

**Document of
The World Bank**

Report No: ICR00002471

**IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-76000)**

ON A

LOAN

IN THE AMOUNT OF US\$240 MILLION

TO THE

STATE OF CEARÁ, BRAZIL

WITH THE GUARANTEE OF THE FEDERATIVE REPUBLIC OF BRAZIL

FOR A

CEARÁ INCLUSIVE GROWTH PROJECT SWAP II

IN SUPPORT OF THE SECOND PHASE OF THE MULTI-SECTOR

SOCIAL INCLUSION DEVELOPMENT PROGRAM

December 18, 2012

**Finance and Private Sector Department
Brazil Country Management Unit
Latin America and the Caribbean Region**

CURRENCY EQUIVALENTS
(Exchange Rate Effective December 12, 2012)

Currency Unit = Brazilian Real (BRL)
1.00 BRL = US\$ 0.48
US\$ 1.00 = 2.08 BRL

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
ARCE	Ceará Regulatory Agency for Delegated Public Services
CAGECE	Ceará Water and Sewerage Company
CGF	Secretary of Finance General Registry
COEMA	State Council on the Environment
COGERF	Committee for Fiscal and Results-Based Management
COGERH	Ceará State Water Resources Company
COPAM	State Council for Environmental Policy
CPS	Country Partnership Strategy
CREDE	Regional Education Development Center
DLI	Disbursement-Linked Indicator
EBTIDA	Earnings before interest, taxes, depreciation and amortization
EEP	Eligible Expenditure Program
FPE	Participatory Fund for States
FRL	Fiscal Responsibility Law
GoC	Government of Ceará
ICMS	Value-Added Tax (collected by states)
IPECE	Ceará Economic Research Institute
IPP	Indigenous Peoples Plan
M&E	Monitoring and evaluation
NUTEC	Nucleus of Industrial Innovation Foundation
ONA	National Accreditation Body (hospitals)
ORR	Outputs-Results Report
PforR	Program for Results
PAF	Fiscal Adjustment Program
PCN	Project Concept Note
PDE	School Development Program
PGE	State Attorney-General Office
PPA	Multi-Year Budget Plan
RBM	Results-Based Management
SAEB	Federal Basic Education Evaluation System
SEDUC	Secretary of Education
SEFAZ	Secretary of Finance
SEMACE	Secretary of the Environment
SEPLAG	Secretary of Planning and Management
SESA	Secretary of Health
SFAA	State Fiscal Accountability Assessment

SIAP	Program Monitoring System
SIRES	State System of Information on Solid Waste Management
SPAR	State Procurement Assessment Report
SPAECE	Ceará Permanent State Education Evaluation System
SPR	Secretary Performance Report (annual)
SRH	Secretary of Water Resources Management
STN	National Treasury Secretariat
SWAp	Sector Wide Approach
TA	Technical Assistance
TCE	State Audit Court
UFW	Unaccounted for water
WSS	Water Supply and Sanitation
WRM	Water Resource Management

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BRAZIL
CEARÁ INCLUSIVE GROWTH PROJECT SWAP II

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1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. This operation was the second in an Adaptable Program Loan (APL) sequence supporting institutional modernization and social advances in the State of Ceará. The social development agenda of the Government of Ceará (GoC) in education, health, and water and sanitation was supported under the US\$150 million SWAp I loan (effective from 2004–2007). Those three sectors received continued assistance under the SWAp II. In addition, the SWAp II supported the government’s “inclusive growth” strategy to strengthen the business climate for investment and innovation. Results-based management was a cross-cutting lynchpin of both SWAp loans.

2. The specific activities and performance targets of the SWAp II built upon prior GoC achievements. By 2007 the government had achieved relatively high levels of service coverage in education, health and water and sanitation. Under the SWAp II the GoC largely sought to emphasize quality improvements (while also expanding water and sanitation coverage). That emphasis guided the choice of government investment programs supported by the loan, and also directed the design of performance metrics for loan disbursements (discussed below). Meanwhile, the GoC “inclusive growth” strategy sought to address income poverty: the state’s growth rate from 1985 to 2006 exceeded Brazil’s average, but the Project Appraisal Document (PAD) noted that in 2007 more than half of the state population (53%) lived below the poverty line (½ minimum wage).

1.2 Original Project Development Objectives (PDO) and Key Indicators

3. The higher-level objective of the Ceará SWAp II project was to help expand and consolidate the social advances and institutional modernization of the State of Ceará. The project supported ten government investment programs in five sectors: public sector management, education, health, water supply and sanitation, and business environment and innovation. Fourteen disbursement-linked indicators (DLIs) were mapped to these five sectors, and Technical Assistance (TA) funding was included in the SWAp II design to support the achievement of some DLI targets.

4. The specific project development objectives were:

1. help the Government of Ceará to improve its fiscal situation
2. strengthen the state’s system of results-based management
3. promote better service quality in education (particularly early-childhood literacy) and health
4. improve access to water and sewerage services, and improve the efficiency of the government autarchies with responsibility for water quality and delivery
5. reduce barriers to business investment

5. The World Bank Board approved the Ceará SWAp II on August 29, 2008, and loan became effective on May 14, 2009. DLI targets were agreed for the years 2008-2011. However, given the date of project effectiveness, only the 2009-2011 targets were used.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification: N/A

1.4 Main Beneficiaries

6. The primary project beneficiaries were the users of public education, health, and water supply and sanitation services in Ceará. These service users would benefit from improvements in service reach and quality. In addition, small businesses and individual citizens would benefit from improved (and less costly)

internet access, as well as from simplified procedures for business registration. As intermediaries, the government secretariats would obtain TA funds to improve their internal processes and strengthen results-based management skills. In addition, public sector managers would benefit from reliable access to budget funding for their priority programs.

1.5 Original Components

7. GoC policy priorities were reflected in its Multi-Year Budget Plan (Plano Plurianual 2008-2011 – PPA), approved by the legislature in December 2007. The SWAp II supported budget programs selected from the PPA—these were called “Eligible Expenditure Programs”—but loan disbursements were linked to performance targets. The targets were of two types:

- i) A “70% rule” required the GoC to disburse at least 70 percent of the approved annual budget in each Eligible Expenditure Program (EEP) budget line;
- ii) DLIs with annual performance targets were defined for each sector.

8. In addition to these disbursement metrics, a set of “secondary indicators” was crafted to focus GoC monitoring and evaluation (M&E) and to enrich professional dialogue between World Bank sector experts and GoC counterparts during project implementation. The DLIs and original secondary indicators are listed in Table 1. Performance against secondary indicator targets did not affect loan disbursements.

9. A separate TA component (US\$3.67 million) under the loan supported activities in each of the project’s five priority sectors. A list of all final TA activities is provided in Annex 2, Table 5. In contrast to the SWAp component of the loan, these TA funds disbursed according to standard World Bank procurement and financial management rules for technical assistance operations. Select TA activities explicitly supported the achievement of DLIs; others were for more general institutional strengthening, including safeguards.

1.6 Revised Components: N/A

1.7 Other significant changes

10. Three DLI targets concerning water supply and sanitation were changed to raise the required performance level (see Table 2). Timeline extensions were approved by the World Bank to enable the GoC to meet SWAp II targets for disbursements. In addition, several secondary indicators were modified during project implementation (see Table 1). These specific changes are discussed in section 2.2 below.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

11. Crafting DLIs and quantifying the annual targets for each one was the centerpiece of the SWAp II design. A core lesson from the SWAp I was to avoid indicators that could not reliably be attributed to the actions of the pertinent government secretariat. That lesson was heeded, with one exception: an EEP included budget funds transferred by the GoC to the municipal government of Fortaleza for execution (see section 2.2(a)).

