Office of Evaluation and Oversight

Approach Paper

Brazil 2011-2014

Country Program Evaluation

Inter-American Development Bank
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ACRONYMS AND ABBREVIATIONS

BCB	*Banco Central do Brasil* – Central Bank of Brazil
BNDES	*Banco Nacional de Desenvolvimento Econômico e Social* – Brazilian Development Bank
CAF	Development Bank of Latin America
CPE	Country Program Evaluation
CS	Country Strategy
GDP	Gross domestic product
GOB	Government of Brazil
IBGE	*Instituto Brasileiro de Geografia e Estatística* – Brazil's National Geographics and Statistics Institute
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase of the IDB
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IPEA	*Instituto de Pesquisa Econômica Aplicada* – Brazil's Institute of Applied Economic Research
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
NSG	Non-sovereign-guaranteed
OECD	Organisation for Economic Co-operation and Development
OMJ	Opportunities for the Majority
OVE	Office of Evaluation and Oversight
PAC	*Programa de Aceleração do Crescimento* – Growth Acceleration Program
PBL	Policy-based loan
PPP	Purchasing power parity
SELIC	*Sistema Especial de Liquidação e Custodia*—Special Clearance and Escrow System
SG	Sovereign-guaranteed
TC	Technical cooperation
UNDP	United Nations Development Programme

I. INTRODUCTION

1.1 The Office of Evaluation and Oversight (OVE) is preparing, as part of its 2015 annual work plan, an evaluation of the country program with Brazil, covering the period 2011-2014. This Approach Paper introduces the scope and methodology for the planned Country Program Evaluation (CPE) and provides a brief overview of the country's context over the evaluation period.

1.2 As the Bank's Protocol for CPEs (RE-348-3) states, the main function of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." Like other CPEs, this evaluation will seek to examine the Bank's relationship with Brazil from an independent and comprehensive perspective, and will serve the dual purpose of strengthening accountability and sharing lessons learned for future Bank support and, in particular, for the definition of the next Country Strategy (CS).

1.3 This CPE is the fourth independent evaluation of the Bank's program with Brazil. Past evaluations covered the periods 1993-2003 (RE-298), characterized by the Bank's focus on lending across a wide range of sectors without clear program-level goals; 2000-2008 (RE-355), marked by the exploration of niche sectors for the Bank and the use of non-sovereign-guaranteed (NSG) operations; and 2007-2010 (RE-398), when the Bank shifted its support from federal institutions to subnational governments with program-wide interventions.

II. CONTEXT OF THE 2011-2014 COUNTRY PROGRAM

2.1 **Brazil is the world's fifth most populous country and seventh largest economy, and one of the most advanced nations in Latin America and the Caribbean (LAC).** With a population of nearly 202.8 million people and a GDP of US$2,244 billion (Table 2.1), Brazil is a large, diversified and federal upper-middle-income country with a high level of human development.[1] Per capita GDP in purchasing power parity (PPP) is US$15,153 in 2014, almost twice as high as in 2000 and above the Region's average.[2] The Brazilian economy is particularly sophisticated, with broad industrial and service sectors (25% and 69% of the economy, respectively).

2.2 **Following decades of high inflation, during the 1990s, the Government of Brazil (GOB) adopted a number of economic reforms that were crucial in stabilizing**

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[1] According to the categories defined by UNDP, Brazil is part of the "High Human Development" countries: it ranks 79th of 187 countries in UNDP's 2013 Human Development Index.

[2] Per capita GDP in PPP is nonetheless lower than that in such South American countries as Argentina, Chile, Uruguay, and Venezuela. Per capita GDP at current prices is US$11,067.

the macroeconomic situation. The *Plan Real*, launched in 1994, introduced a new currency (the Brazilian real) pegged to the US dollar and increased interest rates, effectively curbing hyperinflation (which averaged 2,076% in that year). The plan also included fiscal adjustment measures such as a 9% cut in federal spending and a generalized 5% tax increase.

2.3 **Further reforms in the late 1990s and 2000s continued to strengthen the macroeconomic environment.** An incomplete process of fiscal consolidation, particularly at the subnational level, combined with a series of external shocks (the Tequila, Asian, and Russian crises), led to rapid capital outflows and a strong devaluation of the Brazilian real in early 1999. As a result, the GOB introduced a flexible exchange rate and inflation-targeting regimes and enacted the Fiscal Responsibility Law, after the Fiscal Adjustment Program through which the federal government assumed the debt held by states and municipalities (equivalent to 20% of GDP) in exchange for rules establishing fiscal discipline at the three layers of government.

2.4 **These reforms paved the way for Brazil to take full advantage of the commodities boom of the 2000s.** Strong foreign demand for Brazilian commodities pushed their prices up, fueled Brazilian growth, and helped create current account surpluses and accumulate reserves. GDP grew at an annual average rate of 3.4% between 2000 and 2013, well above the 1990-2000 rate of 1.9%. In 2005, the current account surplus was 1.6% of GDP, up from a deficit of 4.2% of GDP in 2001. However, the situation has deteriorated since 2008 (the external deficit was at 3.6% of GDP in 2013). In 2013, Brazil had international reserves equivalent to 16% of its GDP (or 24.1% of the gross public sector debt), a tenfold increase in US dollar terms relative to 2000.

2.5 **The favorable external environment contributed to the improvement of the fiscal position at all levels of government and to the reduction of nominal interest rates.** Brazil has accumulated an average 3% of GDP primary fiscal surplus between 2001 and 2013 (Figure 2.1). As a result, the GOB was able to reduce its high gross public sector debt from 76.7% of GDP in 2002 to 66.2% in 2013. The Central Bank of Brazil (BCB) reduced the SELIC rate from above 25% in early 2003 to around 10% in 2014, reducing nominal interest rates and contributing to the reduction of the public sector net interest bill from 8.5% of GDP in 2003 to 5.1% in 2013.

2.6 **In this context, Brazil was very successful in reducing poverty and enlarging the middle class.** Between 2001 and 2012, Brazil lifted around 20% of the population out of poverty into the country's emerging middle class. Indeed, poverty has fallen markedly over the last decade (from 35.1% of the population in 2001 to 15.9% in 2012). Extreme poverty has followed a similar trend, and indigence levels reached a historic low of 5.3% in 2012. The introduction of a social safety network (in particular, the flagship program, *Bolsa Família*)[3] has been instrumental to these

[3] *Bolsa Família* is a conditional cash transfer program established in 2003 to reduce poverty. It builds on a previous program, *Bolsa Escola*, introduced in the 1990s to encourage school attendance among the poor.

changes. The minimum wage and unemployment insurance coverage have both increased over time. Formal employment levels have increased, and the unemployment rate has fallen steadily (from 11.3% in 2001 to 5.5% in 2014).

2.7 **Regional differences have also been reduced.** The North and Northeast regions of Brazil have long been poorer than the rest. The percentage of the population below the poverty line in 2001 was 45.4% in the North and 59.8% in the Northeast. In 2012 these percentages stood at 27.5% and 30.8%, respectively, although they still exceeded the national average (Table 2.2).[4]

A. Structural challenges

2.8 **In spite of successful growth, the Brazilian economy continues to face significant challenges in competitiveness and productivity.** Between 1995 and 2005 Brazil's productivity grew only 0.3% per year, in contrast to 2.8% in the United States and 8.4% in China.[5] Several factors affect productivity and competiveness in Brazil. Firms identify high tariffs and taxes, the inadequacy of the workforce, the economy's informality and difficulties in accessing credit, red tape, corruption, labor regulations,[6] and crime as key constraints to doing business in Brazil.[7] Investment rates continue to be low (averaging 17.9% of GDP between 2000 and 2014), even when compared to LAC levels.[8] The McKinsey Global Institute estimates the total value of Brazil's infrastructure at 16% of GDP, whereas other big economies average 71%.[9] Brazil also faces challenges related to its educational system. In the latest 2012 OECD survey of student achievement, Brazil performs below the average of 65 countries surveyed in mathematics (ranks between 57 and 60), reading (ranks between 54 and 56) and science (ranks between 57 and 60).[10] Rising wages have not been followed by labor productivity gains, so that unit labor costs have increased.[11] Finally, the fact that the country continues to be a relatively closed economy—it has the lowest degree of openness to trade among LAC and G20 countries—weakens its chances of benefiting from the opportunities created by global value chains.

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4 IPEA and IBGE *Pesquisa Nacional por Amostra de Domicílios*, data for 2012.

5 See more at http://observingbrazil.com/2011/12/28/brazils-productivity-gap/#sthash.4J0qSutl.dpuf.

6 Because of pension and tax payments, an employee earning US$1,000 a month costs a small firm US$2,500 (*Washington Post*, December 9, 2014, "Brazil's economy in a funk marked by low productivity and 'creative accounting'").

7 World Bank, 2009. Enterprise Survey for Brazil.

8 IPEA 2013, Produtividade no Brasil: Desempenho e Determinantes.

9 McKinsey & Company. 2014. Connecting Brazil to the world: A path to inclusive growth. Insights & Publications.

10 Results from the 2012 PISA (*Programme for International Student Assessment*), assessing student performance at the age of 15. Nevertheless, Brazil's mean performance in mathematics has improved since 2003 from 356 to 391 score points, making it the country with the largest performance gains since 2003. Significant improvements were also found in reading and science (see http://www.oecd.org/education/PISA-2012-results-brazil.pdf).

