

Document of
The World Bank

Report No: ICR00003924

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-77820)

ON A

LOAN

IN THE AMOUNT OF US\$ 24.3 MILLION

TO THE

FEDERATIVE REPUBLIC OF BRAZIL

FOR A

SECOND NATIONAL ENVIRONMENT PROJECT -IN SUPPORT OF PHASE 2 OF THE
SECOND NATIONAL ENVIRONMENTAL PROGRAM (APL)

March 31, 2017

Environment and Natural Resources Global Practice
Brazil Country Management Unit
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2016)

Currency Unit =

R\$ 1.00 = US\$ 3.21

US\$ 1.00 = R\$ 0.3077

FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

APL	<i>Programa de Etapas Múltiplas</i>	Adaptable Program Lending
CAR	<i>Cadastro Ambiental Rural</i>	Rural Environmental Cadastre
COFIEEX	<i>Comissão de Financiamentos Externos– Ministério do Planejamento</i>	External Financing Committee– Ministry of Planning
COP	<i>Conferência das Partes</i>	Conference of the Parties
CPS	<i>Estratégia de Parceria para o País</i>	Country Partnership Strategy
EIA	<i>Avaliação do Impacto Ambiental Brasileira</i>	Brazilian environmental impact assessment (EIA)
EC	<i>Comissão Europeia</i>	European Commission
FM	<i>Gerenciamento Financeiro</i>	Financial Management
GEF		Global Environment Facility
GoB	<i>Governo do Brasil</i>	Government of Brazil
IBAMA	<i>Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis</i>	Brazilian Institute for the Environment and Renewable Natural Resources
IBRD	<i>Banco Internacional para Reconstrução e Desenvolvimento</i>	International Bank for Reconstruction and Development
ICMBio	<i>Instituto Chico Mendes de Biodiversidade</i>	Chico Mendes Institute for Biodiversity
IFR	<i>Relatório Financeiro Intermediário</i>	Interim Financial Report
MMA	<i>Ministério do Meio Ambiente</i>	Ministry of Environment
MTR	<i>Revisão de Meio Termo</i>	Mid-term Review
NEP	<i>Projeto Nacional de Meio Ambiente (PNMA)</i>	National Environmental Project

NGO	<i>Organização Não-Governamental</i>	Non-Governmental Organization
OEMA	<i>Agências Estaduais de Meio Ambiente</i>	State Environmental Agencies
PAC	<i>Programa de Aceleração do Crescimento</i>	Accelerated Growth Program
PAD	<i>Documento do Projeto</i>	Project Appraisal Document
PCU	<i>Unidade de Coordenação do Projeto</i>	Project Coordination Unit
PDO	<i>Objetivo de Desenvolvimento do Projeto</i>	Project Development Objective
PNLA	<i>Portal do Licenciamento Ambiental</i>	Environmental Licensing Portal
ProLAF	<i>Programa para Fortalecimento do Licenciamento Ambiental Federal</i>	Program for Strengthening Federal Environmental Licensing
SISNAMA	<i>Sistema Nacional do Meio Ambiente</i>	Brazilian National Environment System (involving federal, state, Federal District and municipal levels of government)
TA	<i>Assistência Técnica</i>	Technical Assistance
UNDP	<i>Programa das Nações Unidas para o Desenvolvimento (PNUD)</i>	United Nations Development Program
UNFCCC		United Nations Framework Convention on Climate Change

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Brazil
(P099469) Second National Environmental Project - Phase II

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A. Basic Information			
Country:	Brazil	Project Name:	Second National Environmental Project - Phase II
Project ID:	P099469	L/C/TF Number(s):	IBRD-77820
ICR Date:	03/31/2017	ICR Type:	Core ICR
Lending Instrument:	APL	Borrower:	FEDERAL REPUBLIC OF BRAZIL
Original Total Commitment:	USD 24.30M	Disbursed Amount:	USD 4.16M
Revised Amount:	n.a.		
Environmental Category: B			
Implementing Agencies: Ministry of Environment			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	11/05/2007	Effectiveness:	02/05/2010	02/05/2010
Appraisal:	05/06/2009	Restructuring(s):	-	10/21/2014
Approval:	09/22/2009			09/30/2015
		Mid-term Review:	08/31/2012	03/22/2016
		Closing:	12/31/2014	09/30/2015
				06/30/2016

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Unsatisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Unsatisfactory
Borrower Performance:	Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Unsatisfactory	Government:	Unsatisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Unsatisfactory	Overall Borrower Performance:	Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None

Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Unsatisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Central Government (Central Agencies)	11	11
Sub National Government (Central Agencies)	89	89

	Original	Actual
Theme Code (as % of total Bank financing)		
Decentralization	33	33
Environmental policies and institutions	33	33
Municipal governance and institution building	17	17
Water resource management	17	17

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Jorge Familiar	Pamela Cox
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The Project Development Objective is to contribute to strengthen environmental capacity in the Borrower's key institutions by enhancing environmental management capacity of institutions at the federal, state, Federal District and municipal levels and by demonstrating the effectiveness of targeted partnerships focused on defined priorities.