12. DLIs were crafted with the direct participation of GoC secretariat heads and their technical staffs. Participation was critical to encourage “buy-in” from the personnel who would be responsible for project implementation. Moreover, to strengthen the performance culture in government, DLIs and their targets were aligned, whenever possible, with existing program management indicators in the secretariats. Nonetheless, collaboration did not eliminate all information asymmetries between line secretariats, the Project Management

Unit (Ceará Economic Research Institute – IPECE) and World Bank staff. During interviews conducted for this ICR it was learned that CAGECE used annual EBTIDA targets as part of an employee bonus program; but the target values were more demanding than the EBITDA targets agreed for the SWAp II. There are credible arguments to justify different target values given the different uses of the indicator. However, the EBITDA targets used internally by CAGECE were not presented to the World Bank or IPECE personnel during project preparation.

Table 1: Ceará SWAp II Performance Indicators by Sector

Sector	Disbursement-Linked Indicator	Secondary Indicator*
Public Sector Management (A): Fiscal Performance	<ul style="list-style-type: none"> • Current fiscal balance • Tax concentration (modified Herfindahl Index) 	<ul style="list-style-type: none"> • RBM information reflected in annual budget submission & Governor’s annual Address to the Assembly • <i>Implementation of select procure-ment reform recommendations (based on OECD Indicators diagnostic)</i> [Procurement processes failed prior to contract signing (%)] • <i>Implementation of select financial management reform (based on PEFA diagnostic)</i> [Efficacy in collecting outstanding tax debt] • Crossing state pension cadastres with federal data to identify irregularities • Implementation of data platform for results-based management (S2GPR)
Public Sector Management (B): Results-based management	<ul style="list-style-type: none"> • Annual results-based management (RBM) reports by Secretariats, validated by SEPLAG and the Committee for Fiscal and Results-Based Management (COGERF) • “Output-Results Reports” of priority PPA programs selected by COGERF 	
Education	<ul style="list-style-type: none"> • Annual student exams in 2nd, 5th, 9th and 12th grades • Municipalities with the program “Literacy at the Right Age” operational 	<ul style="list-style-type: none"> • Evaluation of municipal implementation of “Alfabetização na Idade Certa” program (one in 2009 and one in 2011) • Literacy achievement in 2nd grade
Health	<ul style="list-style-type: none"> • Quality certification of Family Health Teams according to AMQ quality ranking system • Hospitals professionally licensed in accordance with ANVISA/ONA regulations • Hospitals with standardized cost-accounting system 	<ul style="list-style-type: none"> • Population covered by Family Health Team visits • Bi-annual reports of the “Water Group” to combat childhood diarrhea resulting in hospitalization • Systematic collection and reporting of infant weight/height
Water Resources Management (WRM) and Water Supply & Sanitation (WSS)	<ul style="list-style-type: none"> • Billing for distributed bulk water (industrial, irrigation and aquaculture) • Number of urban water and sanitation connections • Reduction of water losses (“unaccounted for water”) by CAGECE 	<ul style="list-style-type: none"> • CAGECE EBITDA margin • CAGECE distributed water quality compliance ratio (as measured by ARCE)
Business Environment & Innovation	<ul style="list-style-type: none"> • Urban population in municipal centers with access to public broadband internet service (<i>Cinturão Digital</i>) • Business registration in Secretary of Finance General Registry (CGF) completed within 72 hours 	<ul style="list-style-type: none"> • Reduction in the median number of days to issue state environmental licenses • <i>Number of partnerships and/or service contracts between the Nucleus of Industrial Innovation Foundation (NUTEC) and private firms</i> [Technological services provided by SECITECE]

* Note: The three secondary indicators listed in *italics* were changed during project implementation. The revised indicator is presented in brackets.

13. “Secondary indicators” were a SWAp II innovation. When a performance area was deemed important to the GoC and the World Bank, but success in meeting the target would depend significantly on factors outside GoC control, then a “secondary indicator” was included to maintain a focus on that target without impacting project disbursements. In this way, secondary indicators were an explicit response to performance-attribution problems.

14. Secondary indicators also were recruited for a second purpose: as a place-holder for activities that could not be defined with precision during project preparation. For instance, one SWAp II secondary indicator was “Implementation of select procurement reform recommendations (based on OECD Indicators diagnostic).” The OECD Indicators diagnostic was conducted during project preparation as part of the long-standing engagement between the GoC and World Bank. However, translating the findings of that diagnostic into a set of GoC-agreed reform activities would necessarily exceed the project preparation period. Consequently, this activity appeared without further detail or comment in the PAD. However, the precise indicator and measurement protocol then had to be agreed during project implementation.

2.2 Implementation

15. Project implementation was broadly successful. The project was never classified “at risk.” Several tailored interventions were devised to address specific performance problems that arose during project implementation.

(a) Satisfying the “70% rule”

16. At project closing the GoC succeeded in meeting the “70% rule” for all ten EEPs. (The EEPs and their initial budgets are listed in Annex 3). This result reflects a strong performance by the GoC, but also is attributable to the flexibility afforded by the World Bank.

17. According to the project design, for each of the ten EEPs that failed to satisfy the “70% rule” before the project’s final fiscal year, ten percent of the projected disbursement would be “rolled over” and added to the amount programmed for disbursement the following year. EEP budget execution often exceeded 100 percent (due to in-year budget supplements); in 2012 a plurality of EEPs executed 71-79 percent of their budgets. However, when failing to meet the “70% rule” the shortfall was typically dramatic (viz., budget execution ranging from 0–18 percent). In 2009 two EEPs related to Business Environment & Innovation (#033 and #196) failed to meet the “70% rule,” and in 2010 a health sector EEP (#554) fell short of the 70% budget execution requirement. The corresponding loan disbursements were reduced accordingly.

18. During the April 2011 project supervision mission the GoC explained that EEPs #033 and #196 would again fail to meet the “70% rule” in fiscal year 2011 unless new budget subprograms were considered to be part of those EEPs. The GoC proposal to modify the two EEPs was subsequently accepted formally by the World Bank. At year end, three EEPs still failed to meet the “70% rule” threshold for fiscal year 2011 (Jan.-Dec.). According to project rules, the programmed disbursement for March 2012 would be reduced by 30 percent, and those funds would be canceled from the loan. However, at GoC request, the World Bank ultimately agreed to accept expenditures against the three non-compliant EEPs until March 2012 (EEP #048), May 2012 (EEP #196), and October 2012 (EEP #033) for purposes of meeting the “70% rule.”

19. An unforeseen problem occurred in August 2012 when, for reasons unrelated to the project, the Municipal Government of Fortaleza decided to return the funds it received from the GoC in 2011 as an intergovernmental transfer under EEP #554 to support Family Health Teams. Should the return of those funds signify that the GoC was in ex post non-compliance with the 2011 “70% rule” for that EEP? The GoC proposed, and the World Bank accepted, the ex post substitution of expenditures from a different budget program to meet the expenditure requirements.

(b) Performance against Disbursement-Linked Indicators

20. A summary of overall DLI performance is provided in Table 2. There were 14 project DLIs. Thus, if the GoC failed to meet a DLI target, then 1/14th of the funds eligible for disbursement would be withheld.¹ Any amount withheld was carried over to the next disbursement period (until the project’s final year). Three health sector DLIs were unmet during project implementation, requiring the GoC to “play catch-up.” However, at project closing, only the health sector ONA indicator was unmet, representing 50 percent of a single DLI.² The amount of the loan linked to that performance metric (US\$1,077,620) was cancelled at project closing.