11 For productivity estimates see Frischtak and Moreira (2014) and IPEA (op. cit.). De Negri and Cavalcanti (2013) examine the stagnation on intangible capital in Brazil.

2.9 **Brazil continues to face significant challenges related to income and regional inequality.** Brazil's Gini index remains one of the highest among the LAC countries.[12] The North and Northeast regions continue to be Brazil's poorest, with GDPs per capita below US$8,600 and US$6,300, respectively (see Table 2.2)– levels similar to C&D countries[13] –and average Human Development Indices close to those of Paraguay and El Salvador.[14] The South, Southeast, and Central-West regions are wealthier, are more densely populated,[15] and have more diversified economies. These regions have GDPs per capita that are comparable to Barbados, Chile, or Uruguay (between US$14,000 and US$17,000), poverty is lower (below 8%),[16] and unemployment is between 4% and 7%. Institutional capacity at the subnational level varies widely across the country, with much higher levels in the South and Southeast regions and in larger municipalities (Figure 2.2).[17] The rapid process of urbanization poses an important challenge as well.

2.10 **Brazil also faces difficult environmental challenges.** Brazil has substantially reduced emissions through government interventions and has shown a strong commitment to climate change mitigation, including low-carbon agriculture and deforestation reduction. In the Amazon the annual area that is deforested has fallen from 28,000 km^2 in 2004 to about 5,000 km^2 in mid-2014,[18] and 79% of the rain forest is still standing. Other environmental challenges include the need for environmentally sustainable water and land management.

B. Developments over the evaluation period, 2011-2014

2.11 **The evaluation period was marked by a weakening external environment and a deterioration of Brazil's macroeconomic performance.** GDP growth, which averaged 4.5% between 2004 and 2010, fell to 1.6% over 2011-2014 because of a drop in demand for commodities and investment (Figure 2.3) and rising labor costs. As a result, the current account deficit worsened to 3.7% of GDP in 2014 (against 1.3% in 2006).[19] Toward the end of the period, deterioration in the prices of key commodities has further slowed the economy.

2.12 **Fiscal accounts have worsened in all three levels of government,** although the trend has been more pronounced in the central government (Figure 2.1). The GOB introduced several stimulus measures to boost the economy –a tax cut on vehicle

[12] The Gini value decreased from 0.60 to 0.53 between 2001 and 2012 (IPEA).

[13] IMF's October 2014 WEO.

[14] UNDP 2014. Human Development Report.

[15] With the exception of the Central-West Region.

[16] Extreme poverty rates in these regions are below 2.4%.

[17] OVE developed a municipality-level index showing that the municipalities in the North and Northeast regions have lower levels of institutional capacity.

[18] As announced by the President on November 28, 2014.

[19] However, international reserves have increased and are stable at levels above 16% of GDP (some 47% of the net debt in 2014 compared to 29% in 2007). Brazil's sovereign rating stands with a stable outlook at BBB- (Standard & Poor's), BBB (Fitch), and Baa2 (Moody's).

purchases and energy subsidies to keep fuel prices and energy tariffs low, address supply-side constraints, and help control inflation. Furthermore, pension benefits and other current expenditures from the central government have increased over the evaluation period, reaching 13.4% of GDP in 2013 against 11.1% in 2008. This, together with a worsening macro environment, put the gross public sector above 64% of GDP over the evaluation period. The central government primary balance is likely to be in deficit for the first time since the late 1990s.[20] The overall public sector fiscal primary surplus will follow suit, with a lower fiscal surplus from states and municipalities and a contributed deficit from public entities.

2.13 **At the beginning of the evaluation period, the GOB launched the second phase of the Growth Acceleration Program (PAC) outlining priority investments for 2011-2014.** The GOB reported that the first phase of the program helped leverage public investments up to 3.3% of GDP by 2010 from 1.6% of GDP in 2006 and, in the midst of the Great Recession, created more than 8 million jobs after the first four years of the program. PAC II proposed to continue these endeavors with an initial budget of R$959 billion (some US$401 billion) for 2011-2014 to prepare the country's infrastructure for the 2014 World Soccer Cup and the Rio 2016 Summer Olympics.[21]

III. THE BRAZIL PROGRAM

3.1 **Brazil has the highest volumes of annual loan and grant approvals, disbursements, and loan balances of any Bank client[22] and consistently ranks as the major source of income (interest and fees) for the Bank** (Figure 3.1). Although the Bank has become the largest multilateral lender to the central government,[23] it remains a small actor in terms of overall development financing. Brazil's outstanding debt to the Bank as of October 2014 represents 0.7% of Brazil's GDP but 18.26% of total Bank exposure.

3.2 **To remain relevant, the Bank has had to adapt its way of doing business in Brazil away from the traditional model of lending to the federal government.**

[20] According to Oxford Analytica, the recently appointed Finance Minister will seek to generate a primary surplus of 1.2% of GDP in 2015. On December 3, Congress approved a bill modifying this year's fiscal target after the primary deficit reached R$11.6 billion (US$4.5 billion) in the first 10 months, compared with a full-year target of a R$167 billion primary surplus (Oxford Analytica, December 4, 2014, "*SELIC rises may ease as fiscal measures bite in Brazil"*).

[21] Capital expenditures were kept above 1.2% of GDP since 2011, compared to an average of 0.7% between 2002 and 2009. PAC-related (federal) investments increased from an average of 0.4% of GDP per year during the first phase to over 0.8% per year in the current second phase of the program.

[22] On average Brazil accounted for 19.1% of yearly Bank approvals and 20.0% of disbursements over 2000-2014.

[23] Since Brazil repaid part of the WB debt, the IDB has become the largest multilateral lender in terms of stock. Over 2010-2013, Bank disbursements to Brazil represented on average 4.3% of federal public investment, 9.3% of federal PAC investments, and 1.7% of BNDES disbursements (data from the Ministry of Finance, Ministry of Planning, BCB, and BNDES).

Due to the decreasing demand for federal lending coupled with a governmental policy to channel multilateral lending to subnational governments, the Bank, in coordination with the GOB, moved to municipal and state-level lending. This move started in 2006 with the approval of PROCIDADES (a program of investment loans aimed at municipalities) and evolved during 2007-2010, accounting for about 50% of total approvals and 63% of the number of projects by 2010. In addition, as the 2007-2010 CPE noted, two other pillars of the new business model emerged over the period: (i) lending to the National Bank for Economic Development (BNDES), and (ii) lending to the private sector. These strategic moves proved to be relevant and appropriate.[24] The three BNDES projects accounted for 30% of the amount approved in the period evaluated, and private sector operations added another 17%. However, the Bank's program was considered to display low evaluability and –because of the increasing proportion of lending going to heterogeneous subnational governments, the lack of standardization of these operations, and the ample reliance on investment loans[25] –low operational efficiency.[26]

3.3 **The Bank's current strategy defines a broad array of objectives and planned support in 15 sectors across the country.** During 2011-2014, the Bank's program with Brazil was guided by the 2012-2014 CS (GN-2662-1), approved in May 2012, and by the February 2013 CS Update (GN-2662-4). Reflecting the priorities identified in the 2011-2014 government multiyear plan, the 2012-2014 CS identified six strategic objectives: (i) promoting social and productive inclusion; (ii) improving the country's infrastructure conditions; (iii) supporting the development of sustainable cities; (iv) strengthening the institutional capacity of public entities; (v) promoting better management of natural resources and climate change; and (vi) stimulating development through the private sector. It also asserted that the Bank would work at all three levels of government, but with a higher focus on the subnational level and with a bias toward the North and Northeast regions of the country. Finally, the CS called for the inclusion of gender and race as cross-cutting guiding criteria. The CS Update did not entail a shift in the Bank's strategic priorities for the period, but promoted a greater use of Brazil's Federal Procurement System under certain conditions. The first year of the evaluation period, 2011, was one of transition between the 2004-2007 CS (GN-2327-1)[27] and the new strategy (Table 3.1).

3.4 **The operational portfolio reflects the wide variety of sectors the Bank supports.** Between January 2011 and October 2014, the Bank approved 158 operations (loans, guarantees, and grants) totaling US$9.28 billion –a level comparable to the preceding

[24] The 2007-2010 CPE (RE-398).

[25] This new business model that has emerged since 2006 was never formalized in any Bank document until the CPE, but to some extent it was acknowledged in the 2012-2014 CS: "The Bank has maintained a strong subnational presence and wide-ranging sector involvement to meet the heterogeneous development needs of a wide variety of clients in the country, in both public and private."

[26] According to the previous CPE (RE-398), the Brazilian portfolio had efficiency levels (in both preparation time and cost) closer to B and C&D countries.

[27] This CS was extended twice: in 2008 (GN-2477) and in 2010 (GN-2570).

four years, when the Bank approved 206 operations for US$10.2 billion.[28] Bank lending accounted for the majority of operations approved since 2011 in terms of both value (99%) and number of operations (56%), channeled through sovereign-guaranteed (SG) investment loans (74% in value), policy-based loans to states (20%), and NSG investments (6%). The value of grants approved since 2011 reached US$84.84 million, an increase relative to the 2007-2010 period (US$78.5 million).

