pregnant indigenous women.<sup>13</sup>
- ***Over the past decade, gender gaps in labor force participation and employment in Brazil have changed little, signaling persistent obstacles to equitable access to economic opportunities.*** Female labor force participation (LFP) and employment rose only slightly from 54 percent in 1995 to 59 percent in 2014, and the share of employed women moved from 50 percent to 54 percent over the same period.
- ***Gender wage gaps remain wide in Brazil compared to regional averages and are further marred by racial inequality.***<sup>14</sup> Women's hourly wages are lower than those of men, a gap that is largest among the most educated. Nevertheless, wages paid to Afro-Brazilian women are lower than those paid to men as well as white women *with the same education level*. On average, Afro-Brazilian women earn 7.7 BRL per hour, compared to 12.5 BRL for white women and 15.6 BRL for white men. Among those who have completed secondary school, Afro-Brazilian women earn wages that are less than half the wages of white men.
- ***The Brazilian adolescent fertility rate has steadily decreased since 2000, but remains high and reveals important geographic differences.*** The percentage of women aged 15-19 who had a live birth in 2013 compared to all women in that age group is highest in the North, where one in five women in that age group had a live birth, followed by the Northeast. Nationally, 10.5 percent of women 15-19 living in urban areas have had at least one child, compared to 13.2 percent of those in rural areas. In the North, the shares are 14.9 percent in urban and 18.9 percent in rural areas. The Southeast, in contrast, has not only a lower overall prevalence of teenage pregnancy, but also a smaller rural/urban gap, as 9.3 percent of 15-19-year-old women in urban areas and 10.0 percent of those in rural areas report having had at least one child.

**It is also worth noting that gender dynamics can be detrimental to men as well.** In Brazil in particular, continuing underperformance in school by men (specifically Black/*pardo* males) has grave implications for development. Similarly, men are heavily over-represented as victims of gang violence and homicide

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<sup>13</sup> Brasil. *Secretaria de Políticas para as Mulheres da Presidência da República: Relatório Anual Socioeconômico da Mulher 2014* (RASEAM 2014). Brasília-DF: SPM, 2015

<sup>14</sup>World Bank 2012b: Women earned 71 percent of their male counterparts' pay in 2010, according to World Bank calculations. This was among the largest wage gaps for Latin America and Caribbean countries observed at that time.

*Although the Government of Brazil has demonstrated a political commitment to protecting women's agency and reducing gender-based violence, continuing violence demands further action, and outcomes so far are uneven across the country.* About 40 percent of Brazilian women have experienced physical, sexual, or psychological gender-based violence at least once in their lives,<sup>68</sup> and women are more likely than men to have been a victim of violence perpetrated by a person they know. Concerning regional differences, the homicide rate against women increased by over 70 percent in both the North and Northeast between 2003 and 2013, and only the Southeast registered a decline during that period. Indigenous women are particularly vulnerable, facing a homicide rate almost twice as high as the average. Furthermore, a recent parliamentary investigation on GBV revealed that implementation of the Maria da Penha Law and the service network to support and protect female victims of violence has been very mixed, with limited reach outside urban areas, and hindered by budget constraints and lack of political will at the local level.

**Tackling racial and geographic inequalities is critical for reaching gender equality, as it is certainly harder—and in some instances impossible—to raise aggregates of female progress substantially if large sub-groups of women lag behind.** Taking the disadvantages faced by sub-groups of women into account is important not only in the design of policies and projects, but also in properly defining the goals for gender equality in Brazil. It would be a disservice to large swaths of the population to only set targets for women on average when non-white women and those living in the northern parts of the country are systematically below the average.