Revised Project Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Environmental policy reforms among states participating in the program. (To measure enhanced environmental management capacity of state institutions)			
Value (quantitative or qualitative)	0	Not available	-	0
Date achieved	05/06/2009	12/22/2009		06/30/2016

Comments	Not achieved. There were no end targets for this indicator in the PAD. None of the states participated in the Program (Acre state withdrew prematurely), and data on state policy reforms were not collected.			
Indicator 2:	Increased capacity for environmental management at federal, state, Federal District and municipal levels. (To measure enhanced environmental management capacity at all three levels of government).			
Value (quantitative or qualitative)	Not available	Not available	-	Increased environmental management capacity at federal level only. Federal government has now available certain tools, procedures, and equipment for more effective environmental management, as described in the report.
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments (incl. % achievement)	Not fully achieved. The federal agencies IBAMA and ICMBio increased their capacity to manage and support the licensing process by developing tools, guides and procedures for licensing two important economic activities (transmission lines and roads). The Ministry of Environment increased its capacity to maintain IT systems critical for environmental management, particularly the rural environmental cadastre. Environmental management capacity was not increased at the state and municipal levels as a result of the project as the states and municipalities did not participate in the project. (Certain policy initiatives were taken by several states, as stated in intermediate result indicators further below, but not as a result of participating in the project.)			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	At least 18 states demonstrate fulfillment of eligibility criteria in the policy reform matrix.			
Value (quantitative or qualitative)	0	18		2
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. Eleven states (Acre, Espírito Santo, Alagoas, Amazonas, Rio Grande do Norte, Amapá, Pernambuco, Piauí, Minas Gerais, Rondônia and Mato Grosso) submitted evidence for eligibility criteria in the policy reform matrix and two (Acre ¹ and Espírito Santo) qualified as eligible. Other states did not participate in the project.			

¹ Acre state signed an agreement/partnership (*convenio*) with MMA, but canceled it later. It had prepared a proposal for strengthening of its licensing capacity, got approval from the PCU and received funds, but returned the funds later due to internal disputes on applicable procurement rules, despite onsite assistance and training by the PCU.

Indicator 2:	At least 2 states begin implementation of partnership proposals for environmental assets (which would include baseline studies and specific targets) and at least five states begin identification and elaboration of partnership proposals to be approved by the Supervisory Commission.			
Value (quantitative or qualitative)	0	2		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. None of the states began to implement partnerships for environmental assets nor to identify and elaborate such proposals.			
Indicator 3:	Systematic monitoring and evaluation is carried out throughout the life of partnerships.			
Value (quantitative or qualitative)	0	Not available		None
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. No partnerships were implemented in/with the States and hence no M&E was undertaken.			
Indicator 4:	Thirteen or more states and IBAMA have fully functioning environmental licensing systems, which would include at least one of the following activities: (i) effective post- licensing monitoring; (ii) <i>on site</i> monitoring of productive activities; (iii) computerized licensing systems.			
Value (quantitative or qualitative)	0	13 States and IBAMA		IBAMA has a fully functioning computerized environmental licensing system.
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. IBAMA has a fully functioning computerized environmental licensing system. Studies, competency mapping, contributions to computerized licensing system implemented under the Program for Strengthening Federal Environmental Licensing (ProLAF) of IBAMA strengthened its environmental licensing process, increased capacity for licensing with quality, transparency, consistency and speed. Although all states have environmental licensing systems, but not necessarily fully functional ones, this is not a result of the project.			
Indicator 5:	At least nine states and IBAMA have produced a full set of manuals, procedures and technical standards for the three most important typologies of activities to be licensed.			
Value (quantitative or qualitative)	0	9 states and IBAMA		IBAMA produced procedures and technical guidance for two typologies of investments (power lines and roads)
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. IBAMA produced procedures and technical guidance for two typologies: roads and transmission lines but none of the states produced these as the states did not participate in the project.			
Indicator 6:	Based on the implementation of new or revised norms, 3 states reduce the time of issuance of preliminary licenses for the three typologies most important in the state.			
Value (quantitative or qualitative)	0	3		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the project.			

Indicator 7:	At least eight municipalities in five or more states are currently engaged in environmental licensing are outfitted with necessary institutional arrangements, equipment, computerized systems and trained staff (according to the criteria established by the State Environmental Council).			
Value (quantitative or qualitative)	Not available	8		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved – Municipalities did not participate in the Project.			
Indicator 8:	Seven or more states have implemented (or strengthened) a monitoring system for the most pressured natural resource for which management decisions require information. The system includes: (i) systematized processing of information; (ii) timely public dissemination of information (iii) evidence that information is being used in management and/or enforcement decision making.			
Value (quantitative or qualitative)	Not available	7		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the Project.			
Indicator 9:	At least four states have implemented (or improved on) economic instruments as a mechanism to promote the conservation of natural resources and/or pollution reduction.			
Value (quantitative or qualitative)	Not available	4		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the project. Although 16 states have legislation on the ecological sales tax, which favors municipalities with higher percentage of protected areas in the distribution of state tax revenue, this was not as a result of the project.			
Indicator 10:	At least eighteen states have updated (or identified) their key environmental priorities following a participatory methodology.			
Value (quantitative or qualitative)	0	18		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the Project.			
Indicator 11:	At least 15 states have approved forestry legislation.			
Value (quantitative or qualitative)	0	15		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the Project. 15 states and the Federal District have forestry legislation in place, but not as a result of the project.			
Indicator 12:	At least 14 states have a working council for water resources.			
Value (quantitative or qualitative)	Not available	14		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the Project. All states and the Federal District have Water Resource Councils, but not as a result of the project.			
Indicator 13:	At least 8 states have an integrated management plan for solid wastes			
Value (quantitative or qualitative)	Not available	8		0
Date achieved	05/06/2009	12/22/2009		06/30/2016
Comments	Not achieved. States did not participate in the project. Although 8 states have a solid waste plan, and in six states, solid waste plans are under preparation, this was not as a result of the project.			