3.5 **A first glance at the portfolio of the last four years suggests some new changes in the Bank's *modus operandi* in Brazil.** The focus on subnational levels remains, especially at the state level, where about 51% of the operations and about 84% of the lending amounts approved over the period were concentrated. It seems that there has been a greater emphasis on lending to the North and Northeast regions, at least in terms of the number of projects approved (42% of new loans approved and 31% of total lending during the period), while the South and South-East regions received about 54% of new loans and 66% of total lending during the period and the Central-West Region only 4% of new loans and 3% of total lending. Lending to the BNDES seems to have ceased, and lending to the private sector has decreased considerably in terms of amounts and shifted from real sector operations toward working with financial intermediaries. The amount of lending in the modality of umbrella operations (e.g., PROCIDADES, PROFISCO, PROCONFIS, and PRODETUR)[29] increased from 14.9% to 26.4%, driven by an important increase of amounts for PROCONFIS (policy-based lending to states)[30] and a decrease for PROCIDADES (municipalities).[31] The Bank's presence in climate-change-related activities has increased mainly via technical cooperation (TC) operations.[32] The reasons behind these changes and the consequences of them will be an important aspect of the evaluation proposed in this Approach Paper.

IV. Scope and Methodology of the Evaluation

A. Scope

4.1 Given the variety of sectors in which the Bank has been engaged in Brazil and the large numbers of operations approved over the evaluation period and of previously approved operations active during 2011-2014, this CPE will focus on the relevance, efficiency, effectiveness, and sustainability of a sample of operations under each strategic area defined by the CS, with an emphasis on the Bank's business model for

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28 These figures exclude operations approved by the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF).

29 PROCIDADES and PROFISCO are CCLIPs that support municipal development and state-level fiscal management respectively. PRODETUR is a "brand" used to categorized projects geared to promote regional tourism. PROCONFIS is a set of PBLs aimed at helping the fiscal consolidation of Brazilian states.

30 PROCONFIS projects include actions in areas such as transport, water and sanitation and Citizen Security.

31 In terms of number of operations, they remained at 33%, a percentage similar to the previous period.

32 About 54% of the total TC amounts approved for the period are related to the management of natural resources and climate change.

Brazil (Table 4.1). The sample of operations selected reflects Brazil's regional diversity, the variety of sectors covered by the current CS, and the instruments used over the evaluation period. It includes all the operations approved since 2011 that were concluded and those under execution and considered significant for their sectorial relevance, geographical location, or complementarity to other operations.

4.2 The sample of projects (Table 4.1) includes 51 investment loans (US$6.6 billion; 10 were approved during the evaluation period), 7 policy-based loans (PBLs) (US$2.2 billion; 6 were approved between 2011 and 2014), 19 private sector investments (US$563 million; all approved since 2011), and 1 private sector guarantee. The grant portfolio under evaluation includes those operations under the CS objective of improving the management of natural resources and climate change, as well as those linked to the lending portfolio or considered relevant for the evaluation. To complement the analysis of the program, OVE will also use the information obtained in previous and current OVE evaluations, which have analyzed (or are analyzing) a total of 163 operations –83 loans and 80 TCs. While this evaluation will not formally cover operations approved by the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), some may eventually be included if they are needed to fully comprehend other Bank operations or sectors.

B. Evaluation questions

4.3 **This CPE will assess whether the Bank's implemented program in Brazil and the business model it used over the last four years were relevant, effective, efficient, and sustainable.** Accordingly, it will examine to what extent the program and the business model (i) have evolved and adapted to the country's structural challenges and developments during the period under evaluation; (ii) were consistent with the objectives the CS defined; and (iii) have taken into account the previous CPE's recommendations.

1. Relevance

4.4 Relevance refers *to "the degree to which the design and objectives of the Bank strategy and program of assistance were consistent with the needs of the country and with the government's development plans and priorities"* (RE-348-3). Under this heading, the CPE will address the following questions:

a. How consistent were the Bank's strategic objectives, as defined in the 2012-2014 CS, with Brazil's development challenges and with the government's priorities and Growth Acceleration Program?

b. How consistent was the Bank's executed program (in terms of lending, technical assistance, and policy dialogue) with the CS and Country Programming Documents? Was the executed program aligned with the IDB-9 sector objectives?

c. How adequately focused was the CS to the client's characteristics? Did the executed program provide an adequate response to the poorest regions of the Northeast and North regions? Did it include diversity as a cross-cutting issue? Was it relevant to Brazil's environmental challenges?

d. How well-tuned was the Bank's mix of instruments in light of the country's declining demand for federal support and shift toward more subnational support? Was it coherent and aligned with the states' and municipalities' needs, capacities, and financial circumstances? In particular, to what extent did the "umbrella operations" (PROCIDADES, PROFISCO, PROCONFIS, and PRODETUR) respond to the development needs of their respective clients and sectors? Were these programs adequate to provide subnational support?

e. Was the mix of instruments suitable for climate change support? How relevant was the use of technical cooperation?

f. Did the Bank's support for the private sector increase as expected? Did it go to the areas the CS prioritized? Was the mix of instruments suitable for private sector support?

g. To what extent did the Bank take into account and coordinate with the programs of other external development partners assisting Brazil (external, such as the World Bank or CAF, and internal, such as the BNDES and other Brazilian development banks)?

2. Implementation, effectiveness, and efficiency

4.5 In assessing the implementation of the Bank's program, effectiveness refers to *"the extent to which the assistance instruments achieved the intentions and objectives set [in the Country Strategy and Program],"* while efficiency corresponds to *"the extent to which design and delivery of assistance were most cost-effective"* (RE-348-3). The evaluation will address the following questions, among others:

a. To what extent have the objectives of the Bank's CS been achieved? How well did the achievement of outcomes targeted by Bank operations support the attainment of the CS objectives?

b. Which factors explain the success or failure of program implementation? To what extent has the Bank ensured the effectiveness of its operations through the identification and timely mitigation of risks?

c. Were the reforms and institutional arrangements supported at the state level by fiscal PBLs (PROCONFIS) effective? How effective were PROFISCO and PROCONFIS loans relative to those supported by other multilateral development banks (e.g., the World Bank)? How do they compare with other program-wide interventions such as PROCIDADES and PRODETUR?

d. How has the Bank's efficiency in Brazil evolved in terms of preparation and execution times and cost (SG, NSG, and TCs)? Has Management made progress as requested by IDB-9?

e. What factors have affected the preparation and execution times and costs of the Bank's operations in Brazil? To what extent did the design of each type of "umbrella operation" affect the costs and times of designing and implementing operations? Is the Country Office fully equipped to support the Bank's business model? How and why does efficiency vary across the "umbrella operations"? What factors determine the efficiency of each modality? To what extent has the "one-size-fits-all modality" recommended by the previous CPE promoted or hindered efficiency? How do the times and costs of subnational operations compare with those in B and C&D countries? What factors contribute to differences in efficiency?

f. What did the Bank do to help advance the use of country systems?

g. Did the Bank improve ex ante and *ex post* evaluability? How and why did evaluability vary across states and municipalities?

3. Sustainability

4.6 Sustainability refers *to "the likelihood that actual and anticipated results will be resilient to risks beyond the program period"* (RE-348-3). The evaluation will address the following questions:

a. To what extent are the results of Bank's interventions sustainable, in particular at the subnational level, in the context of rapid domestic economic and social changes? How does the mix of instruments deployed in Brazil (investment loans, PBLs, credit lines and TFFPs, and TCs) contribute to a more sustainable Bank support?

b. To what extent did the Bank anticipate risks to sustainability? Did it attempt to mitigate them? How did it address cases in which reforms and/or their results have not been sustained?

c. Given Brazil's development needs, to what extent does the Bank's business model promote or hinder the sustainability of its interventions?

C. Methodology

4.7 To address the evaluation questions, OVE will use a variety of approaches and data sources. First, OVE will analyze the 2012-2014 CS and its 2013 Update, Country Programming Documents, loan and grant proposals, monitoring and completion reports, project evaluations, and other relevant material produced by the Bank and executing agencies. OVE will also conduct interviews with key stakeholders, including current and former Brazilian officials, Bank staff (both in the Brazil Country Office and at Headquarters), project beneficiaries and executing agencies of selected operations, and representatives of other international agencies (in particular, the World Bank and CAF) and of private sector and civil society organizations familiar with Bank operations and Brazil's development challenges. OVE will also survey Country Office and Headquarters employees to better understand some of the challenges in program implementation.

4.8 In addition, OVE will examine numeric and documentary evidence provided by the Bank, national sources, and other development partners. In particular, it will use data and information from national and international sources (including BCB, IBGS, IPEA, IMF, and World Bank) to complement the analysis of Brazil's development context, the Bank's positioning relative to other multilateral development banks, and the extent to which the targeted impact and outcomes of CSs and Bank operations have materialized. OVE will also analyze information from the Bank's administrative databases to assess the efficiency of the implementation of the Bank's program in Brazil.[33]

4.9 Finally, the CPE will draw on results from recent and ongoing OVE evaluations, including the evaluation of Bank support to Small and Medium Enterprises; of the PROCIDADES; of the Special Programs; and of Climate Change. It will also take into account a recent management evaluation on PROFISCO.

V. ORGANIZATION AND TIMELINE

5.1 The evaluation team comprises Pablo Alonso (team leader), Anna Crespo, José Claudio Pires, Juan Manuel Puerta, Dorte Verner, Margareth Celse-L'Hoste, Lucía Martin, Ricardo Marto, and Patricia Sadeghi, with possible specialized support by consultants. The evaluation will require ongoing dialogue with Bank Management and with the Brazil Country Office, in particular. To this end, two country missions will be arranged, with the following key tasks: (i) identifying the main aspects of the Bank-country relationship, (ii) collecting data and validating document analyses, and (iii) visiting specific projects to interview beneficiaries and those responsible for execution.