**In light of the Government of Brazil's commitment to reducing gender inequality and the substantial but uneven advances achieved over the last few decades, this document looks at gender equality in the country both in terms of formal institutions and outcomes.** It is structured around the World Development Report 2012 framework, which holds that gender equality is the result of gains in three dimensions—*endowments* (outcomes related to education, health and/or physical assets), *economic opportunities* (outcomes pertaining to jobs, land, agricultural production, technology, or market access), and *agency* (the ability to make choices to achieve desired outcomes, including voice in decision making). These three dimensions are dependent on interactions between four types of institutions: households, formal institutions, markets, and informal institutions (such as gender roles, beliefs, and social norms). In applying this framework to the concrete progress made in Brazil in recent decades, the document starts off with advances in formal institutions. The document follows with discussion on the endowments, economic opportunities, and agency of Brazilian women, first in aggregate form and then disaggregated by ethnicity/race or geographic area.



## ENDNOTES

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<sup>1</sup> The last Country Partnership Strategy (CPS) for Brazil was discussed by the Board in November 2011 (Report No. 63731-BR) and a Progress Report was discussed in July 2014 (Report No. 89496-BR).

<sup>2</sup> The Systematic Country Diagnostic for Brazil was submitted to the Board in February 2016. The preparation of the CPF has also benefited from the CPS Completion and Learning Review (CLR) report which is discussed in Section III.B and included as an annex to this document. The IEG Country Program Evaluation 2013 (Report No. 83185) also provided substantive guidance, and the Brazil Client Surveys in 2014 and in 2016 provided valuable information.

<sup>3</sup> These data refer to the General Government, using the GFSM 2014 methodology. The figures differ from the official statistics reported in the *Resultado do Tesouro* (Ministry of Finance) and in the *Nota para a Imprensa: Política Fiscal* (Central Bank), which are calculated using the GFSM 1986.

<sup>4</sup> As a consequence of fiscal deterioration and policy uncertainty, Brazil lost its investment grade rating in 2015. In September 2015, citing the fiscal deterioration amidst a challenging political environment, Standard & Poor's downgraded Brazil's long-term sovereign currency rating to BB+ with a negative outlook. In the following months other ratings agencies followed suit, stripping Brazil of its investment grade rating achieved in 2008.

<sup>5</sup> This is in accordance with Brazilian methodology. According to IMF methodology, as of end 2016 general government gross debt stood at 78.3 percent, compared with 72.5 percent at end 2015, and 63.3 percent at end 2014.

<sup>6</sup> Rio de Janeiro has had to delay payment of civil servant salaries (currently with a two months' delay) and defaulted on its debt repayments including to IBRD. Rio Grande do Sul and Minas Gerais are also close to insolvency, while almost all other states are facing liquidity constraints and several are running up growing arrears with suppliers and employees.

<sup>7</sup> This data refers to the Central Bank methodology. There are important differences in scope between the definition of credit/GDP used by the Central Bank and the one reported by the IMF.

<sup>8</sup> As consumers deleverage, household indebtedness (as a percentage of disposable income) has also fallen to 42.2 percent in December 2016 from 45.9 percent in 2014. Given rising interest rates, households' debt service has remained high at 21.7 percent of disposable income, slightly below the average level in 2015 (22.1 percent).

<sup>9</sup> Corporate debt as a share of GDP increased in recent years (from an average of 22.8 percent of GDP in 2009 to 24.6 percent of GDP in December 2016) and, although issuances have slowed since 2015, a large share of corporates are overleveraged. Offshore issuance by foreign-incorporated subsidiaries explains a significant share of this increase, although the increase in foreign exchange exposure has been mitigated by the fact that foreign currency debt is largely hedged. Financial vulnerabilities for listed non-financial firms have significantly increased in 2015 due to negative GDP growth (-3.8 percent) and the impact of adverse commodity price shocks. The vulnerability index (VI) increased more than 2.5 times and Debt at Risk (DaR)  $\geq 3$  rose from 3.4 percent to 11.5 percent between 2014 and 2015.

<sup>10</sup> In the short term this rule allows public spending keeps rising in real terms in the immediate future ahead while inflation remains on a descending path. If tax revenues accompany GDP, the fiscal rule will rapidly lead to reversal of the negative primary balances and of the current rising trend of fiscal imbalance and public debt.