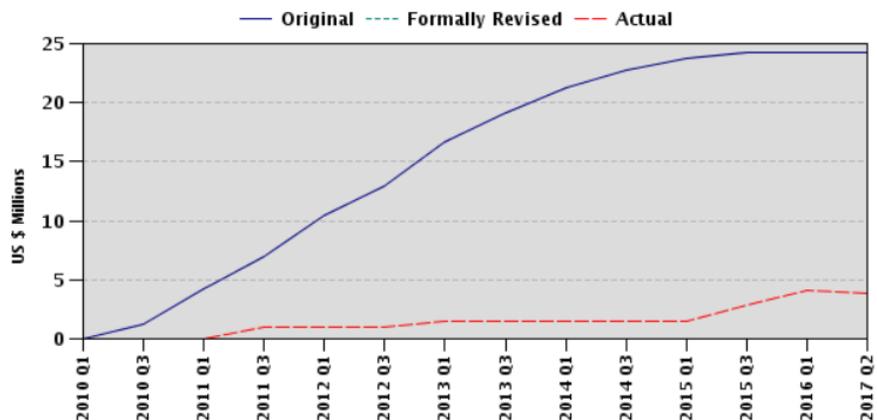
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/19/2009	Satisfactory	Satisfactory	0.00
2	05/17/2010	Moderately Satisfactory	Moderately Satisfactory	0.00
3	02/23/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	0.95
4	08/13/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	0.95
5	01/01/2012	Moderately Unsatisfactory	Unsatisfactory	0.95
6	07/09/2012	Moderately Unsatisfactory	Moderately Unsatisfactory	0.95
7	03/04/2013	Unsatisfactory	Unsatisfactory	1.45
8	12/23/2013	Unsatisfactory	Moderately Unsatisfactory	1.45
9	07/21/2014	Unsatisfactory	Moderately Unsatisfactory	1.45
10	12/16/2014	Unsatisfactory	Moderately Unsatisfactory	2.80
11	07/14/2015	Unsatisfactory	Moderately Unsatisfactory	2.80
12	03/28/2016	Unsatisfactory	Moderately Unsatisfactory	4.09
13	06/29/2016	Unsatisfactory	Unsatisfactory	4.09

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
10/21/2014		U	MU	1.45	Extension of the Closing Date to allow the new team in MMA, after elections, to endorse the full-fledged restructuring.
09/30/2015		U	MU	4.16	Extension of the Closing Date to allow MMA to have its full-fledged restructuring request approved internally by the Government of Brazil (GoB).

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. Decentralizing environmental management from the federal to the state and municipal levels was one of the main thrusts of a series of projects aimed at improving environmental management in Brazil, funded by Bank loans, under the “National Environment Program” (NEP). NEP II was planned as an Adaptable Program Loan with three phases. Phase 1 (2000 - 2006) focused on solidifying the SISNAMA at the state level through 43 subprojects and activities carried out in 17 states. Its overall outcome was rated “Satisfactory”. The triggers for proceeding from Phase 1 to Phase 2 had been fulfilled in 2006. Phase 2 was split in 2008 in two sub-phases upon request by the financial authorities. The Project evaluated here is the first sub-phase of the second phase (Sub-phase 2A). It was to be followed by a sub-phase 2B and by Phase 3, which have not been and will not be initiated.

2. Brazil has had adequate and comprehensive environmental legislation for some decades, which allowed for regulating economic activities and use of natural resources, including instruments such as environmental assessments, licenses², monitoring, land cover requirements, etc. However, an adequate legal framework requires institutions capable of applying these instruments effectively and efficiently (“environmental management”). Strengthening the capacity of environmental institutions at all levels had been and continues to be a prime need for the development of Brazil’s public sector.

3. By law, federal, state and municipal governments have concurrent responsibility for environmental management. Environmental agencies at the three levels form the National System of Environment (SISNAMA), within which environmental management is shared among the three levels. Most licensing is performed by state governments³. The federal Brazilian Institute for Environment and Renewable Natural Resources (IBAMA), operates mainly in the licensing of large infrastructure projects with impacts in more than one state, among others.

4. The project was appraised in 2009, when a substantial growth phase of the Brazilian economy came to a temporary end. Brazil’s Accelerated Growth Program (PAC) had been launched in 2007 to promote large investments by the federal government and state enterprises. These investments depended critically on licenses issued by IBAMA, which explains the political interest in strengthening mainly federal environmental agencies. Later on, starting in 2011, Brazil entered a period of declining growth, and was followed by the deepest recession in more than a century in 2015 and 2016, as described in Annex 10.

5. Despite the satisfactory result of NEP I, the genesis of the project was difficult for a variety of reasons:

- The change in the management of the Ministry of the Environment (MMA) during appraisal (2008) resulted (before conclusion of appraisal) in a stark drop in the interest of MMA in promoting the participation of the states, and was associated with a clear shift in preference towards support for federal agencies only.

² Called permits in other countries

³ <http://www.mma.gov.br/port/conama/estr1.cfm>

- Reliance on continued UNDP support for technical and procurement functions, against internal advice in the Bank, and against national legal limitations in the use of UNDP for regular administrative functions. UNDP support ended in 2009 (just after approval) and was not renewed. This resulted in inadequate staffing and support of the Project Coordination Unit (PCU) to attend to states under the complex project design.
- Lack of readiness of participating federal environmental agencies to make concrete proposals for use of loan funds for institutional strengthening (Federal agencies, particularly IBAMA and ICMBio, were not involved in project preparation and had not been asked to prepare proposals for funding under the project).