5.2 The expected timeline for the evaluation is as follows:

Activity	Date
Approach Paper	January 2015
Missions	November 2014 and February 2015
Draft for Management review	June 2015
Final evaluation to Board	August 2015

33 Such as administrative budget (BUDGET), contractual conditions (OPMAS), procurement (PRISM), use of staff time (TRS), financial transactions (LMS), and the Bank's correspondence system (SISCOR).

A. Tables

TABLE 2.1. SELECTED INDICATORS OF BRAZIL'S ECONOMY

Brazil: Selected economic, financial, and social indicators

I. Social and Demographic indicators

Population (2014, million)	202.8	Primary school enrollment (2005, % net)	94
Area (2014, thousands km^2)	8,515.8	Secondary school enrollment (2004, % net)	78
Life expectancy at birth (2013, years)	73.9	GHG emissions including LUCF (2011, $MtCO_2e$)	1,419.1
Infant mortality rate (2013, per 1,000 live births)	12.3	Agriculture (% of GHG emissions)	42.3
Human Development Index and Rank (2013)	0.744 / 79th of 187	Energy (% of GHG emissions)	18.0
Per capita GDP in PPP (2014, US$)	15,153	Land use change and forestry (% of GHG emissions)	20.3
		Transport (% of GHG emissions)	12.8

Main exports: Iron ore, oil and other petroleum products, soybeans, sugar, meat, coffee, corn, cars, planes and other spacecrafts.
Main export destinations: China, U.S., Argentina, Netherlands, Germany, and Japan.

II. Economic indicators

	2007	2008	2009	2010	2011	2012	2013	Est. 2014
GDP and prices								
Real GDP growth (%)	6.1	5.2	-0.3	7.5	2.7	1.0	2.5	0.2
Agriculture and livestock (%)	4.8	6.3	-3.1	6.3	3.9	-2.1	7.3	1.8
Industry (%)	5.3	4.1	-5.6	10.4	1.6	-0.8	1.7	-1.3
Services (%)	6.1	4.9	2.1	5.5	2.7	1.9	2.2	1.0
Nominal GDP (R$ billion)	2,661	3,032	3,239	3,770	4,143	4,392	4,845	5,123
Nominal GDP (US$ billion)	1,367	1,651	1,626	2,144	2,475	2,247	2,243	2,244
GDP per capita (US$)	7,213	8,619	8,399	10,966	12,539	11,279	11,158	11,067
CPI inflation (%, end of period IPCA)[1]	4.5	5.9	4.3	5.9	6.5	5.8	5.9	6.6
Tradables (%, end of period IPCA)[1]	4.6	6.8	2.6	6.7	4.3	4.4	5.9	6.2
Nontradables (%, end of period IPCA)[1]	6.5	6.9	5.4	7.1	8.3	8.2	8.1	7.5
Supervised prices (%, end of period IPCA)[1]	1.6	3.2	4.6	3.1	6.0	3.6	1.5	5.6
Average annual exchange rate (R$/US$)	1.9	1.8	2.0	1.8	1.7	2.0	2.2	2.3
Average annual REER (%, IPCA-based, appreciation +)[2]	7.2	2.7	0.7	12.8	2.6	-12.2	-6.9	-1.6
Unemployment, poverty, and income inequality								
Unemployment rate (% of labor force)	9.3	7.9	8.1	6.7	6.0	5.5	5.4	5.5
Poverty rate (% of population)	25.4	22.6	21.4	…	18.4	15.9	…	…
Gini index	0.56	0.55	0.54	…	0.53	0.53	…	…

(continued)

	2007	2008	2009	2010	2011	2012	2013	Est. 2014
Public finances	(In percent of GDP, unless otherwise indicated)							
Central government[3]								
Nonfinancial revenue	23.2	23.6	22.8	24.3	23.8	24.1	24.3	17.5
Tax revenue	17.9	18.2	17.1	18.7	17.9	17.8	18.0	12.8
Corporate and personal income tax	6.0	6.3	5.9	5.5	6.0	6.0	6.0	4.4
Corporate contribution to Social security financing	3.9	4.0	3.6	3.7	3.8	4.0	4.2	2.8
Tax on industrial products	1.3	1.3	0.9	1.1	1.1	1.0	1.0	0.7
Tax on financial transactions (IOF and CPMF)	1.7	0.7	0.6	0.7	0.8	0.7	0.6	0.4
Import tax	0.4	0.6	0.5	0.6	0.6	0.7	0.8	0.5
Other revenue	4.7	5.3	5.5	7.2	5.5	5.4	5.4	3.9
Revenue from Social security scheme	5.3	5.4	5.6	5.6	5.9	6.3	6.3	4.6
Expenditure	21.1	20.8	21.6	22.3	21.7	22.5	22.8	17.8
Wage bill	4.4	4.3	4.7	4.4	4.3	4.2	4.2	3.1
Transfers to states and municipalities	4.0	4.1	3.9	3.7	4.2	4.1	3.9	3.0
Pension benefits	7.0	6.6	6.9	6.8	6.8	7.2	7.4	5.6
Other current expenditure	5.0	4.5	4.8	4.7	4.9	5.3	6.0	…
Capital expenditure	0.7	0.9	1.1	2.6	1.3	1.4	1.2	…
Growth Acceleartion Program (PAC)	0.3	0.4	0.6	0.6	0.7	0.9	0.9	…
Primary balance	2.2	2.4	1.3	2.1	2.2	2.0	1.6	-0.4
Nonfinancial public sector[4]								
Primary balance	3.3	3.4	2.0	2.7	3.1	2.4	1.9	-0.3
States and municipalities	1.1	1.0	0.7	0.6	0.8	0.5	0.3	0.1
Public enterprises	-0.1	0.1	0.0	0.1	0.1	-0.1	0.0	-0.1
Net interest payments	6.1	5.5	5.3	5.2	5.7	4.9	5.1	5.4
Overall balance	-2.8	-2.0	-3.3	-2.5	-2.6	-2.5	-3.3	-5.7
Net public sector debt	45.5	38.5	42.1	39.2	36.4	35.3	33.6	36.1
Gross public sector debt	65.2	63.5	66.8	65.0	64.7	68.2	66.2	65.8
IDB	1.0	0.9	1.0	0.8	0.7	0.8	0.7	0.7
Balance of payments[2]								
Current account	0.1	-1.7	-1.5	-2.2	-2.1	-2.4	-3.6	-3.1
Exports of goods	11.8	12.0	9.4	9.4	10.3	10.8	10.8	8.5
Iron ore (% of exports of goods)	6.6	8.4	8.7	14.3	16.3	12.8	13.4	11.6
Crude oil (% of exports of goods)	5.5	6.8	6.0	8.0	8.4	8.4	5.4	7.1
Imports of goods	8.8	10.5	7.9	8.5	9.1	9.9	10.7	8.6
Fuels (% of imports of goods)	16.3	17.8	12.8	13.5	15.6	15.4	16.6	16.7
Net exports of services	-1.0	-1.0	-1.2	-1.4	-1.5	-1.8	-2.1	-1.8
Net income	-2.1	-2.5	-2.1	-1.8	-1.9	-1.6	-1.8	-1.3
Net current transfers	0.3	0.3	0.2	0.1	0.1	0.1	0.2	0.1
Capital and financial account	6.5	1.8	4.4	4.7	4.5	3.1	3.3	3.8
Brazilian investment[5]	-1.9	-1.4	-1.0	-2.7	-0.9	-1.3	-2.0	-2.3
Foreign investment[5]	8.4	3.2	5.3	7.4	5.3	4.5	5.3	6.1
Money and credit[2]								
Credit to the private sector	19.2	23.1	24.5	24.8	26.9	29.4	30.2	30.3
Credit to households	16.3	17.6	19.4	20.6	22.2	24.5	25.8	27.0
Memorandum items[2]								
Gross international reserves (US$ million)	180,334	193,783	238,520	288,575	352,012	373,147	358,808	375,833
Gross international reserves (months of imports)	13.7	10.6	16.4	14.2	14.0	14.7	13.2	18.8

Source: OVE estimates, Banco Central do Brasil, Ministry of Finance, Ministry of Planning, Ministry of Development, Industry and Trade, IMF, Instituto Brasileiro de Geografia e Estatística, Instituto de Pesquisa Econômica Aplicada, UNDP, and WB.

1/ Year-on-year as of end-October 2014.

2/ Data is as of end-October 2014.

3/ Data is as of end-September 2014. Central government includes the Federal Government, the social security fund, and the Central Bank.

4/ Nonfinancial public sector includes the Central government, states and municipalities, and public enterprises (except Petrobras and Eletrobras). Data is as of end-October 2014. Central government primary balance at end-October 2014 was -0.3% of GDP.

5/ Investment includes direct investment, portfolio investment, and other investment.