Table 2: Performance against Disbursement-Linked Indicators

#	DLI Name	Baseline (2007)		2009	2010	2011
1	Current Fiscal Balance (\$R millions)	1,296	Target	1,146	1,219	1,293
			Performance	1,245	1,297	1,882
2	Tax Concentration (Herfindahl Index)	0.312	Target	< 0.35	< 0.35	< 0.35
			Performance	0.30	0.298	0.298
3	Secretariats w/ Annual Performance Reports	0	Target	8	11	15
			Performance	8	11	15
4	Output-Results Reports	0	Target	3	5	7
			Performance	3	5	7
5	Exams in grades 2, 5, 9 & 12; results disseminated by school (% of schools)	90	Target	90	90	90
			Performance	100	100	100
6	Munic. w/ literacy program: (a) manager and didactic material in place (% total)	0	Target	70	75	80
			Performance	100	100	100
	(b) managers compensated by state govt (%)	0	Target	40	50	60
			Performance	100	100	100
7	Quality of PSF/AB Health Teams: (a) % w/ AMQ classification	0	Target	20	25	30
			Performance	7.8	55.3	76.4
	(b) AMQ-classified teams w/ improved ranking (%)	0	Target	0	25	30
			Performance	0	87.5	30.7
8	Hospital licensing/ certification: (a) Hospitals w/ ANVISA	6	Target	8	10	12
			Performance	12	13	13
	(b) ONA certification*	0	Target	0	0	1
			Performance	0	0	0
9	Hospitals w/ cost accounting system	2	Target	10	15	15
			Performance	0	0	15
10	Gross water invoiced (%)	12.1	Target	18	27	37
			Performance	25	36	39
11	Water & Sewer connections: (a) Urban water	51,348	Orig. Target	144,062	179,879	197,790
			Rev. Target	n/a	198,708	275,112
			Performance	198,708	256,362	315,803

¹ Note that the 1/14th disbursement linked to each DLI was calculated *after* first applying the 70% rule described in section 2.2a to the total programmed disbursement for that semester.

² A consulting company was to be contracted to help prepare a selected hospital for accreditation. However, the contract was never issued. An ONA assessment team visited São Vicente de Paulo Hospital in June 2011 for a pre-evaluation, and then returned in January 2012. Despite progress, the ONA team judged that the hospital did not meet all the standards required for ONA Level 1 certification.

#	DLI Name	Baseline (2007)		2009	2010	2011
	(b) Sewer	22,370	Orig. Target	56,200	76,540	86,711
			Rev. Target	n/a	88,717	124,775
			Performance	88,717	116,247	139,845
12	Water losses (unaccounted for water) (%)	29.7	Orig. Target	< 28.7	< 28.5	< 28.2
			Rev. Target	n/a	< 27.0	< 27.0
			Performance	25.45	25.54	26.03
13	Population in areas served by broadband internet	0	Target	3,033,000	3,311,300	4,365,700
			Performance	3,089,021	4,177,839	4,387,816
14	Business registration < 72 hrs. (%)	19	Target	24	29	35
			Performance	29.0	67.2	80.0

* Target unmet at project closing.

Source: Prepared by the author from the IPECE reports. DLI measurement protocols are found in the PAD.

21. The DLI to install hospital cost-accounting systems was unmet in 2009 and 2010 largely due to TA contracting delays. Meeting this indicator was contingent upon TA to support for the system methodology, software installation and training (see Annex 2, Table 5). When contracting for those services was delayed, the DLI was necessarily unmet. Also in the health sector the target for AMQ classification of Family Health Teams was unmet in 2009. Performance accelerated to meet the 2010 and 2011 targets after a SESA staff person was assigned directly as a liaison to the Family Health Teams to facilitate their participation.

22. Concerning water supply and sanitation, the 2009 performance report submitted to the World Bank revealed that the CAGECE targets for urban water and sewer connections were set at too low a level to represent a genuine challenge. Consequently, at the World Bank's request, the numerical targets for this DLI were formally increased for 2010 and 2011 to ensure that further disbursements against those indicators would require, at a minimum, continuation of the performance level reached in 2009 (see Table 3).

(c) Tracking "Secondary Indicators"

23. At each monthly project management meeting the GoC tracked performance against 14 "secondary indicators," involving ten different government entities (Table 1). Government M&E of these indicators clearly was heightened by their inclusion in the SWAp II; and there is considerable anecdotal evidence that monitoring had an impact on government actions. For example, in 2010 the water quality indicator underperformed significantly. Consequently, COGERF called a meeting in early 2011 with ARCE, CAGECE, CIDADES, COGERH, CONPAM, SESA and SRH to discuss the turbidity problem. Subsequent analysis suggested the problem was attributable largely to increased pollution in the watersheds that feed urban water supplies. Policy steps to reduce the problem are under development and will likely be a focus of the PforR operation.

24. In another example, rigorous tracking of infant weight/height revealed a worrisome trend that may not have been detected promptly without the secondary indicator: obesity is an emergent problem among Ceará's poor. GoC officials suspect the federal government's income support program Bolsa Família has altered consumption patterns, including an increase in the purchase of processed foods and sugars. A public health education program may be launched in response.

25. Although secondary indicators had no impact on disbursements, the GoC requested changes to the secondary indicator targets established in the PAD when a technical factor beyond GoC control could explain poor performance. In response, the water quality target and EBTIDA targets were formally revised in 2011.

(d) Technical Assistance

26. An additional lesson of the first SWAp was that the amount of TA funding was overly ambitious— notwithstanding the fact that in Northeast Brazil the GoC has a relatively high-performing government administration. That lesson was incorporated into the SWAp II design, which reduced the amount of TA in absolute terms (to US\$3.67 million) and as a share of overall project financing (1.5 percent). Nevertheless, the GoC again had difficulty moving forward with all of the programmed TA procurement, which ultimately entailed 32 activities (31 completed) under the responsibility of 12 separate government entities. (A list of all TA activities and their contract amounts are listed in Annex 2, Table 5.)

27. Implementation of the TA component improved significantly in 2011 after the GoC recruited new staff to the project management unit to work solely on TA procurement. A focused procurement training event also was offered by the World Bank from May 30-June 3, 2011. Attendees included both members of the Project Implementation Unit as well as the State Audit Court (TCE) and the State Office of the Comptroller General (CGE).

28. The opportunity to reallocate TA resources from non-performing activities to new ones was built into the SWAp II design. At project closing the GoC had executed nearly 93 percent of the funds originally allocated to TA. As provided in the SWAp II design, the remaining undisbursed TA funds (US\$264,800) were “rolled over” to the SWAp component of the loan for the final 2012 disbursement. Then, those funds could have been subjected to the application of the 2012 performance targets to determine the amount for disbursement to the GoC (with the remainder designated for cancellation). However, all of the unused TA funds were disbursed to the GoC treasury without a performance filter.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

29. Consistent with the project goals, GoC systems were used to report projected and actual EEP expenditures, as well as annual DLI performance. The PAD included a proviso allowing the World Bank to request an independent verification audit if the reported data were ever deemed unreliable; but the performance data provided by the GoC were considered credible.

30. Each secretary/sector was represented by a key technical staff person on a SWAp II Committee. The Committee met monthly (38 meetings in all) for each representative to report on progress in achieving indicators, budget execution and technical assistance. Several of those interviewed for the ICR spoke favorably of the monthly meetings, saying they came away from the experience with a fuller understanding of interconnected activities of the state government and an appreciation of the positive effects spurred by working toward explicit performance targets.

31. **In contrast, there is little evidence for the spread of results-based-management precepts beyond the technical staff directly involved in the SWAp II.** Performance data by secretariat were reported in the governor’s annual budget submission to the legislature, as required by a DLI. In addition, Outputs-Results Reports (ORRs) were introduced to examine in depth the effectiveness of public expenditure to achieve outcomes of concern.³ However, both World Bank supervision staff and IPECE believe the quality of the ORRs has been mixed. There is no evidence to date that secretariat performance data or ORR findings have been part of budget debates. SEPLAG observed that many secretariats would benefit from training in results-

³ The selection of programs to be assessed each year via an ORR was determined by the Committee for Fiscal and Results-Based Management (COGERF), a type of “supercabinet” composed of the four most powerful state secretaries: Planning and Management, *Fazenda*, *Controladoria*, and *Casa Civil*.

based management to support a broader adoption of these precepts. Institutionalizing results-based management at the level of sector agencies will be a focus of the follow-up PforR operation.