6. In summary, in retrospect, the project was not in a condition for satisfactory implementation from the start, and continued for several years despite inadequate initial implementation capacity and support.

1.2 Original Project Development Objectives and Key Indicators (*as approved*)

7. The Project Development Objective (PDO) as stated in the Financing Agreement⁴ was to “contribute to strengthen environmental capacity in the Borrower’s key institutions by enhancing environmental management capacity of institutions at the federal, state, Federal District and municipal levels and by demonstrating the effectiveness of targeted partnerships focused on defined priorities”. The PAD adds: “This would be accomplished by enhancing the environmental management capacity of institutions at the Federal, State, Federal District and Municipal levels and by demonstrating the effectiveness of targeted subprojects focused on defined priorities.” The priorities were to be defined under the project.

8. PDO outcome indicators were defined as (a) “environmental policy reforms among states participating in the program”, and (b) “increased capacity for environmental management at federal, state, Federal District and municipal levels.”

9. Three intermediate outcomes were defined: (a) Increase in the effectiveness of environmental institutions at the federal, state, Federal District and municipal levels; (b) Adoption of environmental management reforms by participating states; and (c) Strategic use of resources to address environmental priorities through environmental assets partnerships.

10. Intermediate outcomes were to be measured by thirteen indicators, listed in the Results Framework Analysis above. With one exception, these intermediate results indicators refer to results to be achieved or actions to be taken by the states, not federal government institutions.

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

11. There were no changes to the PDO and indicators despite two attempts to restructure the project.

⁴ The PDO in the PAD was worded slightly differently as “To contribute to strengthening environmental capacity in key Brazilian institutions. This would be accomplished by enhancing the environmental management capacity of institutions at the federal, state, Federal District and municipal levels and by demonstrating the effectiveness of targeted partnerships focused on defined priorities”.

1.4 Main Beneficiaries

12. The main direct beneficiaries of the Project were the institutions involved in implementing environmental policies and laws at the federal and state levels. At the federal level, this included IBAMA and the Chico Mendes Institute for Biodiversity Conservation (ICMBio, a national park service) and other federal agencies. Other beneficiaries were to be the environmental agencies (OEMAs - *Agências Estaduais de Meio Ambiente*) of the 26 federal states and the Federal District, municipal environmental agencies, and, incidentally, the parties interested in getting their economic activities and investments licensed.

13. To participate, states had to fulfill at least eight eligibility criteria of their choosing from a matrix of 15 categories of environmental policies. The matrix was modified from a version used under Phase 1. Evidence submitted by the states on criteria fulfillment was to be reviewed by the PCU of the Project, and approved by a Supervisory Commission at MMA. A state could receive up to two grants under the Project. Technical assistance (TA) was to be made available to help states with scoring for higher eligibility levels.

1.5 Original Components (as approved)

14. The Project had three components, as described below:

15. Component 1: Institutional Development (US\$25.7 million total, US\$18.0 million IBRD). Provide support to the Borrower and eligible states through selected partners for specific activities to: (1) strengthen environmental licensing policies and procedures at the federal, state, Federal District and municipal levels; (2) implement an environmental monitoring system integrating the existing state, Federal District and municipal environmental monitoring networks into MMA's environmental information system and enhanced processing and analysis capacity for environmental monitoring networks; and (3) promote innovative economic instruments for environmental management, such as environmental audits, payment for environmental services, tradable permits, and environmental taxes based on the *polluter-pays* principle.

16. Component 2: Integrated Management of Environmental Assets (US\$3.0 million total, US\$2.10 million IBRD). Support to Borrower and eligible states through project partners to identify, rank and address key environmental challenges in their territories and to carry out "partnerships" to adopt integrated management of sustainable practices.

17. Component 3: Coordination, Dialogue and Communication (US\$ 5.0 million total, US\$3.5 million IBRD). Support to the Borrower's technical and administrative capacity to manage partnerships and project activities by strengthening the organizational and operational structure of the Project Coordination Unit (PCU), including channeling technical assistance and capacity building to eligible states and project partners, follow-up on eligibility criteria for eligible states, develop Partnership proposals, follow-up on environmental licensing procedures at the federal, state, Federal District and municipal levels, coordinate with the Supervisory Commission for the review and endorsement of Partnership proposals, coordinate with other academic, public and private partners and stakeholders for the implementation of the Project; and information management through the development and implementation of a management information system that ensures widespread dissemination of lessons learned from current and past activities related to the Project and helps build public support and awareness for environmental initiatives in the Borrower's territory.

1.6 Revised Components

18. The components were not formally revised, although there had been two attempts at project restructuring that eventually were not approved by the Bank ultimately not successful.

1.7 Other significant changes

19. The scope of the project as implemented was reduced substantially, focusing almost exclusively at the federal level. States and municipalities, with one exception (Acre state), de facto did not participate in the project, although eleven states applied for eligibility by submitting the necessary documentation⁵, and two became eligible (Acre and Espírito Santo). Thus, Component 2 was not implemented at all, and Component 1 strengthened the MMA, as well as its subordinate agencies, IBAMA and ICMBio.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

20. Project preparation started immediately at the end of the Phase 1 project, but dragged on for more than two years. The project was squarely founded upon the design, experiences and on some of the lessons learned under Phase 1 project, and was meant to continue this approach. In March 2008, there was an appraisal mission, preceded by a QER review and followed by a Decision Meeting, which downgraded the mission ex-post to pre-appraisal⁶.