TABLE 2.2. SELECTED INDICATORS OF BRAZIL'S REGIONS

Brazilian regions: Selected indicators

I. Social and demographic indicators

North region		**Central-West region**		**South region**	
Population (2014)	17,231,027	Population (2014)	15,219,608	Population (2014)	29,016,114
Area (2014, km^2)	3,853,677	Area (2014, km^2)	1,606,404	Area (2014, km^2)	576,774
# of Municipalities	450	# of Municipalities	467	# of Municipalities	1,191
Average HDI (2010)	0.684	Average HDI (2010)	0.753	Average HDI (2010)	0.756
Northeast region		**Southeast region**			
Population (2014)	56,186,190	Population (2014)	85,115,623		
Area (2014, km^2)	1,554,292	Area (2014, km^2)	924,621		
# of Municipalities	1,794	# of Municipalities	1,668		
Average HDI (2010)	0.660	Average HDI (2010)	0.754		

II. Economic indicators

								Est.[1]
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
North region								
GDP at current prices (US$ million)	68,590	84,229	81,903	114,592	133,543	130,089	133,883	147,078
GDP per capita at current prices (US$)	4,599	5,379	5,140	7,071	8,108	7,776	7,883	8,536
Unemployment rate (% of labor force)	9.6%	8.1%	10.4%	…	8.8%	8.0%	6.5%	…
Net current revenues (% of GDP)	…	26.6%	25.7%	24.0%	25.1%	25.3%	23.6%	22.6%
Primary balance (% of GDP)	…	0.8%	-0.8%	-0.7%	1.2%	0.6%	-0.2%	-0.3%
Total Net debt (% of GDP)	2.1%	1.7%	2.7%	3.6%	2.5%	2.0%	2.4%	1.7%
Net external debt (% of Total Net debt)	31.2%	51.3%	29.3%	22.6%	30.5%	47.8%	52.8%	64.3%
Credit to firms (% of GDP)	10.6%	12.5%	13.7%	14.3%	15.6%	16.3%	16.1%	14.1%
Credit to individuals (% of GDP)	12.2%	14.2%	16.5%	16.8%	18.5%	19.1%	19.7%	18.7%
Exports of goods (% of GDP)	…	…	…	…	…	…	…	…
Imports of goods (% of GDP)	…	…	…	…	…	…	…	…
Northeast region								
GDP at current prices (US$ million)	178,586	216,421	219,662	288,599	331,755	319,403	324,881	352,736
GDP per capita at current prices (US$)	3,465	4,072	4,090	5,344	6,096	5,767	5,823	6,278
Unemployment rate (% of labor force)	9.5%	8.7%	10.1%	…	9.1%	8.8%	7.9%	…
Net current revenues (% of GDP)	…	26.8%	25.4%	25.2%	26.3%	25.7%	24.5%	23.3%
Primary balance (% of GDP)	…	1.6%	0.4%	0.1%	0.7%	0.3%	0.3%	0.0%
Total Net debt (% of GDP)	7.9%	6.7%	5.6%	5.7%	5.6%	5.7%	5.3%	4.2%
Net external debt (% of Total Net debt)	12.7%	16.4%	17.0%	14.3%	16.4%	24.3%	43.6%	47.3%
Credit to firms (% of GDP)	12.3%	15.0%	18.4%	19.9%	23.1%	23.2%	24.1%	20.4%
Credit to individuals (% of GDP)	14.3%	16.8%	18.8%	20.8%	23.7%	24.9%	26.3%	25.2%
Exports of goods (% of GDP)	7.3%	7.1%	5.3%	5.5%	5.7%	5.9%	5.3%	3.0%
Imports of goods (% of GDP)	6.6%	7.2%	4.9%	6.1%	7.3%	8.1%	8.5%	5.4%

(continued)

	2007	2008	2009	2010	2011	2012	2013	Est.[1] 2014
Central-West region								
GDP at current prices (US$ million)	121,163	152,106	155,952	199,372	236,819	230,917	237,882	261,581
GDP per capita at current prices (US$)	9,163	11,010	11,096	13,949	16,299	15,641	15,866	17,187
Unemployment rate (% of labor force)	8.7%	7.9%	8.5%	…	6.1%	5.4%	4.9%	…
Net current revenues (% of GDP)	…	15.0%	14.3%	14.0%	14.3%	14.1%	13.4%	12.5%
Primary balance (% of GDP)	…	0.9%	0.8%	0.2%	0.4%	0.5%	0.3%	0.2%
Total Net debt (% of GDP)	1.4%	1.3%	1.2%	1.1%	1.1%	5.7%	5.2%	4.3%
Net external debt (% of Total Net debt)	2.4%	3.3%	2.9%	3.3%	4.7%	9.6%	10.5%	10.4%
Credit to firms (% of GDP)	13.8%	16.6%	16.7%	17.2%	19.1%	19.9%	22.4%	21.1%
Credit to individuals (% of GDP)	20.4%	21.9%	22.5%	24.2%	26.0%	27.2%	28.6%	27.1%
Exports of goods (% of GDP)	8.0%	9.3%	9.0%	7.8%	8.8%	11.1%	11.9%	7.9%
Imports of goods (% of GDP)	4.8%	6.0%	4.8%	5.1%	5.5%	5.6%	5.7%	3.3%
Southeast region								
GDP at current prices (US$ million)	770,827	924,804	899,307	1,187,502	1,371,462	1,306,230	1,314,375	1,411,755
GDP per capita at current prices (US$)	9,898	11,450	11,013	14,413	16,503	15,588	15,561	16,586
Unemployment rate (% of labor force)	9.4%	8.0%	9.2%	…	7.2%	6.4%	6.2%	…
Net current revenues (% of GDP)	…	15.7%	15.1%	15.2%	15.3%	15.0%	14.9%	14.1%
Primary balance (% of GDP)	…	0.9%	0.7%	0.7%	0.8%	0.4%	0.3%	0.3%
Total Net debt (% of GDP)	18.0%	17.8%	16.8%	16.2%	15.7%	15.6%	15.2%	13.7%
Net external debt (% of Total Net debt)	1.8%	2.5%	2.4%	3.8%	4.3%	5.2%	6.8%	6.7%
Credit to firms (% of GDP)	20.2%	24.1%	26.1%	26.7%	28.5%	29.2%	29.5%	28.2%
Credit to individuals (% of GDP)	12.0%	14.0%	15.9%	16.9%	18.8%	19.9%	20.6%	19.8%
Exports of goods (% of GDP)	11.8%	12.0%	9.1%	9.7%	10.6%	10.2%	9.3%	3.9%
Imports of goods (% of GDP)	9.2%	10.8%	8.3%	8.6%	9.1%	9.1%	10.0%	4.4%
South region								
GDP at current prices (US$ million)	227,379	273,338	268,812	353,855	401,487	381,664	383,314	410,930
GDP per capita at current prices (US$)	8,305	9,902	9,698	12,922	14,566	13,359	13,311	14,162
Unemployment rate (% of labor force)	6.4%	5.4%	6.5%	…	4.7%	4.5%	3.8%	…
Net current revenues (% of GDP)	…	14.3%	14.0%	13.8%	14.6%	14.4%	14.6%	14.0%
Primary balance (% of GDP)	…	0.8%	0.5%	0.5%	0.8%	0.3%	0.5%	0.3%
Total Net debt (% of GDP)	12.2%	12.1%	11.1%	10.6%	10.0%	9.8%	9.3%	8.3%
Net external debt (% of Total Net debt)	4.9%	8.3%	5.8%	5.8%	6.6%	8.8%	9.9%	9.7%
Credit to firms (% of GDP)	20.0%	23.9%	23.4%	24.5%	27.3%	28.4%	29.1%	26.8%
Credit to individuals (% of GDP)	17.0%	19.5%	21.6%	22.8%	25.6%	27.4%	29.3%	28.3%
Exports of goods (% of GDP)	15.3%	15.4%	12.2%	10.5%	11.4%	11.5%	13.6%	7.4%
Imports of goods (% of GDP)	10.6%	13.6%	9.8%	11.1%	12.3%	12.9%	13.3%	7.8%

Source: OVE estimates, Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística, and Instituto de Pesquisa Econômica Aplicada.

1/ Data for 2014 is from January to August.

TABLE 3.1. MAPPING THE 2012-2014 CS STRATEGIC OBJECTIVES WITH THE PORTFOLIO APPROVED BETWEEN JANUARY 2011 AND OCTOBER 2014

CS strategic objectives and portfolio under evaluation			
Priority sector	**Portfolio**	**Original Approved amounts (US$)**	**% Disb'd (10/2014)**
1. Promote social and productive inclusion			
1.1. Social protection	3 Investment Loans	1,155,000,000	4%
	5 Non-reimbursable TCs	3,112,250	26%
1.2. Health	5 Investment Loans	657,600,000	3%
	3 Non-reimbursable TCs	1,515,000	34%
1.3. Education	3 Investment Loans	410,850,000	2%
	1 Private Sector Investment	3,000,000	33%
	8 Non-reimbursable TCs	4,753,954	36%
1.4. Labor market	3 Non-reimbursable TCs	923,750	39%
2. Improve the country's infrastructure conditions			
2.1. Transportation	9 Investment Loans	3,050,811,000	15%
	4 Non-reimbursable TCs	970,000	48%
2.2. Water and sanitation	6 Investment Loans	1,182,320,000	15%
	6 Non-reimbursable TCs	4,800,000	51%
2.3. Energy	3 Investment Loans	347,872,646	45%
	1 Private Sector Investment	35,000,000	91%
	5 Non-reimbursable TCs	1,627,446	68%
3. Promote the development of sustainable cities			
3.1. Urban development	9 Investment Loans	256,884,600	3%
	1 Non-reimbursable TC	500,000	0%
3.2. Citizen security	3 Investment Loans	173,200,000	0%
	2 Non-reimbursable TCs	550,000	14%
4. Strengthen institutional capacity of public entities			
4.1. Public management	3 Investment Loans	50,100,000	8%
	4 Non-reimbursable TCs	1,270,000	8%
4.2. Fiscal management	11 Investment Loans	205,651,000	10%
	6 PBLs	1,834,000,000	98%
	4 Non-reimbursable TCs	1,485,000	42%
5. Increase the management of natural resources and climate change			
5.1. Environmental and rural management	1 Investment Loan	72,000,000	53%
	17 Non-reimbursable TCs	28,902,766	11%
	1 Investment Grant	31,505,960	0%
5.2. Climate change	See 5.1.		
6. Promote development through the private sector			
6.1. Productive and capital market development	19 Private Sector Investments	565,728,256	65%
	1 NSG Guarantee	9,231,987	0%
	5 Non-reimbursable TCs	2,765,000	68%
6.2. Science, technology, and innovation	1 Non-reimbursable TC	150,000	100%
6.3. Tourism	5 Investment Loans	208,222,905	0%

Source: OVE.