2.4 Safeguard and Fiduciary Compliance

32. The project triggered OP/BP 4.01 (Environmental Assessment, Category B), OP/BP 4.10 (Indigenous Peoples), and OP/BP 4.12 (Involuntary Resettlement). Medical waste disposal triggered the Environmental Assessment. No project activities or indicators focused on medical waste, per se; but hospital quality licensing standards include an examination of waste disposal. A Health Waste Management Strategy and an Environmental and Social Management Framework were prepared during project preparation to describe appropriate steps and principles to address medical waste disposal. This was followed by TA support under the project to prepare a plan to integrate medical waste disposal with the state's overall policy for solid waste disposal.

33. As a direct result of the SWAp the Health Secretariat undertook a series of activities to enable the safe handling of health care waste. These included: 1) Basic training on health waste management for 33 technical staff of the health compliance agency; 2) Participation in the Technical Committee on Urban Solid Waste which resulted in the joint evaluation (with SEMACE, SCIDADES, CONPAM) of municipalities' compliance with the state Decree obliging the use of appropriate equipment for the selective collection and final disposal of health and contaminated waste; 3) Participation in the Technical Committee on Pharmaceutical Products resulting in finding solutions for the final destination and treatment of medical products (Group B - chemicals); 4) Inspection of Health Care facilities.

34. Recognizing the importance of finding a definitive solution for solid waste disposal, the state also prepared a planning document which has served to guide the identification of appropriate solutions in all municipalities and districts. This proposal serves as a vehicle for updating local governments with current policies and legislation such as Federal legislation which obliges all municipalities to have their Solid Waste Management Plan in effect by 2014.

35. The solid waste management model adopted allows each municipality to directly administer the collection and final disposition of waste. This is being implemented through third parties who collect waste in and urban and rural settings. The Cities Secretariat anticipates the formation of 23 public solid waste consortia. As of October 2012, eight have already been concluded and those remaining are being prepared with the direct assistance of the state. Also being concluded is the Regionalization of Solid Waste Management proposal. The state and regional Solid Waste Management Plans will follow. The State Solid Waste Policy has been revised and the draft law is being finalized for submission to the legislature.

36. The state has also undertaken a qualitative and quantitative inventory of industrial waste which has allowed for implementing a policy that supports waste minimization, reutilization, recycling, treatment and appropriate final disposition.

37. Ceará citizens who self-identify as indigenous peoples were potential beneficiaries of the service improvements supported by the SWAp II. This triggered OP/BP 4.10. During project preparation an Indigenous People's Framework was drafted following input from a meeting with the Kanidés in Aratuba. TA resources were subsequently used prepare a document describing traditional medicinal plants and a second documents on indigenous art and handicrafts in Ceará. In April 2011 these documents were launched

at an event with the indigenous leaders of the Tremembé de Almofala, Pitaguary, Tapeba, Kanindé, Jenipapo-Kanindé e Anacé. Copies of both documents were delivered to all indigenous schools in Ceará.⁴

38. Basic infrastructure services financed by the project focused on connecting existing households to water and sewerage networks. These investments were not expected to cause physical displacement of people. However, OP/BP for Involuntary Resettlement was triggered as a precaution. As it happened, however, the works required for the SANEAR II program led to the resettlement of 114 families in Fortaleza and the interior of the state. The appropriate framework, involving both consultation and compensation, was applied and the physical and symbolic impact of the resettlement was kept to a minimum. As required, the GoC notified the World Bank before the actions were taken.

2.5 Post-completion Operation/Next Phase

39. The World Bank and GoC began to discuss a follow-up operation in 2012, months before the SWAp II closed. A workshop was held in Fortaleza on May 24-25, 2012, where the World Bank presented a new lending model, the “Program for Results” (PforR), to the governor and staff from all government sectors. Under the PforR model, disbursements again will be tied to performance indicators.

40. There is tentative agreement that a new operation will support GoC programs in (i) public sector management, (ii) private sector development, (iii) poverty reduction, and (iv) water management. The specific activities to be supported in the Ceará PforR reflect an effort to build upon the accomplishments of the previous Ceará SWAps, while focusing on specific weaknesses. For example, regarding results-based management the draft PforR Project Concept Note (PCN) proposes to focus on RBM adoption in line secretariats (i.e., below the level of department heads and senior technical staff). Similarly, in the water sector the PCN proposes a focus on improved water quality via strengthened watershed management and solid waste management. Both issues were identified and studied during the SWAp II (see section 2.2(c) and section 2.4).

41. Improved investment planning, innovation support, targeted vocational training and early childhood development are likely to be part of a Ceará PforR. It is expected that loan disbursements will be linked only to DLI performance triggers, and no longer to a “70% rule” for budget execution – as the credibility of budget execution is no longer in question. Still, consistent with the two prior SWAps, the supported activities will be mapped to planned budget expenditures in the GoC PPA. The financial management requirements for GoC budget expenditures included in the PforR program will be a key subject of discussion/ negotiation both within the World Bank and with the client.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Rating: High

42. The SWAp II loan fit squarely within the stated priorities of the last Country Partnership Strategy (CPS), including expanding World Bank support for state-level governments in Brazil and tackling complex development challenges in an integrated, multi-sector fashion. The project activities aligned with four of the six “paradigmatic challenges” identified in the CPS, namely, “fiscal and public sector management,” “private sector development,” “infrastructure,” and “human development & education.”

⁴ The document titles are *Plantas Mediciniais: Usos-saberes-sentidos* and *Sentir-pensar-fazer: Artesanatos Indígenas no Ceará*. Both documents are available electronically on the IPECE website.

43. The project design also aligned well with the World Bank's results focus. Except for the small TA component, loan funds disbursed only against monitored performance outputs. The DLIs featured outputs (not outcomes), which maintained a close linkage between GoC activities and SWAp II targets.

3.2 Achievement of Project Development Objectives

Rating: Satisfactory

44. The project DLIs and secondary indicators may be assigned to the five specific project development objectives. Successful performance against DLI targets—only one half of one DLI was unmet by project closing—is suggestive that the specific PDOs were at least partially achieved:

1. help the Government of Ceará to improve its fiscal situation
The state's current fiscal balance increased from R\$1,296 million in 2007 to R\$1,882 million in 2011, and without increasing the burden of any particular sector for tax revenues (tax concentration).
2. strengthen the state's system of results-based management
Annual Performance Reports and ORRs were produced, although with limited utilization to date. RBM precepts are increasingly commonplace in work of senior staff.
3. promote better service quality in education (particularly early-childhood literacy) and health
The early-childhood literacy program was installed. Second-grade literacy increased from 56.0 to 81.4 percent of students tested from 2009 to 2011 (Annex 2, Table 4).
Ceará's performance on Brazil's Basic Education Development Index (Ideb) for 4th grade students was 4.9 in 2011. The score for schools in the state network (excluding municipal and private schools) rose 0.7 points from 2007-2009 and 0.2 points from 2009 to 2011.⁵ Attribution of Ideb improvements to the SWAp II has not been demonstrated.
Hospital cost-accounting systems have reduced unnecessary expenditures and led to increases in the number of patients treated per month (see Annex 3). Family Health Teams have improved their quality ratings. There is no direct evidence of health improvements resulting from improved Family Health Teams.
4. improve access to water and sewerage services, and improve the efficiency of the government autarchies with responsibility for water quality and delivery
Urban water connections grew from 51,300 in 2007 to 315,800 in 2011. Sewer connections rose from 22,400 to 139,800 over the same period. Water losses remained under 27 percent. The CAGECE EBTIDA margin, a secondary indicator, did not display a clear trend but fluctuated between 25 and 30 percent (Annex 2, Table 4).
5. reduce barriers to business investment
The share of new businesses registered in less than 72 hours grew from 19 percent to 80 percent. The population within reach of high-speed internet service increased by over 4 million. The cost of data transmission fell sharply (see Annex 3) and teleconferencing in the health sector has reduced operational costs (see Annex 3).