21. Adequacy of MMA commitment. In May 2008, a new Minister took over MMA, followed by indications of lower interest of the new leadership in the project. It became increasingly clear that the principal interest of MMA in the project, should it proceed at all, was support for the federal licensing process under IBAMA's responsibility.

22. A second pre-appraisal mission took place in November 2008. More discussions with government on enhancing the focus on federal licensing and on joining or separating sub-phases A and B of the proposed Phase 2 project ended only in April 2009, with a decision to negotiate only Sub-phase A with a reduced loan amount of \$24.3 million and to consider the two pre-appraisal missions as appraisal missions. Processing was accelerated to negotiations (August 2009), Board approval (October 2009) and loan signing (December 2009).

23. The project became effective in February 2010.

24. **Soundness of the background analysis and Project design.** The project was designed as a continuation of the Phase 1 project, with some modifications, and was expected to continue the success of that phase. The ICR for the first phase project had qualified it as satisfactory and spelled out lessons learned. No major problems with implementation of the follow-up project were thus anticipated. Modifications included expanded coverage of states, deepening of environmental licensing and monitoring, development of economic instruments, and a revised matrix of criteria for state eligibility. The design of the project by thematic components and

⁵ The states of Acre, Espírito Santo, Alagoas, Amazonas, Rio Grande do Norte, Amapá, Pernambuco, Piauí, Minas Gerais, Rondônia and Mato Grosso.

⁶ The minutes of the decision meeting of April 3, 2008 stated "It was recommended that the mission of March 24-April 3, 2008 be officially a pre-appraisal and then upgraded after a virtual review of the revised PAD which would incorporate the meeting's suggestions." Meeting suggestions dealt with the PDO, indicators, institutional arrangements (including UNDP cooperation), procurement capability, and risks.

subcomponents was consistent with the PDO, i.e., improved environmental management capacity at the federal level and in the states.

25. The project incorporated some lessons from Phase 1. These included the proven viability of decentralizing environmental management and the willingness of states to have their capacity performance evaluated. Another lesson related to the need to develop baselines on selected key environmental problems (variables), against which to measure improvements in environmental quality in partnerships at state level was incorporated. Such baselines were not available at project start; they were expected to be submitted by states as a condition of approval of subprojects under Component 2. Eventually, as there were no such partnerships proposed and approved, there were also no baselines developed.

26. The project was not based on an explicit, systematic diagnostic of actual institutional capacity at federal or state levels, which would have identified weaknesses and their causes, as well as concrete opportunities for institutional strengthening. Moreover, there were no concrete plans or actions defined that could be implemented quickly after project start, even at the federal level, in spite of earlier government insistence to give preference to emergency measures related to federal licensing.

27. The design rested crucially on the assumption that MMA would be willing and able to promote the participation of the states as partners and stakeholders in SISNAMA. This assumption turned out to be wrong.

28. While Phase 2 was planned as a single project, the Federal External Financing Committee (COFIEX) insisted on splitting Phase 2 in two sub-phases, apparently out of concern over the participating states' capacity for financial management and procurement.

29. The project was indeed exceedingly complex, the earlier successes of the Phase 1 project notwithstanding. While agreements with federal agencies for fund transfer were less problematic, transfer to states required the use of partnerships (*convênios - matching grant funding agreements*) between MMA and a state or municipality. This instrument, in combination with other rules and regulations, including the Bank's own guidelines, which require a myriad of decentralized procurement actions and close financial oversight, was perceived as cumbersome by both the MMA and the states. Alternatives for funding state activities were considered (such as channeling the loan through a federal bank), but were discarded as unfeasible. While the complexity of implementation and funding agreements and associated procurement tasks could theoretically be managed with an appropriately staffed and organized PCU (up to 35 staff were foreseen to be on board), this was neither likely nor realistic at project start. The staffing deficiency could have been foreseen at appraisal and negotiations.

30. **The Project Development Objective** (PDO) was vague: "contribute to strengthening environmental capacity in key Brazilian institutions". It did not define what should be actually achieved, even in qualitative terms, it required only to contribute to a goal. Where an objective has to remain general (because it is to cover several separate sub-objectives), it is then imperative that PDO indicators define and measure what exactly the desired outcomes are. The two PDO indicators were not helpful: they introduced a new dimension of the PDO or simply restated it tautologically, but offered no way of verifying what exactly should have improved in environmental management. Measuring whether the project was achieving (or heading towards) the PDO was thus difficult.

31. The following three **intermediate outcomes** were not much more precise: “(i) increased effectiveness of environmental institutions, (ii) adoption of environmental management reforms by states, (iii) strategic use of resources to address environmental priorities through environmental assets partnerships”. However, there were reasonably clear and verifiable indicators for the intermediate outcomes that shed some light as to what improvements were expected at state level, referring to existence and application of laws, instruments, standards, procedures, staffing, etc., as ingredients of management capacity (see data sheet). They did not cover, however, effectiveness and efficiency of environmental agencies in carrying out their mandates. Importantly, with one exception, they referred only to actions or accomplishments *by the states*, not by federal agencies.