TABLE 4.1. SAMPLE OF PROJECTS FOR THE EVALUATION

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
Paraná							
BR-L1083	PROCIDADES-Curitiba:Municipio de Curitiba Integrated Social and Urban Development	IFD/FMM	11/20/2009	Active	50,000,000	81%	3. Promote the development of sustainable cities
BR-L1085	PROCIDADES - Toledo - Sustainable Socio-economic Development Program	IFD/FMM	2/19/2008	Completed	7,333,700	100%	3. Promote the development of sustainable cities
Rio Grande do Sul							
BR-L1251	PROFISCO-Fiscal Management Strengthening Project of the State Rio Grande do Sul	IFD/FMM	9/2/2010	Active	60,000,000	38%	4. Strengthen institutional capacity of public entities
BR-L1361	Fiscal consolidation program for Rio Grande del Sur	IFD/FMM	11/20/2012	Completed	200,000,000	100%	4. Strengthen institutional capacity of public entities
BR-L1375	Fiscal Consolidation Program II Rio Grande del Sur (PROCONFIS II)	INE/WSA	12/18/2013	Active	200,000,000	90%	4. Strengthen institutional capacity of public entities
BR-L1081	Porto Alegre Integrated Socio Environmental Program	INE/WSA	4/30/2008	Active	83,270,000	37%	2. Improve the country's infrastructure conditions
BR-L1284	Pro-Energy RS Distribution	INE/ENE	2/15/2012	Active	130,556,650	28%	2. Improve the country's infrastructure conditions

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1303	CEEE Generation and Transmission Project	INE/ENE	11/1/2012	Active	88,655,996	6%	2. Improve the country's infrastructure conditions
Santa Catarina							
BR-L1038	Environmental Revitalization Program of Joinville	INE/WSA	10/31/2007	Completed	32,670,000	100%	2. Improve the country's infrastructure conditions
BR-L1051	Santa Catarina Highway Program - Stage V	INE/TSP	8/5/2009	Completed	50,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1336	Santa Catarina Logistics Infrastructure Program	INE/TSP	12/19/2012	Active	250,000,000	35%	2. Improve the country's infrastructure conditions
Minas Gerais							
BR-L1236	PROFISCO-Minas Gerais Institutional Strengthening to Modernize Fiscal Management	IFD/FMM	11/16/2009	Completed	40,000,000	100%	4. Strengthen institutional capacity of public entities
BR-L1021	Cluster Competitiveness Support Program for Minas Gerais	IFD/CTI	1/15/2009	Completed	10,000,000	100%	6. Promote development through the private sector
BR-L1231	Improve Road Access to Small Municipalities in Minas Gerais-Phase II	INE/TSP	12/15/2009	Completed	50,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1260	Minas Gerais Development Partnership Program III	INE/TSP	3/16/2010	Completed	137,000,000	100%	2. Improve the country's infrastructure conditions

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1335	Environmental Rehabilitation Belo Horizonte - DRENURBS - Suplementar to First St	INE/WSA	7/24/2013	Active	55,000,000	59%	2. Improve the country's infrastructure conditions
BR-L1366	BDMG: Innovation in Access to Finance for the Base of the Pyramid Microentrepreneurship	OMJ/OMJ	9/10/2013	Active	9,231,987	0%	6. Promote development through the private sector
BR-L1403	BDMG Municipal Infrastructure and Services Financing Partnership	SCF/SCF	6/4/2014	Active	150,000,000	33%	6. Promote development through the private sector
Rio de Janeiro							
BR-L1054	Financing MSMES - BNDES II	IFD/CMF	4/17/2007	Completed	1,000,000,000	100%	6. Promote development through the private sector
BR-L1178	BNDES: Third Program under the CCLIP Line to Support MSMEs	IFD/CMF	10/1/2008	Completed	1,000,000,000	100%	6. Promote development through the private sector
BR-L1180	Program to Support Micro, Small and Medium-Sized Enterprises	IFD/CMF	11/18/2009	Completed	1,000,000,000	100%	6. Promote development through the private sector
BR-L1278	Rehabilitation for the Furnas and Luiz Carlos Barreto Hydroelectric Power Plant	INE/ENE	7/25/2011	Active	128,660,000	88%	2. Improve the country's infrastructure conditions
BR-L1175	Rio de Janeiro Low-income Neighborhood Urban Development Program - Stage III	IFD/FMM	12/8/2010	Active	150,000,000	8%	3. Promote the development of sustainable cities
BR-L1210	National Tourism Development Program-PRODETUR Nacional-Rio de Janeiro	INE/RND	9/15/2010	Active	112,000,000	28%	6. Promote development through the private sector
BR-L1239	PROFISCO-Fiscal Management Modernization Program of the State of Rio de Janeiro	IFD/FMM	3/16/2010	Active	19,759,050	56%	4. Strengthen institutional capacity of public entities

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1294	Delba Vessel - Second Phase	SCF/SAU	6/22/2011	Completed	31,838,888	100%	2. Improve the country's infrastructure conditions
BR-L1077	PROCIDADES Municopio Belford Roxo Urban Development Environment Sanitation Program	IFD/FMM	5/30/2008	Completed	10,127,398	100%	3. Promote the development of sustainable cities
BR-L1386	Update BR-L1055: PROCIDADES NITERA"I URBAN DEVELOPMENT AND SOCIAL INCL	IFD/FMM	5/31/2013	Active	26,470,000	0%	3. Promote the development of sustainable cities
São Paulo							
BR-L1339	Banco Indusval - TFFP	SCF/SCF	11/1/2011	Completed	1,000,000	100%	6. Promote development through the private sector
BR-L1316	SCB TFFP Co-Loan Banco Industrial do Brasil	SCF/SCF	6/8/2011	Completed	1,000,000	100%	6. Promote development through the private sector
BR-L1304	SCB TFFP Loan BicBanco	SCF/SCF	1/19/2011	Completed	5,000,000	100%	6. Promote development through the private sector
BR-L1338	BIC Bank - access2services Facility	SCF/SCF	12/13/2011	Completed	49,728,256	100%	6. Promote development through the private sector
BR-L1359	Banco Indusval - TFFP	SCF/SCF	3/1/2012	Completed	3,000,000	100%	6. Promote development through the private sector
BR-L1364	BicBanco TFFP Loan under SCB Facility	SCF/SCF	3/30/2012	Completed	2,500,000	100%	6. Promote development through the private sector
BR-L1365	Banco Indusval	SCF/SCF	5/2/2012	Completed	1,000,000	100%	6. Promote development through the private sector
BR-L1380	BicBanco TFFP Loan under SCB facility	SCF/SCF	12/19/2012	Completed	2,500,000	100%	6. Promote development through the private sector
BR-L1396	Banco ABC Brasil S.A. - TFFP A Loan	SCF/SCF	12/12/2013	Completed	50,000,000	100%	6. Promote development through the private sector
BR-L1384	Banco Industrial e Comercial S.A. - TFFP A Loan	SCF/SCF	5/2/2013	Completed	19,000,000	100%	6. Promote development through the private sector
BR-L1382	Banco Indusval S.A. - TFFP A Loan	SCF/SCF	1/30/2013	Completed	1,000,000	100%	6. Promote development through the private sector