3.3 Efficiency: N/A

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

⁵ Find the Ideb results reported at <http://ultimosegundo.ig.com.br/educacao/2012-08-14/ceara-e-o-estado-que-mais-superou-as-proprias-metas-no-ideb.html>, accessed December 5, 2012.

45. **The overall outcome of the loan is rated satisfactory.** All PDOs were advanced under this operation (section 3.2). Some activities clearly were “highly satisfactory,” as the change brought about during the project was very positive and the role of the project in achieving that outcome was unambiguous. In other instances the government achievement was positive, but the same outcome may have occurred even without the SWAp II (see Table 3).

Table 3: An Evaluation of Project Achievement, with Activities Mapped to PDOs

Specific PDO	Relevant DLIs & Secondary Indicators	Achievement*	Attribution to SWAp II*	
Help the government of Ceará to improve its fiscal situation	#1 Fiscal Balance #2 Tax Concentration <i>(a) Efficacy in collecting outstanding tax debt</i>	High	Low	
	<i>(b) Crossing state pension cadastres with federal data bases to identify irregularities</i>	High	High	
Strengthen the state’s system of results-based management.	#3 Secretariat Annual Performance Reports #4 Output-Results Reports	Moderate	High	
	#9 Hospital cost-accounting system	High	High	
	<i>(c) RBM information reflected in annual budget submission and in the Governor’s annual Address to the Assembly</i>	Moderate	High	
	<i>(d) Failed procurement processes prior to contract signing (% total)</i>			
	<i>(e) Implementation of S2GPR</i>			
Promote better service quality in education and health	#5 Student exams	High	Moderate	
	#6 Literacy program in place <i>(f) Evaluation of literacy program</i> <i>(g) Literacy achievement by second grade</i>	High	Moderate	
	#7 Family Health Team quality certification <i>(h) Population served by Family Health Teams</i> <i>(i) Systematic collection of infant weight/height data</i>	High	High	
	<i>(j) Reports by Water Working Group to combat childhood diarrhea</i>	Moderate	Moderate	
	#8a ANVISA hospital certification	Moderate	High	
	#8b ONA certification	Moderate	High	
	Improve access to water and sewerage services and strengthen the relevant government autarchies	#10 Gross water invoiced	High	Low
		#11 Water & Sewer connections	High	Low
#12 Reduce water losses <i>(k) CAGECE EBTIDA margin</i>		Moderate	Low	
<i>(l) Water quality as measured by ARCE</i>		Moderate	Low	
<i>(m) Technological services provided by SECITECE</i>		Low	Moderate	
Reduce barriers to business investment	#13 Broadband Internet	High	Low	
	#14 Business registration <i>(n) Time to issue State Environmental Licenses</i>	High	Low	
		Moderate	Low	
		High	High	

Note: DLIs are preceded by a # corresponding to the DLI number in Table 2 above. Secondary indicators appear in italics and are preceded by a letter.

* Subjective judgments by the author based on interviews and project reports. “Achievement” refers to the period 2007-2011. “Attribution” refers to the importance of the SWAp II in realizing a given achievement. A “High” rating indicates the change very likely would not have occurred without the SWAp II. A “Low” rating suggests the GoC may have reasonably achieved the same result without the SWAp II project.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

46. From 2007 to 2011 the share of Cearenses living below the poverty line (defined as ½ the 2011 minimum wage, adjusted for inflation) fell from 60.9 to 49.4 percent.⁶ That is a highly significant reduction. However, it is impossible to disentangle the effect of the GoC “inclusive growth” strategy from the positive economic growth and poverty reduction trajectory achieved in Brazil during this period.

47. The social development improvements in education and health are discussed above (section 3.2). There were no explicit gender aspects in the SWAp II design. However, women constituted a clear majority of the parents who met with the author in August 2012 to share their opinions (highly positive overall) of GoC actions to improve primary education.

(b) Institutional Change/Strengthening

48. In addition to the institutional modernization of the state demonstrated by annual, state-wide student exams, the introduction of Annual Performance Reports and ORRs, Family Health Team quality certification, and revised procedures for business registration, the SWAp II appears to have made a fundamental contribution, via the “70% rule,” to greater state budget credibility. (The approved budget has become increasingly reliable as a signal of actual government spending.)⁷ **If continued under future elected governments, this change will constitute one of the most important management improvements fomented by the SWAp II.**

49. In addition, utilizing the TCE for the project’s financial audit led to positive institutional development externalities. Several government personnel in line departments praised a newfound cooperative relationship with the TCE, with the State Tribunal focused on a preventive audit to avoid problems from occurring in the first place. (When SECITECE had a question about a Terms of Reference, they contacted the TCE in advance to determine the proper course to follow.) The TCE also would present its preliminary audit findings in formal meeting with IPECE and the respective line department. Some issues then could be resolved easily before appearing in the TCE final findings (which could trigger the need for obligatory and more burdensome responses). TCE staff also spoke highly favorably of their participation in the SWAp II—though as this audit role represents an addition to the Tribunal’s work program, TCE officials also conveyed their hope that the TCE would benefit from additional TA funding if the TCE is to perform a similar role under a new lending operation.

(c) Other Unintended Outcomes and Impacts (positive or negative): N/A

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops: N/A⁸

⁶ Data received by the author from IPECE on October 2, 2012.

⁷ This point was highlighted by government officials in several ICR interviews, and also appears in the IPECE document “*Projeto SWAp II: impacto, lições aprendidas e melhores práticas.*”

⁸ No beneficiary survey was conducted. In August 2012 a meeting of parents, attended by the author, was convened by the SEDUC for parents to share their opinions of recent advances with student exams, literacy programs, and technical education. This was not a randomly-selected group of parents, but rather a group with a high level of participation in meetings/activities concerning the schools in their neighborhood.

4. Assessment of Risk to Development Outcome

Rating: Low

50. GoC fiscal performance has been strong and steady (see Table 2). Governor Cid Gomes was reelected to a four-year term in 2010 during SWAp II implementation. RBM progress has been modest, as the discussion of Secretariat Annual Performance Reports and ORRs attests. Indicator-driven management has grown more prevalent in GoC administration, but RBM is a task to be promoted further in a follow-up operation rather than a strong result at risk of backsliding.

51. The benefits of the broadband internet backbone are, practically speaking, irreversible. Moreover, certain project outcomes are now fully incorporated into the government practices with staff and citizens. For example, SPAECE exams in education were formally given to only a sample of students. Now the exam is given to all students in a given grade. And grade by grade within the state education network teachers, administrators meet to go over the results to identify weaknesses and focus on areas for improvement.

52. Reducing the time required to register a business has involved non-state actors as well as work processes by SEFAZ staff. The Regional Accounting Council (Conselho Regional de Contabilidade) is an organization representing professional accountants of the public and private sectors. These professionals used to assist businesses to register with the GoC by carrying a set of physical documents to SEFAZ, waiting for an appointment to receive an authorization (usually 15 days). Now the list of required documents has been reduced, and many may be accessed and returned online. Thus, the services of these professionals, as well as the internal practices of SEFAZ staff, have been transformed. A return to previous rules and procedures is highly unlikely and would face opposition.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

Rating: Satisfactory

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

See discussion in Section 2.1.

(b) Quality of Supervision

Rating: Satisfactory

53. Reliance on government systems simplified the supervision process and also contributed directly to strengthening government administration (which was an overarching goal of the project). The World Bank financial management specialists worked diligently to enable the TCE to perform the financial auditing role under the project. Those actions contributed to strengthening the TCE while simultaneously improving the relationship between the TCE and line secretariats.

54. The health sector faced several challenges during the project to meet their DLIs. In response, a special mission was carried out by André Medici to identify a way forward. In hindsight, SESA viewed favorably the World Bank demand for validation of the hospital costing system before it was put in place. When serious delays surfaced in TA contracting, the World Bank TTL was proactive in finding solutions, including new staff and specialized training.