<sup>11</sup> Currently retirement ages are 65/60 for men and women in urban areas; 60/55 for men and women in rural areas; 60/55 for male and female civil servants; and 55/50 for male and female teachers and other special groups of civil servants, including the military. The initial proposal by government envisaged an increase in the retirement age to 65 years independent of gender and profession. This has since been negotiated down to 65 years for men and 62 for women. Together with the increase in retirement age, the government is proposing the elimination of pensions by length of service and increasing from 15 to 25 the number of years of contributions necessary to qualify for an old age pension. Further it plans to change the benefit formula from 70 percent of the base salary plus 1 percent per additional year of contribution, to 51 percent plus 1 percent per year of contribution.

<sup>12</sup> The data sources for paragraphs 26-29 are World Bank staff calculations based on the 2001-2015 PNAD surveys.

<sup>13</sup> Program for International Student Assessment. Scores levelled off in 2015 as Brazil failed to sustain earlier progress.

<sup>14</sup> World Bank (2016) A Snapshot at Gender in Brazil Today: Institutions, Outcomes, and a Closer Look at Racial and Geographic Differences. World Bank. Washington, DC.

<sup>15</sup> IBGE (<http://www.ibge.gov.br/home>).

<sup>16</sup> World Bank staff estimates based on the 2014 and 2015 PNAD surveys.

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<sup>17</sup> Skoufias, Emmanuel; Nakamura, Shohei; Gukovas, Renata Mayer. 2017. *Safeguarding against a reversal in social gains during the economic crisis in Brazil*. Washington, D.C.: World Bank Group. Link: <http://documents.worldbank.org/curated/en/567101487328295113/Safeguarding-against-a-reversal-in-social-gains-during-the-economic-crisis-in-Brazil>

<sup>18</sup> As indicated in the 2016 SCD, three criteria were used to identify priority constraints on sustained poverty reduction and shared prosperity: (a) the constraints should have a critical medium- and long-term impact on the welfare of the B40, including generating synergies and complementarities with relieving other constraints; (b) any proposed measures should fit into the available resource envelope and be consistent with long-term fiscal and environmental sustainability; and (c) there should be evidence of impact from other countries or Brazil's own development experience.

<sup>19</sup> Several additional factors have also contributed to the persistently high interest rates, notably the persistent uncertainty about fiscal outcomes (World Bank 2006, *Brazil: Interest Rates and Intermediation Spreads*, Washington DC; Segura-Ubierno, Alex. 2012, *The Puzzle of Brazil's High Interest Rates*, International Monetary Fund; World Bank 2012, *The Real Paradox: Untangling Credit Market Outcomes in Brazil*. Report 67332, World Bank).

<sup>20</sup> Government of Brazil (2016). "Brazil's Template for Adjusted Growth Strategies for 2016". Presented to the G20 in China in August 2016.

<sup>21</sup> The overall program consists of a coordinated set of proposed investments in the road, railway, port, and airport sectors at the federal level. Most of these projects target the upgrade and expansion of existing assets, while some involve Greenfield assets (in particular, in rail and ports).

<sup>22</sup> Until recently there was little appetite to work on issues of fiscal adjustment, pension reform, productivity, or financial markets, for instance.

<sup>23</sup> A group of CSO provided extensive written comments on an early draft of the CPF (INESC, CONECTAS, International Rivers, IBASE, IEMA and ECOA, May 2017, "*Comentários ao Rascunho do 'Country Partnership Framework' (CPF) do Banco Mundial para o Brasil*").

<sup>24</sup> Programmatic Brazil Expenditure Review (P158800); Expenditure Review of Education (P158801); Brazil Pensions TA (P157609); Brazil Improving Efficiency of Health Services Delivery (P161452); Brazil Aging and Health Study (P157776); Brazil Financial Intermediation Costs and Credit allocation (P158245); Brazil Improving Infrastructure Efficiency (P156662); Brazil Public Procurement Strengthening (P120032); Brazil Poverty Measurement & Monitoring (P158705); Brazil Poverty Measurement & Monitoring (P160742); and Brazil Programmatic Poverty Analysis (P157875).