32. **Management and administration capacity.** It had been clear to all concerned that the project could not be carried out without some form of support to MMA’s regular cadre. MMA did not have its own staff in terms of number and expertise to carry out the tasks associated with the complex project design. Under earlier projects, UNDP entered into technical assistance project agreements with MMA (as had several other ministries and as was common practice in Brazil during the 90s and early 2000s). However, lessons learned from the Phase 1 project had indicated severe misgivings about UNDP’s performance.

33. Also, there were legal restrictions in Brazil on the use of international organizations such as UNDP, in projects funded from the federal budget, for services that could and should be performed by regular government staff, notably by a Presidential Decree of 2004⁷. Such restrictions had been reiterated several times by the Federal Accounting Court (TCU), most notably in 2009, in the case of UNESCO (United Nations Educational, Scientific, and Cultural Organization) support to the Ministry of Education, and were known to MMA.

34. Still, the second (pre-) appraisal mission acknowledged MMA’s statement to renew an ongoing UNDP TA project, scheduled to end in 2009, and that MMA would be seeking performance improvements from UNDP. Both the Bank project team and MMA would have accepted a continued UNDP role. UNDP technical assistance became part of the final design, mainly to support procurement actions (except for procurement by the states). The UNDP “option” was finally discarded by MMA only in 2011, in favor of implementation with the ministry’s own staff.

35. The PCU capacity problem was compounded by the fact that temporary civil service contracts of PCU staff were to expire in 2009 or early 2010. There was no perspective at the time for replacement by new MMA staff. The lack of external support together with the lack of internal staff affected implementation of the project. These difficulties were acknowledged by the Bank teams, however, the project proceeded to approval with unclear implementation arrangements

36. **Risk assessment.** The risk of weak management and administration within MMA was identified. However, the risk of not being able to contract UNDP or another technical assistance entity was not. The PAD was overly optimistic in the assessment of MMA’s ability to address this and did not consider the risk of not having UNDP or some other external support arrangement.

⁷ Decreto 5151 de 2004, Article 2 paragraph 6.

37. Interrupted or delayed flow of federal budget funds was assessed as a risk, based on the experience under Phase 1, but turned out to be irrelevant with slow implementation and minimal use of funds by federal agencies and zero use by state agencies. The risk of the states not participating was not mentioned, as their participation was assumed, after strong earlier signs of their willingness to take part. Another risk not mentioned in the PAD was the lack of preparedness of federal agencies, such as IBAMA and ICMBio, to propose activities for funding under the project.

38. **Readiness for implementation.** The project was thus not ready for implementation at effectiveness. It was built on assumptions that turned out to be incorrect and upon risks that were underestimated, affecting quality at entry.

2.2 Implementation

39. Implementation was extremely slow during the first two years (2010-2011), it picked up some speed in 2012, but was never rated better than moderately unsatisfactory.

40. Shortage of qualified staff, departure of temporary staff in 2010 and delays in replacing them, lack of managerial clout of the PCU, inability to contract external support, such as from UNDP, all contributed to very slow implementation. The Bank actually offered to fund temporary staff or consultants from the loan to support the PCU, and MMA consulted its legal department on that possibility, but never received a response. The performance of the PCU and the lack of attention by senior MMA management were severely criticized by the independent auditors in the first years.

41. The decision by MMA in 2011 to carry the administrative load with its own staff appears appropriate for medium and long-term institutional growth and strengthening, but posed a serious obstacle to short-term implementation. Hiring and training of new permanent staff took much longer than expected. After the project coordinator had left in mid-2010, a new coordinator was appointed officially only in June 2011, and a team of seven staff was in place only in the first half of 2012.

42. Eleven states had applied to become eligible for participation early on, but the documentation was only partially processed by the PCU, and submitted late to the Supervisory Committee, which only became operative in 2012. The interest of MMA in promoting the effective participation of the states had waned; the principal concern of the federal government had moved to licensing of large national infrastructure projects included in the PAC to be issued by IBAMA. MMA informed the Bank in late 2011 that it would henceforth focus on the federal level, leaving the work with states to 2013 and thereafter.

43. Implementation picked up in late 2012 and over the period 2013 through 2015. An action plan was negotiated in 2014, and significant improvements were seen in 2014 and 2015 in project management, particularly in financial management and procurement, when the number of bidding processes underway increased from one to eleven.

44. Restructuring. Restructuring was first requested by MMA in 2012 and endorsed by COFIEIX in 2013. The Bank team was in support of this proposal to simplify the project and accelerate implementation. The change consisted essentially of dropping support to the decentralization of environmental management to states and municipalities, canceling component 2, adding “process management” to component 1, and limiting implementation to federal agencies.

45. The Bank took a long time to process the request for several reasons: (i) the responsible lawyer from the Bank requested several clarifications regarding the recommendation of COFIEEX; (ii) there was a change of Task Team Leader (TTL), with the new TTL based in DC and only moving to Brasilia in November 2013; and (iii) protracted negotiations of an action plan which had to be complied with as a condition to move forward with the restructuring. Eventually, because of approaching elections, management decided to wait for the new federal government that would take office in 2015, and the project was only extended by nine months to September 30, 2015. In August 2015, MMA asked the Bank to extend the closing date by another nine months to enable it to submit a new thorough restructuring proposal, to provide support for the implementation of Brazil's new "Agenda for Environmental Sustainability and Climate Change", outlined by President Rousseff at the UN Assembly in September, 2015 and presented in full at COP 21 in Paris in December 2015.