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1390	Banco Industrial e Comercial S.A. - Brazil - TFFP A Loan	SCF/SCF	8/1/2013	Completed	18,000,000	100%	6. Promote development through the private sector
BR-L1397	Banco Industrial e Comercial S.A. - TFFP A Loan - OCT 2013	SCF/SCF	10/1/2013	Completed	16,000,000	100%	6. Promote development through the private sector
BR-L1391	Banco Pine Green Line Partnership	SCF/SCF	1/15/2014	Completed	75,000,000	100%	6. Promote development through the private sector
BR-L1409	Banco Industrial e Comercial S.A. - TFFP AB Loan - 6 disbursement	SCF/SCF	2/27/2014	Completed	16,000,000	100%	6. Promote development through the private sector
BR-L1416	Banco Santander Brasil S.A. - TFFP A Loan	SCF/SCF	10/10/2014	Completed	50,000,000	100%	6. Promote development through the private sector
BR-L1413	Banco ABC Brasil Green Financing Partnership	SCF/SCF	9/17/2014	Active	100,000,000	0%	6. Promote development through the private sector
BR-L1114	Banco Indusval Multistock - TFFP	SCF/SCF	2/28/2007	Active	25,000,000	0%	6. Promote development through the private sector
BR-L1283	TFFP-Banco Sofisa	SCF/SCF	6/21/2010	Active	30,000,000	0%	6. Promote development through the private sector
BR-L1313	PUPA: INNOVATIVE FINANCING FOR EARLY CHILDHOOD DEVELOPMENT	OMJ/OMJ	12/8/2011	Active	3,000,000	33%	1. Promote social and productive inclusion
BR-L1171	Catanduva Integrated Urban Development Program	IFD/FMM	12/11/2009	Completed	8,439,000	100%	3. Promote the development of sustainable cities
BR-L1044	Health Modernization and Humanization Program	SCL/SPH	10/3/2011	Active	21,600,000	78%	1. Promote social and productive inclusion
BR-L1166	Tiete River Cleanup Program, Stage III	INE/WSA	10/14/2009	Active	600,000,000	55%	2. Improve the country's infrastructure conditions
BR-L1160	Sao Jose dos Campos Urban Structuring Program	IFD/FMM	5/12/2010	Active	85,672,400	15%	3. Promote the development of sustainable cities

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1268	PROFISCO-Sao Paulo-Support the Management and Integration of Fin Admin in Brazil	IFD/FMM	6/11/2010	Active	120,000,000	61%	4. Strengthen institutional capacity of public entities
BR-L1162	São Paulo Metropolitan Transportation Investment Program	INE/TSP	8/6/2008	Completed	168,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1241	Serra do Mar and Atlantic Forest Mosaics System Socioenvironmental Recovery	INE/RND	9/8/2010	Active	162,454,000	35%	5. Increase the management of natural resources and climate change
BR-L1270	Mundo Vox Tenda	OMJ/OMJ	12/3/2010	Completed	10,000,000	100%	6. Promote development through the private sector
BR-L1296	Mario Covas Rodoanel Project - Northern Section	INE/TSP	11/8/2011	Active	1,148,633,000	29%	2. Improve the country's infrastructure conditions
Federal District							
BR-L1068	Support Multi-Phase Program Electronic Legislative Development	IFD/ICS	5/9/2007	Active	6,390,304	83%	4. Strengthen institutional capacity of public entities
BR-L1060	Assessments, Prospects, and Development Alternatives in Brazil - IPEA Research	IFD/ICS	1/31/2007	Active	7,150,000	49%	4. Strengthen institutional capacity of public entities
BR-L1195	Support for the National Tourism Development Program (PRODETUR Nacional)	INE/RND	11/11/2009	Active	8,500,000	19%	6. Promote development through the private sector
BR-L1102	Management Systems and Instruments Modernization Program	IFD/ICS	10/2/2009	Active	21,064,000	14%	4. Strengthen institutional capacity of public entities
BR-L1223	Strengthening of Prevention and Combat to Corruption in the Public Management	IFD/ICS	3/5/2013	Active	18,000,000	12%	4. Strengthen institutional capacity of public entities

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1224	Prog. for Modern. of Fed. Govt. Immovable Asset Management in Brazil	IFD/ICS	9/23/2011	Active	15,000,000	11%	4. Strengthen institutional capacity of public entities
BR-L1076	PROCIDADES - Economic Development Program of Distrito Federal-ADEs	IFD/FMM	6/27/2013	Active	50,000,000	0%	3. Promote the development of sustainable cities
Mato Grosso do Sul							
BR-L1104	PROCIDADES - Campo Grande - Integrated Development Program	IFD/FMM	2/19/2008	Completed	19,382,000	100%	3. Promote the development of sustainable cities
BR-L1235	PROFISCO - Mato Grosso do Sul	IFD/FMM	6/4/2010	Active	12,000,000	66%	4. Strengthen institutional capacity of public entities
BR-L1252	National Prog. to Support the Adm. and Fiscal Manag Brazilian Municipios-PNAFM	IFD/FMM	11/30/2009	Active	150,000,000	67%	4. Strengthen institutional capacity of public entities
Alagoas							
BR-L1230	PROFISCO - State of Alagoas	IFD/FMM	9/27/2013	Active	7,000,000	26%	4. Strengthen institutional capacity of public entities
BR-L1374	Fiscal Bal Consolidation Development of the State of Alagoas Program PRONCOFIS-AL	INE/TSP	11/6/2013	Completed	250,000,000	100%	4. Strengthen institutional capacity of public entities
Bahía							
BR-L1201	Fiscal Stability Consolidation Program for the Development of the State of Bahia	IFD/FMM	12/4/2008	Completed	409,000,000	100%	4. Strengthen institutional capacity of public entities
BR-L1337	Fiscal stability consolidation program for the development of the State of Bahia	IFD/FMM	11/14/2012	Completed	600,000,000	100%	4. Strengthen institutional capacity of public entities

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1319	PROFISCO Bahia State Fiscal Modernization and Strengthening Program	IFD/FMM	2/28/2013	Active	45,270,000	10%	4. Strengthen institutional capacity of public entities
BR-L1103	Bahia Environmental Development Program	INE/RND	2/17/2010	Active	10,000,000	7%	2. Improve the country's infrastructure conditions
Ceará							
BR-L1174	Ceara State - Fiscal Management Modernization Program	IFD/FMM	11/5/2008	Active	41,000,000	51%	4. Strengthen institutional capacity of public entities
BR-L1204	National Tourism Development Program (PRODETUR-Ceara)	INE/RND	5/5/2010	Active	150,000,000	27%	6. Promote development through the private sector
BR-L1122	Program of Integrated Public Policies for Fortaleza Youth	SCL/SPH	10/21/2009	Active	33,066,000	85%	1. Promote social and productive inclusion
BR-L1053	Support for Social Reforms in Ceara - PROARES Phase II	SCL/SPH	11/11/2009	Active	45,000,000	79%	1. Promote social and productive inclusion
BR-L1177	Expansion and Strengthening of Specialized Health Services in Ceara	SCL/SPH	5/20/2009	Active	77,000,000	99%	1. Promote social and productive inclusion
BR-L1078	Urban Upgrading and Social Inclusion Program	IFD/FMM	11/4/2009	Active	59,400,000	21%	3. Promote the development of sustainable cities
BR-L1181	Ceara State Highway Program - Ceara III	INE/TSP	7/29/2009	Completed	158,620,000	100%	2. Improve the country's infrastructure conditions
BR-L1326	Road Program for Logistic and Integration - Ceara IV	INE/TSP	7/24/2013	Active	400,000,000	6%	2. Improve the country's infrastructure conditions
Pernambuco							
BR-L1165	PROFISCO Pernambuco	IFD/FMM	6/23/2009	Active	15,000,000	49%	4. Strengthen institutional capacity of public entities

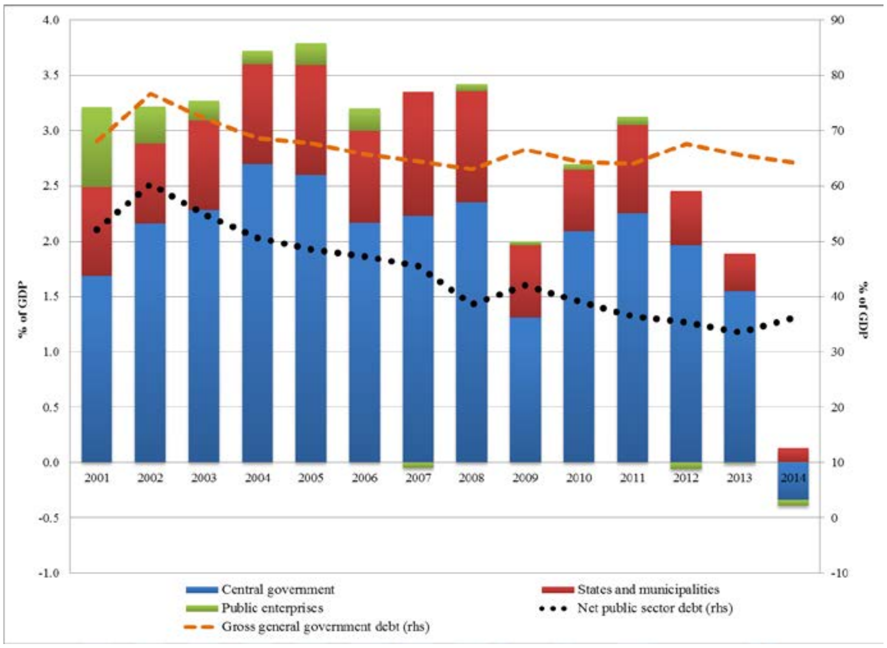
Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1381	Fiscal Consolidation Program for the Development of Pernambuco	IFD/FMM	10/23/2013	Completed	400,000,000	100%	4. Strengthen institutional capacity of public entities
BR-L1212	National Tourism Program-PRODETUR Nacional-Pernambuco	INE/RND	9/15/2010	Active	75,000,000	24%	6. Promote development through the private sector
BR-L1020	Innovation and Dissemination Local Cluster Competitiveness State of Pernambuco	IFD/CTI	6/11/2009	Active	10,000,000	10%	6. Promote development through the private sector
Piauí							
-	#N/A	#N/A	#N/A	#N/A	#N/A	-	#N/A
Rio Grande do Norte							
-	#N/A	#N/A	#N/A	#N/A	#N/A	-	#N/A
Sergipe							
BR-L1084	Integrated Urban Development and Social Inclusion Program of Aracaju	IFD/FMM	12/3/2009	Active	30,250,000	72%	3. Promote the development of sustainable cities
Acre							
BR-L1289	The Acre Sustainable Development Program (PDSA-II)	INE/RND	4/10/2013	Active	72,000,000	12%	5. Increase the management of natural resources and climate change
Amazonas							
BR-L1088	Program for Urban Development and Socioenvironmental Inclusion in Manaus	IFD/FMM	12/9/2009	Active	50,000,000	77%	3. Promote the development of sustainable cities
BR-L1385	PROCONFIS - AM. Fiscal consolidation program for Amazonas	IFD/FMM	12/18/2013	Active	184,000,000	90%	4. Strengthen institutional capacity of public entities