<sup>25</sup> Programmatic Brazil Expenditure Review (P158800); Brazil Pensions TA (P157609), Strengthening Governance in Infrastructure (P156825); Brazil Subnational Governance Monitoring Framework (P157102); Strengthening Governance in Infrastructure (P156825).

<sup>26</sup> Brazil Pensions TA (P157609); Bahia Sustainable Development (P147157); Strengthening Service Delivery Ceará P4R (P127463); Rio Grande do Norte Regional Development and Governance (P126452); Rio Grande do Sul Swap to Strengthen Public Investment (P120830); AF MST Proacre (P107146); and Manaus Service Delivery and Fiscal Management DPL (P153103).

<sup>27</sup> The pension system's deficit runs at approximately 4 percent of GDP and is projected to reach 6 percent by 2026 without reform. In several states, the deficit of the pension system for civil servants alone absorbs close to one fifth of revenues and projections are for this to worsen substantially in the next 3-5 years. While those in the bottom 40 percent of the income distribution pay a large share of the taxes levied to cover this deficit, they received less than 20 percent of the benefits.

<sup>28</sup> Brazil Pensions TA P157609; Brazil Expenditure Review P158800; Brazil Poverty Measurement & Monitoring P160742; Brazil Programmatic Poverty Analysis P157875.

<sup>29</sup> The subnational fiscal crisis has highlighted the urgent need for a reform of public employment rules and a pension reform to alleviate the pressure coming from growing mandatory expenditures.

<sup>30</sup> Brazil Expenditure Review (P158800).

<sup>31</sup> BR *Bolsa Família* 2nd APL (P101504).

<sup>32</sup> Support Education Policy Reforms in BR (P162334); new P4R with the Ministry of Education; Recife Education and Public Management P126372; Rio Grande do Norte Regional Development and Governance P126452; Strengthening Service Delivery Ceará P4R P127463; Manaus Service Delivery and Fiscal Management DPL P153103.

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<sup>33</sup> Includes supporting the implementation and evaluation of the Government's new *Criança Feliz* program.

<sup>34</sup> Aging and Health in Brazil P157776; Brazil: Health Sector Efficiency P161452; Brazil Expenditure Review P158800; Rio Grande do Norte Regional Development and Governance P126452; Strengthening Service Delivery Ceará P4R P127463; MST Bahia Health and Water Management SWAp P095171; MST Tocantins Integrated Sust. Reg. Dev. P121495; Paraná MST Development Swap P126343; Piauí Pillars of Growth and Social Inclusion Swap P129342; and Fortaleza sustainable development project P153012.

<sup>35</sup> Brazil: Health Sector Efficiency P161452; Brazil Expenditure Review P158800; Rio Grande do Norte Regional Development and Governance P126452; Strengthening Service Delivery Ceará P4R P127463; MST Bahia Health and Water Management SWAp P095171; MST Tocantins Integrated Sust. Reg. Dev. P121495; Paraná MST Development Swap P126343; and Piauí Pillars of Growth and Social Inclusion Swap P129342.

<sup>36</sup> See for instance: de la Torre, Augusto; Rudolph, Heinz (2015). *The Seven Sins of Flawed Public-Private Partnerships*. World Bank, Washington, DC. © World Bank.

<sup>37</sup> Programmatic Non-Lending Technical Assistance (NLTA) Productivity for Shared Prosperity (P152871); Strengthening Infrastructure Regulatory Frameworks P156356; Brazil Expenditure Review P158800.

<sup>38</sup> The Prosperity Fund is a £1.3bn UK Government ODA grant fund to deliver a portfolio of integrated, high impact interventions in support of economic development and poverty reduction in developing countries, including Brazil.

<sup>39</sup> On Simples, a recent empirical study by Piza finds that the program was not effective in increasing formalization rates of small firms, and that the microdata used by earlier studies are not ideal to inform the impact of Simples on firms' formalization decisions and performance. See Piza, C. (2016). "Revisiting the impact of the Brazilian SIMPLES program on firm's formalization rates", *Policy Research Working Paper Series 7605*, The World Bank.