46. At that time, the Bank's preference had been to close the loan and to prepare a new one. However, with tight public expenditure control by the Ministry of Finance, a new loan for the environmental sector was unlikely to be approved soon. MMA's Minister insisted on maintaining the loan as an instrument to benefit from the Bank's technical support, which was seen as strategic for implementing GoB's climate agenda. The closing date was extended to June 30, 2016, with the agreement that MMA would request a cancellation of about US\$15 million from the remaining balance of the loan, accelerate implementation of ongoing project activities, and prepare a comprehensive Level 1 restructuring proposal by end of 2015.

47. In December 2015, MMA submitted a reduced restructuring request, which was approved by COFIEEX on March 16, 2016, including (i) project implementation at the federal level only, concluding ongoing activities related to the licensing process; and (ii) studies to support policy formulation to promote sustainable management of native Amazon forests and monitoring and controlling of energy use and greenhouse gas emissions in large cities. The preparation of these activities would benefit from the technical support of Bank executed trust funds. It would have extended the closing date by two years to June 2018, required cancellation of US\$15.7 million from the loan and adjusted PDO and indicators accordingly. Additional discussions took place, at the request of the Government, to explore options to reallocate part the cancelled funds to emergency activities to fight the Zika crisis; this option appeared to be institutionally very difficult and was eventually discarded.

48. The restructuring proposal was processed and would have been concluded in time, but was impacted by the impeachment process in Brazil. Uncertain of the new ministry's continued commitment, and with time running out to submit the restructuring to the Board, Bank management decided against the restructuring proposal and the loan closed on June 30, 2016.

49. Actual project expenditures are estimated at US\$6.53 million dollars, or about 15.6% of what was estimated at appraisal. Loan disbursements were US\$3.95 million, or 16% of the loan. However, it is worth noting that the Brazilian Real devalued from R\$1.78 per dollar at the approval date to more than R\$3.0 from Q3 FY-15 onwards, when disbursement ramped-up. Had the exchange rate remained unchanged, the disbursement rate would have been around 30%.

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

50. M&E Design. The PDO was vague and unclear (environmental capacity to be developed by enhancing environmental management capacity) and activity focused (to contribute to;

demonstrate effectiveness). It did not define the expected outcome of strengthened environmental capacity through aligned indicators, and included both means and ends (“by” statement). The Results Framework (RF) did not define the two PDO indicators in a verifiable way (how strengthened and enhanced environmental management capacity is to be measured), nor did it define target levels. It did not capture results at the federal and district levels as specified in the PDO. The PDO indicators also did not measure ‘demonstrating the effectiveness of targeted partnerships’ in the PDO. This made assessing progress towards the PDO challenging.

51. However, there were reasonably clear and verifiable indicators to measure the intermediate outcomes that shed some light as to what improvements were expected at state level, referring to existence and application of laws, instruments, standards, procedures, staffing, etc., as ingredients of management capacity. They did not cover, however, effectiveness and efficiency of environmental agencies in carrying out their mandates. Importantly, with one exception, they referred only to actions or accomplishments *by the states*, not by federal agencies.

52. M&E Implementation: There was no systematic monitoring and evaluation arrangement established in the PCU. Verification of the thirteen indicators for the intermediate outcomes would have been straightforward, but was not carried out, largely because most indicators referred to state actions and achievements, and thus were not considered relevant anymore. The need for baseline values and targets for the PDO and its indicators was recognized early, and studies to define them were recommended, but they were not carried out. The wide disconnect between actual evolution of the project and initial indicators was intended to be addressed through successive restructuring attempts.

53. MMA, in the later years of the project, did track carefully the outputs of the various activities and contracts.

54. M&E Utilization: There was no use made of any monitoring results.

2.4 Safeguard and Fiduciary Compliance

55. Safeguard Compliance. The project triggered three safeguards policies: Environmental Assessment (OP/BP 4.0 1); Involuntary Resettlement (OP/BP 4.12); and Indigenous Peoples (OP/BP 4.10). Component 2, “Integrated Management of Environmental Assets” was the only component at risk to specific social and environmental impacts. As the partnerships proposals under Component 2 were not known beforehand, an Environmental and Social Impact Framework (ESIF) had been agreed, to assess the social or environmental impact of partnerships, but also that of new policies in taxation or regulation under Component 1. An Indigenous Peoples Framework was prepared as a requirement of appraisal. None of the activities proposed, approved or executed under the project had social or environmental impacts that would have led to the application of the frameworks. Therefore, safeguards was satisfactory throughout the project life.

56. Fiduciary Compliance. The PCU (since 2012) struggled to comply with procurement management rules and procedures, and eventually gained experience. The Bank was helpful in offering multiple trainings and ad-hoc assistance to this end. Project activities that were implemented all followed applicable financial and procurement guidelines.

57. From a Financial Management (FM) perspective, the FM arrangements to manage and monitor the implementation of the start of the project, were overall considered adequate.

Shortcomings were mainly due to instability at the Borrower level, resulting in delays in finalizing the project reporting system, and need to strengthen internal control arrangements and a slow disbursement rate, which improved during implementation. Although four out of the first five supervision missions were rated Unsatisfactory or Moderately Unsatisfactory from a FM perspective, during supervision missions, the World Bank FM Specialist provided support to the project and repeatedly requested strengthening of these areas. Agreed action plans were mostly implemented but were not sufficient to improve disbursements rate. The FM risk rating was considered Substantial, during the first years of project implementation and improved to Moderate, during the last years of project implementation. Financial performance is rated as moderately satisfactory.