55. A formal mid-term review was not carried out for this project. That was perhaps a missed opportunity to agree formally any project changes while simultaneously precluding further changes during the life of the project.

c) Justification of Rating for Overall Bank Performance

56. Overall World Bank performance is deemed “satisfactory” given the strong quality at entry and several estimable actions during supervision. However, this review considers excessive the extension allowed by the Bank (from December 2011 until October 2012) for the GoC to satisfy the “70% rule” for fiscal year 2011. This degree of flexibility was welcomed by the client, and improved loan disbursement, but undermines the incentives embedded in the distribution rules.

5.2 Borrower Performance

Rating: Satisfactory

(a) Government Performance

Rating: Satisfactory

See discussion in sections 2.2 and 2.3.

(b) Implementing Agency or Agencies Performance

Rating: Highly Satisfactory

See section 2.2(c) and section 2.3.

(c) Justification of Rating for Overall Borrower Performance

57. Overall performance was strong. Early delays in TA contracting were overcome. Almost all performance indicators were met, but not without the need for a significant extension in 2012. A few targets proved to be unambitious (e.g., water and sanitation) or have yet to demonstrate an impact (e.g., Output-Results Reports).

6. Lessons Learned

58. Coordination is a challenge. There were fifteen partners in the SWAp II, in addition to the Project Management Unit. Given the SWAp II PDOs, the project was necessarily multi-sector, with multiple implementation partners. The project’s success owed much to the strong role played by IPECE in conducting monthly project meetings and following up as problems arose. Nevertheless, fifteen partners pushed the limits of what could be managed effectively.

59. Beware the use of outcome indicators that may readily escape government control. There is often a tension between the desire to incentivize outcomes and the need to maintain what may be called “attribution fidelity.” This fidelity exists when specific government units and personnel are responsible for carrying out activities that are linked, in a well-understood causal chain, to the outcome of interest. If a desired outcome cannot be linked fundamentally to the actions of project partners (perhaps because the indicator is highly sensitive to factors outside the control of those partners), then output measures are likely to be more appropriate.

60. Secondary indicators proved to be a useful innovation of the SWAp II to retain a focus on an important outcome metric (e.g., water quality) when “attribution fidelity” was lacking (e.g., water quality measures were only partially impacted by the actions of CAGECE).

61. Coordination between distinct levels of government can be particularly fraught. At the 11th hour the Municipality of Fortaleza decided to return to the state government budget funds that had been transferred in support of the Family Health Program (see section 2.2a). This problem underscores the importance of restricting indicators, so far as possible, to actions/activities substantially controlled by the client.

62. Extraordinary efforts are warranted during project design to reduce information asymmetries. To strengthen RBM it is useful to employ internal secretariat management indicators as project disbursement triggers ... and vice versa. The client should be reassured that targets for performance under the project do not necessarily have to match the internal management target, given the different uses of the indicators.

63. A single indicator may hide other relevant data. SEMACE succeeded in meeting its secondary indicator targets to reduce the average time to issue an environmental license (Annex 2, Table 4). Changes in workflow, a reduction in the number of required documents, and an electronic appointments system were all significant improvements. "Self-declaration" (subject to ex post audit) by small agricultural producers was another innovation that eliminated the need for approximately 3,000 licenses over a 6-month period. Nevertheless, to meet the SWAp II target, older license requests (which would not meet the time target) were allowed to accumulate. The backlog of old requests grew to over 9,200 in March 2012, though the SWAp II target was met.

64. How much flexibility is too much? Some flexibility is warranted for the World Bank to approve modifications or extensions to meet performance targets. However, a high degree of flexibility risks undermining the performance incentives of the targets. The Bank should consider stipulating in the project documentation that major accommodations must be justified by factors fully beyond GoC control (e.g., the Municipality of Fortaleza decision discussed above).

65. World Bank financial management rules and reporting systems remained a burden, even for a relatively sophisticated client like the GoC. Notwithstanding the "country systems" mindset that characterized the SWAp II, the anti-fraud and anti-corruption clauses demanded by the Bank posed difficulties for the GoC, as a number of EEP contracts predated the project (and thus lacked the clauses). Moreover, the obligation to comply with World Bank financial requirements for an amount of budget expenditure that dwarfed the size of the SWAp transfers was clearly unappreciated by the client. The same antipathy did not arise concerning TA expenditures.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

66. A few technical staff in line secretariats expressed disappointment at not having participated in the discussion of specific indicators and activities that were committed to under the SWAp II. While all indicators, including their protocols and targets, were agreed with representatives of each secretariat, this comment indicates that, in some instances, discussions should have included a somewhat larger group. During project preparation World Bank staff might underscore, at the risk of being redundant, that the client should attempt to identify all lead technical staff that will be responsible for implementation tasks, and to have them present at discussions.

(b) Cofinanciers: N/A

(c) Other partners and stakeholders: N/A

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Project Cost By Component	Appraisal Estimate (USD millions)	Actual (USD millions)	Percentage of Appraisal
Disbursement against Eligible Expenditure Program (EEP) Expenditures	235,730,000	233,659,196	99%
Technical Assistance Component	3,670,000	3,044,409	83%
Total Project Cost	239,400,000	236,703,605	99%
Front-end Fee	600,000	600,000	100%
Total Financing	240,000,000	237,303,605	99%

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		0.00	0.00	0.00
International Bank for Reconstruction and Development		240.00	0.00	0.00

Annex 2. Outputs by Component

A year-by-year account of GoC performance against DLI targets of the project was provided in Table 2 above. Performance against secondary indicators is summarized here in

Table 4. All outputs under the project's TA component are listed in Table 5.

Table 4: Performance against SWAp II “Secondary Indicators”

Secondary Indicator		Performance		
		2009	2010	2011
1	Taxpayers in default as % of Active Debtors 1/	n/a	1.84	3.36
2	RBM information reflected in budget submission and Governor's Address to the Assembly	✓	✓	✓
3	Crossing pension cadastres with federal databases (months to remove deceased from pension roles)	2.63	2.65	1.99
4	Implementation of S2GPR (government RBM database platform and systems integration)	n/a	✓	✓
5	Reduction in procurement processes that fail prior to contract signing (%) 2/	n/a	10.86	9.76
7	Evaluation of municipal implementation of “Literacy at the Right Age” program (2009 and 2011)	✓	n/a	✓
8	Literacy rate in 2nd grade (%)	56.0	70.7	81.4
9	Population covered by Family Health Team visits	6,671,303	6,413,831	7,028,280
10	Bi-annual reports of the “Water Group” to combat childhood diarrhea resulting in hospitalization	2	2	2
11	Children < 5 w/ weight/height in normal range (%) 3/	56.0	73.4	70.1
12	CAGECE EBITDA margin (%)	26.05	29.75	25.75
13	CAGECE distributed water quality compliance ratio (as determined by ARCE) (%)	<u>35.0</u>	<u>13.3</u>	<u>20.3</u>
14	Reduction in median number of days to issue state environmental licenses (%)	n/a	23.8	20.8
15	Technological services provided by SECITECE laboratories 4/	4,290	48,493	<u>43,655</u>

Note: underlined indicator values failed to meet the project target for that year.

1/ Replaced the PAD indicator “Implementation financial management reform (based on PEFA diagnostic)”

2/ Operationalized the PAD indicator “Implementation of procurement reform (based on OECD Indicators diagnostic)”

3/ Operationalized the PAD indicator “Systematic collection and reporting of infant weight/height”

4/ In 2010 this indicator replaced PAD indicator “Partnerships and/or service contracts between NUTEC and private firms,” including new targets.