<sup>40</sup> Improving Infrastructure Efficiency (P156662); Supporting Private Sector Financing of Infrastructure (P157610) Strengthening Governance in Infrastructure P156825).

<sup>41</sup> Private Bond Investor Infrastructure Finance Project (P158080). The key elements of this new financing instrument are: i) it pays interest to the investor from the beginning (including during the construction phase), and not only when the infrastructure project has been completed and is generating revenue; and ii) it offers a high quality guarantee on the value of the principal, as it would be backed up by government securities (Brazilian Treasury bonds) held in custody by the guarantor.

<sup>42</sup> Support to Brazil's NDC Implementation (P157893).

<sup>43</sup> GEF Amazon Region Protected Areas Phase 2 (P114810), Pro Cerrado Federal (P150892), FIP ABC Cerrado (P143184). Pipeline: GEF Brazil Amazon Sustainable Landscapes Project (P158000), Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities (P143492); Brazil's INDC Restoration and Reforestation Target (P159184). Pipeline: Amazon Sustainable Landscape TA (P159233); FIP Coordination (P152285); possible PROFOR analytical work; possible BioCarbon fund project activity.

<sup>44</sup> ESW Market Instruments for Climate Change (P146371); ESW Support to Brazil's NDC Implementation: The Suitability of Forest Bonds for Brazil's NDC Implementation (P157893).

<sup>45</sup> GEF Amazon Region Protected Areas Phase 2 (P114810); FIP Cerrado Monitoring System (P143185); Pro Cerrado Federal (P150892); FIP Sustainable Production in Areas Previously Converted to Agriculture Use - ABC Cerrado (P143184); Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities (P143492); TA DEFRA Cerrado Climate Change (P145822); ESW "Support to Brazil's NDC Implementation", Brazil's INDC Restoration and Reforestation Target (P159184). Pipeline: Amazon Sustainable Landscape TA (P159233), FIP Coordination (P152285).

<sup>46</sup> FIP Sustainable Production in Areas Previously Converted to Agriculture Use - ABC Cerrado (P143184).

<sup>47</sup> The Brazilian energy sector has undergone major paradigm shifts, affecting the fundamentals of the physical and institutional aspects of the system. The Brazilian government has requested Bank's support to address the significant challenges facing the sector today. The Bank is providing advisory to: improve the efficiency of energy markets and to reduce energy costs; to increase SOE productivity and improve governance (including fraud reduction) resulting from the integration of ICT; and to support the government's reform agenda by supporting improved governance (regulatory and legal framework revision).

<sup>48</sup> TA DEFRA Cerrado Climate Change (P145822), Acre Social and Economic Inclusion Project (P107196), GEF Amazon Region Protected Areas Phase 2 (P114810), FIP Cerrado Monitoring System (P143185), Pro Cerrado Federal (P150892), Platform Warning of Forest Fires (P149189).

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<sup>49</sup> META: Energy and Mineral Sector Technical Assistance (P126537), Espírito Santo Integrated Sustainable Water Management (P130682), Pernambuco Sustainable Water (P108654), Sergipe Water (P112074), Paraná MST Development Swap (P126343), Ceara Rural Sustainable and Competitiveness (P121167), Pernambuco Rural Economic Inclusion (P120139), MST Rio Grande do Norte Development (P126452), Bahia Sustainable Rural Development (P147157), Acre Social and Economic Inclusion Project (P107196).

<sup>50</sup> Espírito Santo Integrated Sustainable Water Management Project (P130682).

<sup>51</sup> Rio de Janeiro State - Progestão 1 and 2; Fortaleza Sustainable Urban Development (P153012); Sergipe Water (P112074); Pernambuco Sustainable Water (P108654); NTF - Understanding the Challenges of a Human Rights Based Approach in Urban development and Social Housing Policies and Operations in Brazil.

