

**PROGRAM INFORMATION DOCUMENT (PID)
APPRAISAL STAGE (Draft)**

Report No.:

Program Name	Program to strengthen service delivery in skills development, early childhood development and water quality
Region	Latin America & the Caribbean
Country	Brazil
Sector	Public Sector Governance (MST)
Lending Instrument	Program for Results and Investment Project Financing (TA component)
Program ID	PE-P127463-LEN-BB
Parent Program ID	Not applicable
Borrower(s)	State of Ceará, Brazil
Implementing Agency	State Secretariat of Planning and Management , through Ceará Economic Research Institute (IPECE)
Date PID Prepared	September 3, 2013
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I. Country and State Context

1. Over the last two decades, Brazil has made significant advances in terms of economic and public sector management, poverty reduction, and social indicators. Sustained sound macroeconomic policies, achieved low inflation, robust economic growth, and significant job creation. The share of Brazilians living below the extreme poverty line has been reduced from 10.5 percent at the start of the 2000s to 4.7 percent in 2011, while the Gini coefficient has fallen from 0.59 to 0.53 over the same period.

2. Despite the economic and social progress of the past two decades, Brazil's development is at a crossroads. Future growth appears to be limited by structural bottlenecks in infrastructure, human capital, poor financial intermediation and difficulties in generating a political consensus on required economic policies and institutional reforms. At the same time a growing middle class is drawing attention to the failings of the political system, and its inability to deliver public services such as education, health and transport efficiently and cost-effectively. Mass demonstrations in most major cities in Brazil during June 2013, left little doubt as to the political importance of good governance and effective service delivery in Brazil.

3. Ceará is one of the poorest states in the country with a per capita income of US\$ 5,236 in 2010, less than half that of Brazil. In addition, in 2011, 61 percent of the population had incomes below that of the bottom 40 percent of the population of Brazil. Since the early 1990s, successive Ceará state governments have been reforming the system of public administration and investing heavily in social programs, particularly health and education.

4. Ceará faces serious challenges:

- *Poverty:* Poverty levels are still very high: in 2011 13 percent of the population lives in extreme poverty line and 36.9 percent in poverty.

- *Growth*: Production and exports are concentrated in traditional sectors with low levels of innovation and technological content. Ceará has an acute shortage of human capital which makes it difficult to attract large private sector investments.
- *Environment*: Ceará is one of Brazil's driest states and experiences chronic water scarcity, which hampers agricultural development and reduces social welfare. In 2011 only 75 percent of people were in households connected to the public water system and 35 percent to the sewerage system.
- *Public sector management*: The efficiency and quality of service delivery in all these areas depend ultimately on stronger public sector management.

II. Multi-Sectoral and Institutional Context

5. The Government of Ceará requested the Bank's support in implementing its Multi-Year Plan (*Plano Plurianual* or *PPA*) for 2012-15. The objectives of the Plan are to promote equitable social development, sustainable economic development and to contribute to the emergence of a more efficient and participatory public sector.

6. The operation will support a subset of the PPA and concentrate on three core and partly interlocking challenges that are developmentally important, complex in that they require interaction across different government agencies and with the private sector, and to which the Bank can reasonably be expected to contribute. They are also among the interventions likely to have the greatest impact on growth, poverty reduction and environmental sustainability and thus contribute to ending extreme poverty and promoting shared prosperity.

7. These challenges, each of which corresponds to a single guideline or '*diretriz*' in the PPA, are in skills development, early childhood development, and water quality.

III. Program Scope

8. The operation will support Ceará in improving the quality of service delivery through more effective public sector management in three core areas: skills development, early childhood development and water quality.

9. The proposed operation has two complementary components – a US\$ 315 million PforR Program, and a US\$ 35 million technical assistance component. The Program consists of government expenditure programs in vocational training, early childhood development and water quality amounting to US\$ 458 million of which the Bank will finance US\$ 315 million. The technical assistance component consists exclusively of high-quality firm and individual consulting services and comprises support for: i) cross-cutting public sector management functions; ii) sector-specific public sector management functions; and iii) strengthening fiduciary systems. Its content is described in more detail below (Section II B).

IV. Program Development Objective

10. The Program Development Objective (PDO) is to support the Government to improve public service delivery particularly in the areas of skills development, early childhood development and water quality.

V. Environmental and Social Effects

11. The Bank's overall assessment is that the proposed program is suitable for the PforR instrument and the risk profile Moderate (see Annex 6). Resettlement impact is expected to be minimal and the civil works envisaged under the skills development and ECD components will generate only minor disturbances. The Action Plan contains measures to ensure that marginalized groups have access to program benefits and to align Ceará's resettlement compensation rules with Bank practice.

VI. Financing

Source	Amount	% of Total
BORROWER	US\$ 143 million	29%
IBRD	US\$ 350 million	71%
PROGRAM	US\$ 315 million	
TA	US\$ 35 million	
Total	US\$ 493 million	100

VII. Program Institutional and Implementation Arrangements

12. Responsibility for coordinating and reporting on operation activities will lie with IPECE. The details of these arrangements will be specified in the Operational Manual. The Bank will rely on the State's systems for monitoring and evaluation while contributing to their strengthening through technical assistance. This will place a large burden of coordination on IPECE but experience indicates that the state's project monitoring capacity is strong.

13. The Government is responsible for: (i) ensuring general coordination with the Bank, the various secretariats and government stakeholders and timely implementation of all activities; (ii) holding monthly meetings of the Program Committee to monitor results, diagnose problems in implementation and develop, propose and carry out any necessary corrective measures;¹ (iii) reporting on loan activities in a timely manner, including the presentation of financial and performance reports as needed for disbursement and oversight; (iv) implementing the Program Action Plan; and (v) hosting, facilitating and participating in Bank supervision missions.

14. The implementation arrangements for the technical assistance component will be the same as for the SWAps. The executing agency, IPECE, has several years' familiarity with Bank procedures and, subject to its recruiting additional staff and carrying out the steps outlined in Annex 8, adequate capacity to exercise its functions effectively.

¹ For each DLI the Government will be required to produce action plans twice a year to inform Bank supervision of the operation, explaining the steps already taken and those planned to ensure that targets are met. The Bank will review these plans and suggest adjustments as necessary.

VIII. Contact point

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