Table 5: Technical Assistance Activities under the SWAp II project

	Implementing Agency	Activity Name	Total contract amount (US\$)
1	ARCE	Preparation of performance indicators manual for the sanitation sector	119,417.08
2	CGE	Training in management and process audit with a focus on risk identification	147,337.73
3	CGE	Improving the GoC Transparency Portal	119,516.77
4	CIDADES	Evaluation of independent water supply systems with quality problems	92,998.03
5	CONPAM	Strengthening the coordination capacity of the state's environmental policy	39,676.30
6	CONPAM	Study to integrate management of medical solid waste with the state solid waste policy	106,814.31
7	ETICE	Workshop on "best practices" in the use of broadband internet	32,715.85
8	ETICE	Development of an evaluation system for Ceará's Cinturão Digital	45,597.16
9	IPECE	Preparation of two educational books for delivery to indigenous schools in Ceará.	26,113.92
10	IPECE	Services for launch of two educational books with indigenous leaders	1,240.41
11	IPECE	Printing services for two educational books for delivery to indigenous schools	1,243.13
12	IPECE	Personnel and equipment in support of Project Management Unit	264,739.78
13	IPECE	Three Output-Results Reports	14,961.10
14	PGE	Training in procurement and Preventive Audit	146,290.87
15	PGE	Equipment related to improved procurement	22,134.86
16	SEDUC	Evaluation of E-Jovem program	72,901.37
17	SEDUC	Analysis of the use of student exam results in school plans (phase 1 and 2)	72,211.97
18	SEDUC	Implementation of a new technical-pedagogical project in Ceará Professional Schools (phase 1)	86,898.16
19	SEDUC	Implementation of a new technical-pedagogical project in Ceará Professional Schools (phase 2)	169,151.47
20	SEDUC	Analysis of use of external evaluations in school plans (phase 3)	127,541.03
21	SEFAZ	Laptops for Electronic Audit Project	217,626.83
22	SEPLAG	Modernization of pension financial compensation process in the State of Ceará	82,780.40
23	SEPLAG	Training for procurement staff	88,059.96
24	SEPLAG	Publicity campaign concerning government procurement system for civil society and private sector business organizations	101,933.36
25	SEPLAG	Development of an IT solution to monitor Technical-Financial cooperation of the State (1)	99,588.92

	Implementing Agency	Activity Name	Total contract amount (US\$)
26-28	SESA	Support for cost-accounting systems in select hospitals --methodology, validation, software installation and training	178,694.55
29-30	SESA	Support to implement and expand the AMQ quality rating system for Family Health Teams -- IT equipment	552,060.64
31	TCE	TCE electronic documents management -- scanning and IT storage	273,178.20
32	TCE	Training in IT audit	71,885.68
TOTAL			3,375,309.84

Annex 3. Economic and Financial Analysis

The government priority programs included under the SWAp II project as EEPs, as well as their projected budgets, are listed in **Erro! Fonte de referência não encontrada.** Many of the DLI achievements promoted by the loan, as well as related TA activities, are not amenable to a direct economic and financial analysis. (For example, what are the specific savings that result from improved government contracting?) At one extreme, the economic benefit of the output/outcome will be long-term (e.g., improved childhood literacy; a distance learning center opening in Sobral following the spread of broadband internet; improved quality of Family Health Teams). Meanwhile, there are SWAp II activities that produced a near-immediate impact, but for which it is difficult to quantify the economic benefit precisely. In this category we can include the reduction in days required to register a business. That change has reduced the costs associated with starting a new business; but it is difficult to quantify the savings.

As a second example, the Regional Hospital in Juazeiro (located approximately 600 kilometers from Fortaleza) now conducts virtual meetings between officers in the capital and staff on site using the broadband infrastructure of the *Cinturão Digital*. Previously, 8-9 people from the management team traveled weekly from Fortaleza to Juazeiro. Today a physical trip happens approximately once every 2 months. The associated cost savings could be quantified, but was beyond the time/resource limitations of the ICR.

Still, there *is* a set of SWAp II activities to which we can already assign specific financial costs and benefits. These activities include broadband internet, hospital cost systems, and CPREV. Public investment in the broadband internet backbone totaled approximately R\$72 million. One consequence is that the cost of data transmission for government has dropped precipitously (from R\$20 million/year in 2007 to only R\$4 million/year in 2011). Moreover, the GoC is expected to recover more than its total investment in 2012 by auctioning access to the network to private internet providers. The auction will take place in three lots. The minimum price for all three lots together is R\$39 million; and the true auction price is expected to be much higher.

In addition, a SWAp II secondary indicator tracked GoC actions to cross state pension records with federal data bases to identify irregularities. The average time to remove the deceased from the state pension roles declined from 2.75 months in 2009 to 1.99 months in 2011. The financial return from a TA activity regarding pensions was more dramatic. By contracting with a firm to search state pension records for public employees that formerly worked for the federal government (and thus should have part of their pension cost covered by the federal INSS system), more than 2,100 cases were identified for submission to INSS. Of these, 961 cases already have been vetted and approved by INSS, leading to a payment of R\$26,000,000 to the GoC to cover payments already made to pensioners from the GoC budget. Moreover, an additional R\$302,000/month is received to cover ongoing pension payments.

In the health sector, the cost-accounting system implemented in select hospitals has led to financial savings, as well. By generating comparable cost data, the Regional Hospital of Iguatu discovered that patients were waiting too many days in the hospital for surgeries. The average time was reduced from 8.19 days in 2011 to 6.98 days in 2012, enabling a 20 percent increase in the overall number of patients served and reducing the total cost per patient by approximately 20 percent. The São Vicente Hospital uncovered that their overtime costs in their radiology unit was much higher than the norm in other hospitals. With further investigation the managers discovered that radiologists were doing a lot of administrative work; an administrative employee was hired to handle the administrative burden and overtime costs were cut sharply.

Table 6: EEP Projected Budgets, by Sector, in Original Project Design*

Program Budget Number and Name	2008 (R\$ millions)	2009 (R\$ millions)	2010 (R\$ millions)	2011 (R\$ millions)	2008-2011 (R\$ millions)
Education					
041 – Basic School Standards	53.0	54.5	54.5	54.5	216.4
048 - Basic Education Quality in Rural and Urban School Zones	7.8	8.2	8.2	8.2	32.5
058 - Cooperation between States and Municipalities	625.2	647.2	647.2	647.2	2,567.3
Subtotal	686.0	709.9	709.9	709.9	2,815.8
Health					
535 - Secondary and Tertiary Health Care	158.3	134.1	162.2	92.0	546.5
536 – Primary Health Care	6.5	2.9	3.7	1.6	14.7
554 - Management of Health Work and Education	45.4	15.2	15.2	15.2	91.0
Subtotal	210.2	152.2	181.1	108.8	652.2
Water resource management & Water Supply and Sanitation					
711 – Ceará Environmental Sanitation	14.6	6.6	6.6	5.7	33.4
Business Environment & Innovation					
033 – Digital Ceará	4.5	5.8	5.8	5.8	21.9
194 – Strengthening Professional and Higher Education	47.1	48.2	48.2	48.2	191.8
196 – Technological Innovation, research and scientific development	14.8	17.7	22.8	10.1	65.5
Subtotal	66.4	71.8	76.8	64.2	279.1
SWAp II EEP TOTAL					3,780.5

Source: Project Appraisal Document

*Note: The annual budgets approved by the state legislature were used for purposes of calculating compliance with the “70% rule.”