<sup>52</sup> Analytical and technical assistance works: Economic and Fiscal Impact of Natural Disasters (P133127) and Innovation in DRM Decision Making in BR (P153019). IPFs: Espírito Santo Integrated Sustainable Water Management Project (P130682), Sao Paulo Sustainable Transport Project (P127723), Parana Multi-Sector Development (P126343), MST Federal Integrated Water Sector (P112073); Rio Grande do Sul SWAp (P120830) and Rio de Janeiro Mass Transit II (P111996).

<sup>53</sup> Analytical and technical assistance works: BR Gender & Knowledge Dissemination (P160743), UFGE Strengthening Sub-National Government Capacity to Promote Economic Empowerment and Prevent Violence against Women, UFGE Expanding Women's Agency through Productive Inclusion in Rural Areas of Northeast Brazil. Past DPLs: Piauí: Productive and Social Inclusion DPL (P146981); Manaus Service Delivery and Fiscal Management DPL (P153103); Acre: Strengthening Public Policies for Improved Service Delivery DPL (P147635); Bahia Inclusion.

<sup>54</sup> Piauí Pillars of Growth and Social Inclusion Project (P129342); Teresina Enhancing Municipal Governance and Quality of Life Project (P088966); MST Rio Grande do Norte Regional Development and Governance (P126452); MST Tocantins Integrated Sustainable Regional Development (P121495); Pernambuco Rural Economic Inclusion (P120139); Bahia Sustainable Rural Development (P147157).

<sup>55</sup> FIP Sustainable Production in Areas Previously Converted to Agriculture Use - ABC Cerrado (P143184).

<sup>56</sup> IFC's "Large Scale Projects in the Amazon: Lessons and Guidelines"; Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities (P143492); GEF Amazon Region Protect Areas Phase 2 (P114810); Acre Social and Economic Inclusion Project (P107196); Bahia Sustainable Rural Development (P147157); Santa Catarina; São Paulo; Pernambuco Rural Economic Inclusion (P120139); GEF Amazon Region Protect Areas Phase 2 (P114810); GEF Marine Protected Areas (P128968), GEF Amazon Sustainable Landscapes (P158000); FIP Environmental Cadaster (P143334); Cerrado Climate Change Mitigation: Rural Environmental Cadaster and Fire Prevention in Piauí State (P143362); Cerrado Climate Change Mitigation: Rural Environmental Cadaster and Fire Prevention in Bahia State (P143376).

<sup>57</sup> Espírito Santo Integrated Sustainable Water Management Project (P130682).

<sup>58</sup> Ceara Rural Sustainable and Competitiveness (P121167); São Paulo Sustainable Rural Development and Access to Market (P108443); Santa Catarina Rural Competitiveness (P118540); Pernambuco Rural Economic Inclusion (P120139); MST Rio Grande do Norte Development (P126452); Bahia Sustainable Rural Development (P147157); Acre Social and Economic Inclusion Project (P107196).

<sup>59</sup> UFGE – Expanding Women's Agency through Productive Inclusion in Rural Areas of Northeast Brazil; Piauí Pillars of Growth and Social Inclusion (P129342); MST Tocantins Integrated Sustainable Regional Development (P121495).

<sup>60</sup> The "New Public Finance Law" (Senate Bill 229/2016, approved by the Senate and submitted to the Chamber of Deputies for approval during 2017) constitutes a comprehensive reform of the legal framework for the budget process, and contains 81 articles dealing with all stages of budget planning, execution and monitoring (accounting, evaluation and control) and is intended to replace the antiquated 1964 organic budget law and to complement the Fiscal Responsibility Law. It resolves many of the weaknesses related to the lack of integration of planning and budget processes, improving investment planning and limiting the use of carryovers (Restos a Pagar), together with accounting measures to enable the convergence of Brazilian public accounting standards to international norms, strengthen the role of oversight agencies and the introduction of cost accounting. Once the law is approved it will be

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important to support the Government in developing the institutions necessary to allow the revised budget process to function effectively, and also to support development of accounting due to the lack of capacity in this area at the federal, state and municipal levels.