Operation number	Operation name	Managing department	Approval date	Current o status	Current approved amount (USD)	% Disb'd (10/2014)	CS objective
BR-L1005	Igarapes de Manaus Environmental-Social Program	INE/WSA	11/30/2005	Completed	140,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1164	Social and Environmental Program for the Manaus' Igarapas - PROSAMIM II	INE/WSA	8/6/2008	Completed	154,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1217	Social and Environmental Program for the Igarapas in Manaus PROSAMIN	INE/WSA	7/15/2009	Completed	77,000,000	100%	2. Improve the country's infrastructure conditions
BR-L1297	Social and Environmental Program for the Igarapas in Manaus - PROSAMIM III	INE/WSA	12/13/2011	Active	280,000,000	37%	2. Improve the country's infrastructure conditions
Pará							
BR-L1065	Estrada Nova Watershed Sanitation Program - PROMABEN	INE/WSA	7/9/2008	Completed	68,571,723	100%	2. Improve the country's infrastructure conditions
Tocantins							
BR-L1152	Development Program for the Southwest Region of the State of Tocantins	INE/RND	11/3/2010	Active	99,000,000	4%	5. Increase the management of natural resources and climate change

Note: A number of TFFPs were included because one of the primary criteria for selecting operations was "approved since 2011 and concluded", which is the case of the TFFPs. Furthermore, TFFPs are going to be part of an evaluation OVE is conducting on financial intermediaries. This table does not include TCs. However, OVE will evaluate a considerable amount of them especially those in support of climate change activities. OVE will make extensive use of existing evaluations that covered many of the TCs included in the 2011-2014 Bank's program with Brazil.

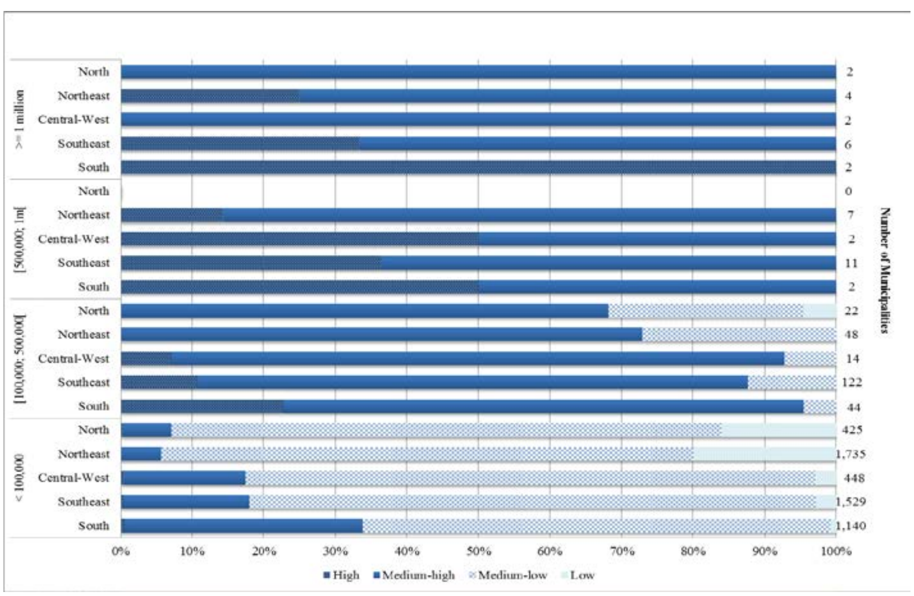
B. Figures

FIGURE 2.1. INCREASING PRIMARY SURPLUS AND DECREASING NET PUBLIC SECTOR DEBT (% OF GDP)



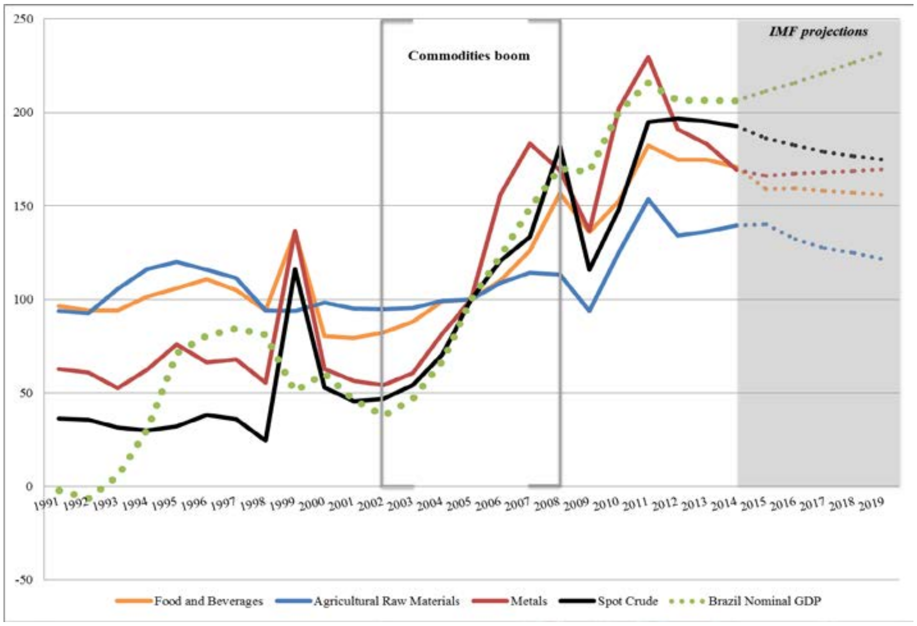
Source: OVE, based on data from BCB and the Ministry of Finance.
Note: The nonfinancial public sector includes central government (federal government, the social security fund, and the Central Bank), states and municipalities, and public enterprises (except Petrobras and Eletrobras). Data for 2014 are as of end-August 2014.

FIGURE 2.2. OVE'S INSTITUTIONAL CAPACITY INDEX BY REGION AND POPULATION



Source: OVE.

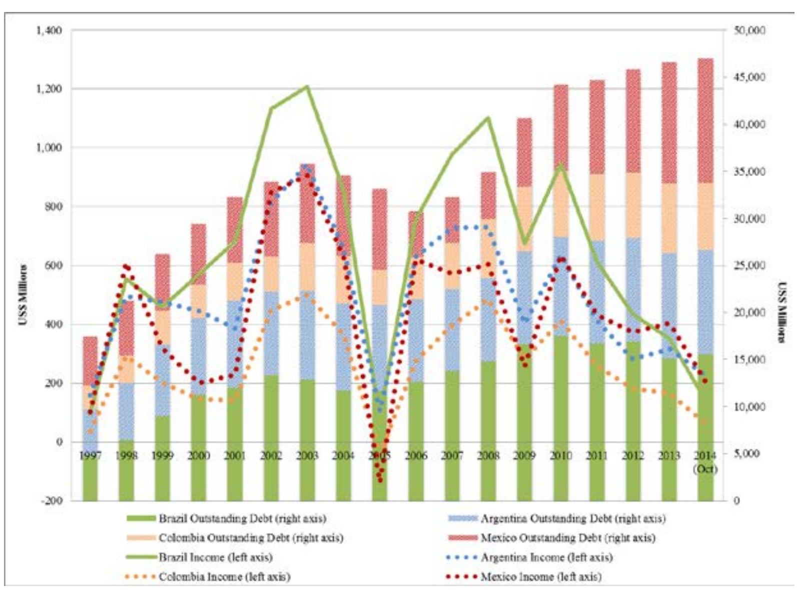
FIGURE 2.3. THE COMMODITIES BOOM AND BRAZIL'S CONVERGENCE BETWEEN 2002 AND 2009 (2005=100)



Source: OVE, based on data from IMF October 2014 World Economic Outlook.

Note: Commodities price indexes with base 2005 = 100. Food and beverages include cereals, oils and protein meals, meat, seafood, sugar, bananas, and oranges. Agriculture raw materials include timber, cotton, wool, natural rubber, and hides. Metals include copper, aluminum, iron ore, tin, nickel, zinc, lead, and uranium. Spot crude corresponds to the average of Dated Brent, West Texas Intermediate, and Dubai Fateh.

FIGURE 3.1. BRAZIL: THE LARGEST IDB DEBTOR SINCE 1998 AND THE MAJOR SOURCE OF IDB INCOME



Source: IDB Finance data mart.
Note: Data include outstanding loan balance and income collected from all funds.