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit
Marcos T. Abicalil	Sr. Water & Sanitation Spec.	LCSWS
Fernando Andres Blanco Cossio	Senior Economist	AFTP4
Pablo Fajnzylber	Sector Leader	LCSRP
Gerard Martin La Forgia	Lead Health Specialist	EASHH
Patricia Rodrigues de Melo	Language Program Assistant	LCSPF
Aymeric-Albin Meyer	Senior Operations Officer	OPSPQ
Isabella Micali Drossos	Senior Counsel	LEGES
Sidney Nakao Nakahodo	Carbon Finance Analyst	ENVCF
Chris Parel	Consultant	LCSPS
Luis R. Prada Villalobos	Senior Procurement Specialist	MNAPC
Jeffrey James Rinne	Sr. Public Sector Mgmt. Specialist	LCSPS
Ricardo Rocha Silveira	Senior Operations Officer	HDNHE
Rajeev Kumar Swami	Sr. Financial Management Specialist	EC303
Ethan Weisman	Lead Economist and Sector Lead	LCSRP
Deborah L. Wetzel	Country Director	LCC5C

Supervision/ICR

Marcos T. Abicalil	Sr. Water & Sanitation Spec.	LCSWS
Regis Thomas Cunningham	Sr. Financial Management Specialist	LCSFM
America Teresa Genta Fons	Lead Counsel	LEGLA
Thomas Kenyon	Senior Private Sector Devt. Spec.	LCSPF
Micky Ananth	Program Assistant	LCSPF
Mariano Lafuente	Public Sector Mgmt. Spec.	LCSPS
Pilar Larreamendy	Senior Social Development Spec.	EASVS
Andre C. Medici	Sr. Economist (Health)	LCSHH
Chris Parel	Consultant	LCSPS
Luis R. Prada Villalobos	Senior Procurement Specialist	MNAPC
Cristian Quijada Torres	Private Sector Development Spec.	LCSPF
Jose Guilherme Reis	Lead Trade Economist	PRMTR
Ricardo Rocha Silveira	Senior Operations Officer	HDNHE
Tarsila Ortenzio Velloso	Consultant	LCSRP

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY08	49.55	364.10
FY09	9.58	46.35
Total:	59.13	410.45
Supervision/ICR		
FY09	19.44	109.11
FY10	29.75	148.21
FY11	33.38	184.67
FY12	21.32	161.87
FY13	0.85	16.73
Total:	104.74	620.59

Annex 5. Beneficiary Survey Results: N/A

Annex 6. Stakeholder Workshop Report and Results: N/A

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

The Borrower's ICR offers a positive account of the SWAp II, very similar to the present ICR. In addition to recounting the financial flows and mission schedules, the Borrower's account provides final commentary from each of the fifteen project counterparts. The positive observations are largely captured in the ICR text above. Critical views, or "lessons learned," include the following:

- As cited above in section 7(a), a few technical staff in line secretariats expressed disappointment at not having participated in the discussion of specific indicators and activities that were committed to under the SWAp II.
- In addition, SESA was disappointed that one of the health sector indicators concerned ONA accreditation of a hospital that is a philanthropic hospital managed by a "Social Organization" (quasi-public), and not under the direct authority of SESA. (This echoes the ICR recommendation to avoid indicators that are not under the direct influence of the project counterparts.)
- Avoid indicators that depend upon TA activities (in case the TA contracting encounters problems of its own).
- The GoC departments/agencies involved in the project should develop procedures to transmit project-related commitments and information to all levels of the organization.
- Make a greater effort to disseminate the Secretariat Annual Performance Reports and the Output-Results Reports, though the press but particularly to the relevant legislative Commissions.
- Use existing government contracting rules for Project Management Unit consultants rather than short-term arrangements that lead to excessive turnover.
- The role of COGERF in the project could have been specified and understood better by the parties.
- Audit of the EEPs should be carried out before disbursements, if possible.
- EEP expenditures ideally should be in line with project financing. That is, in one case an EEP was 8.2 times greater than the overall size of the loan, but the reporting "burden" applied to the EEP as a whole.
- Expenditures to satisfy the 70% rule should not have to comply with World Bank norms for procurement and financial reporting. Rather, these World Bank rules should apply only to TA funds.

This final critique surfaced multiple times from the project preparation and negotiation phase through to the project's final year. The client presently anticipates that the PforR model will address this concern in a future operation.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders: N/A

Annex 9. List of Supporting Documents

- Government of the State of Ceará. IPECE. 2012. “Projeto SWAp II: impacto, lições aprendidas e melhores práticas.” Draft.
- Government of the State of Ceará. IPECE. 2011. “Projeto SWAp II: Instrumento Moderno para a Administração Pública – A Gestão por Resultado no Ceará 2009-2010.” IPECE/Informe número 08.
- Government of the State of Ceará. IPECE. 2009-2012. Relatórios do Projeto SWAp II.
- World Bank. 2012. Ceará PforR PCN. Draft.
- World Bank. 2008-2011. SWAp II Project Supervision Reports.
- World Bank. 2008. Implementation and Completion Results Report (IBRD-73210). Ceará SWAp I. Report No. ICR0000817.
- World Bank. 2008. Project Appraisal Document for Ceará Inclusive Growth Project SWAp II. Report No. 45084-BR.

Annex 10. List of Ceará Government Personnel Interviewed in August 2012

Alexandre Caetano da Silva	Regulatory Analyst, ARCE
Daniela Carvalho C. Dantas	Ombudsperson, ARCE
Mário Augusto P. Monteiro	Economic Fees Coordinator, ARCE
Neurisangelo Cavalcante	Audit Manager, CAGECE
Emiliana Leite Filgueiras	Control Supervisor for Public Projects, CAGECE
José Ricardo Meira	Planning Manager, CAGECE
Paulo Roberto de C. Nunes	Executive Secretary, CGE
Marconi Lemos	Management Coordinator, CGE
Edmundo Olinda Filho	Environmental Sanitation Coordinator, CIDADES
Edílson Uchoa Lopes	Civil and Environmental Sanitation Engineer, CIDADES
Tércia Maria P. Martins	Environmental Sanitation Coordinator, CIDADES
Denilson Marcelino Fidelis	Director of Planning, COGERH
João Lúcio	Director of Planning, COGERH
Maria Dias Cavalcante	Coordinator of Environmental Policy Cell, CONPAM/SEMACE
José Maurício Giffoni	Suplente, CONPAM/SEMACE
Flávio Ataliba	Director General, IPECE
Ana Cristina Medeiros	Assistant to the Coordinator, IPECE
Vera Lúcia Salgado	NUTEC
Fernando Antônio Grangeiro	President of CEL 04, PGE
Valéria Rodrigues Kpenigkam	General Coordinator of Central Procurement Unit, PGE
Almir Bittencourt da Silva	Adjunct Secretary, SECITECE
Ricardo Costa e Silva	Support and Innovation Cell, SECITECE
Noemi Alencar A. Cordeiro	Planning Coordinator, SEDUC
Maria Eneida M. Maia	Titular, SEDUC
Ana Maria Garcia	Technical Advisor, SEDUC
Betânia Maria G. Raquel	Education Evaluation Coordinator, SEDUC
José Iran da Silva	Suplente, SEDUC
Sandra Maria O. Machado	Administrative Coordinator, SEFAZ
Rejane Muniz F. Oliveira	Fiscal Auditor for State Revenue
Olavo Pereira Júnior	Tax Coordinator, SEFAZ
Fabiano Moreira Ramos	Financial Accounting Analyst, SEFAZ
Fabrizio Gomes Santos	Financial Accounting Analyst, SEFAZ
Francisco Ailson Filho	Planning and Budget Analyst, SEPLAG
Mário Fracalossi Junior	Coordinator of Planning and Budget, SEPLAG
Ana Lúcia Lima	Coordinator of Planning and Budget, SEPLAG
Philippe Nottingham	Adjunct Secretary, SEPLAG
Fernanda Salles de Oliveira	CPREV/Public Management Analyst, SEPLAG
Carmem Silvia	Coordinator of Procurement Management, SEPLAG
Flávia Roberta B. Teixeira	Executive Manager, FECOP, SEPLAG
Vera Maria Câmara Coelho	Coordinator of Health Policy, SESA
Ana Márcia Rodrigues	Articuladora, SESA

Giovanna Augusta M. Adjafre	Secretary for External Control, TCE
José Teni Cordeiro Júnior	Technical Coordination Chief, TCE
José Alexandre da Silva	Project Auditor, TCE

Annex 11. Map BRA 35805

MAP