<sup>61</sup> COFIEIX Resolution 1, of January 13, 2017.

<sup>62</sup> This indicator seeks to measure the relevance and impact of the World Bank’s work, with an initial focus on ASA. The indicator will cumulate a number of basic criteria regarding relevance with different audiences. Every piece of ASA and projects will be assessed in terms of how many (or what proportion of the total) basic criteria they met. For instance: Citations in the press, legislative debate, social media, etc. The basic idea is to define a “basket” of basic criteria to have minimum impact. Using these criteria, all WBG ASA in a particular area will be scored, using the Global Doing Business Report as a benchmark. Since this is a pilot phase no target values have been set, but the objective would be to ensure that country specific ASA over time achieves the same relevance as a WBG Global Flagship product.

<sup>63</sup> World Bank (2016). *A Snapshot at Gender in Brazil Today - Institutions, Outcomes, and a Closer Look at Racial and Geographic Differences*. World Bank. Washington, DC.

<sup>64</sup> ‘Support’ refers to investments in equipment and IT systems (software and hardware), as well as support to the development and implementation of policies and regulations.

<sup>65</sup> Refers to leaderships or community representatives of forest users’ communities.

<sup>66</sup> The definition and details regarding this particular indicator are registered in the Bank Guidance on Corporate Results Indicators (The World Bank, November 2, 2016). It measures the cumulative number of people living in urban areas that have been provided with access to improved services, housing, tenure, neighborhoods, public spaces, parks, resilience, and/or urban environmental conditions, through the direct interventions of operations supported by the World Bank. The indicator pertains to “hard” investments such as infrastructure. Improvement is defined as (a) providing access to a service to those who do not have it, and/or (b) improving the quality or reliability of a service. Services include any urban services delivered under a Social, Urban, Rural and Resilience (SURR) project or intervention—water supply, sanitation, sewerage, sidewalks, roads, etc. Housing refers to any investments that lead to (a) delivery of additional units, and/or (b) improvements in existing units. To calculate number of beneficiaries, project teams should use local data—preferably actual data regarding project beneficiaries, or the average family size in that city (rather than a national average). If these data are not available, national averages from WDI can be used. Types of tenure improvements such as the following would count: (a) increasing the security of tenure (e.g., by officially recognizing a previously unrecognized slum, or a de facto increase in perception of tenure security through delivery of public infrastructure); (b) titles issued; (c) number of titles modified to include the names of both male and female co-owners or spouses; and (d) enhancements in renter rights or rental contracts. Neighborhood improvement would include, for example, cleaning up a toxic site near a neighborhood. Such an improvement is typically not captured by improved services. Both rehabilitation and construction of parks and public spaces would count. Operations can report on both the number and area of parks/public spaces. To avoid double-counting, operations should set discrete targets and count beneficiaries against those targets. Results frameworks should not include multiple indicators for the same improvement. Task teams estimate number of beneficiaries, either as a subset of people in the catchment area or through (study) estimates of actual usage.

<sup>67</sup> This indicator measures the cumulative number of indigenous peoples communities, *quilombola* communities, and traditional communities that have been provided – through the direct interventions of operations supported by the World Bank – with: i) access to land and natural resources; ii) a more diversified and resilient productive basis and enhanced economic opportunities, including support to agro-forestry production systems, agro-ecology tillage practices and low-carbon agriculture as well as to value-added processing and rural enterprises, access to market and commercialization of non-timber forest, agricultural and artisanal products; iii) improved nutrition, food security and quality of life; iv) sustainable natural resource-use, land-use and landscape planning and management tools, contributing to community-led efforts to reduce deforestation, forest and natural resources degradation, to foster forest landscape restoration, and to enhance the coping and adaptation capacities in face of climate change; and, v) revitalization of cultural values and traditional knowledge.

<sup>68</sup> Fundação Perseu Abramo. *Violência contra a Mulher na Esfera Pública e Privada*. São Paulo: Fundação Perseu Abramo; SESC, 2010.