58. Procurement transactions and the quality of the documents were overall found to be of reasonable quality during project implementation. Nevertheless, there were major shortcomings faced during implementation and they adversely affected the procurement function, both in MMA as well as in the involved agencies. Most of the shortcomings were due to low capacity of implementing agencies and delays in decision making from the Borrower's side in identifying and giving priority to procurement activities. In addition, implementation results showed that the Borrower overestimated its procurement capacity by following an overly bureaucratic and complex internal flow that always caused delays in decision making with a direct impact on the project performance. Allied to that, the Borrower's procurement performance was completely bereft of a suitable monitoring system to support and supervise procurement transactions and contract management of other involved agencies such as ICMBio and IBAMA. Specifically, the Bank worked with MMA/PMU aiming to evolve project circumstances, solve issues and mitigating shortcomings as they came up over the course of the Project, especially in the area of procurement. As a result, project implementation faced many difficulties and Procurement performance is rated as Moderately Unsatisfactory.

59. Audit reports were generally received on time (with the exception of the 2010, 2011 and 2015 audit reports, which were delayed). With the exception of the first audit report, which was qualified because of payments (by other the project executors) to services not delivered, the remaining audit reports expressed unqualified audit opinions. All IFRs received during the life of the project were considered acceptable, although they were generally received after the agreed deadline.

60. Instances of ineligible expenditures were properly addressed by the project. These cases were due to payments of services not delivered. Finally, the delays in the implementation of the project ultimately, required the refund of funds that were transferred but not executed, by the various project executors.

2.5 Post-completion Operation/Next Phase

61. There are no prospects for post-completion operation or for a next phase at this time. The triggers for Phase 2B have not been fulfilled, and there is no dialogue with government about a subsequent phase of the NEP.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

62. **Relevance of Objective. Substantial.** The project objective -- strengthening environmental capacity in key Brazilian institutions – albeit vague, was clearly relevant at appraisal and remains so today. The Brazil Country Partnership Strategy (CPS) at the time of appraisal stressed increasing capacity for environmental management and implementation of environmental policies, and also underlined support for decentralization. The most recent CPS (2012-2015) stresses improving the effectiveness and efficiency of Brazil’s environmental management system as key priority. A specific objective was to improve efficiency and effectiveness of environmental licensing and monitoring systems.

63. **Relevance of Design. Modest.** The design of the project by thematic components and sub-components was consistent with the PDO, i.e., improved environmental management capacity at the federal level and in the states. Environmental licensing had been controversial, with allegations of slowness and lack of transparency of the process, and with strong political and economic interests trying to modify or even minimizing licensing. The focus of the project design on environmental licensing, monitoring and development of economic instruments (to complement command-and-control), streamlining, transparency was and remains relevant, as was the inclusion and collaboration of state and municipal agencies as essential parts of the national environment system SISNAMA. The inclusion of states turned out later on in implementation to not be in line with government priorities. It was proposed to address this change through a restructuring which did not materialize.

64. The underlying project as presented in the RF had major shortcomings. The PDO was not outcome oriented, was loaded with activities and did not specify the development challenge to be addressed. The PDO level indicators were not precise or measurable and intermediate outcome indicators mostly captured activities at the state level and did not reflect the activities of the project which were mostly at the federal level.

3.2 Achievement of Project Development Objectives

65. The PDO comprises several sub-objectives and its vagueness and the ambiguity of the PDO indicators make project achievements difficult to measure;

66. Sub-objective 1 - To contribute to strengthen environmental capacity in the Borrower’s key institutions: Modest.

67. Sub-objective 2 - Enhancing environmental management capacity of institutions at the federal, state, Federal District and municipal levels. Modest at the federal level, nil at state and municipal levels: Overall negligible.

68. Sub-objectives 1 and 2 are measured by the following indicators:

PDO Indicator 1: “Environmental policy reforms among states participating in the program” are likely to have happened, but cannot be attributed to the project financing

since the states did not participate in the project⁸. Furthermore, indicator data was not collected from the states so this was not achieved.

PDO Indicator 2: “Increased capacity for environmental management at federal, state, Federal District and municipal levels” was achieved only at the federal level. Key federal agencies increased their capacity to manage (IBAMA) and support (ICMBio) the federal licensing process, and MMA in its capacity for environmental management. This was not fully achieved.

69. Three out of the 13 intermediate outcome indicators had some achievements. No project results are on record for the other ten indicators, all relating to legislation, plans or functions existing, or actions taken, at the state level. This is not to say that none were achieved, but that MMA did not seek the evidence, as the states did not participate. Besides, any achievements in the states could not be attributed to the project.

70. Intermediate Outcome Indicator 1: “At least 18 states demonstrate fulfillment of eligibility criteria in the policy reform matrix.” Eleven states submitted evidence of fulfillment of eligibility criteria in the policy reform matrix (target was 18), and two were qualified as eligible. There is no record of the acceptance of the eligibility of the other nine states. This was not achieved.

71. Intermediate Outcome Indicator 4: “Thirteen or more states and IBAMA have fully functioning environmental licensing systems which would include at least one of the following activities: (i) effective post-systems which would include at least one of the following activities: (i) effective post licensing monitoring; (ii) on site monitoring of productive activities; (iii) computerized licensing systems.” There is no proof of *fully functioning licensing* systems at the state level. Although all states have a licensing system, this cannot be attributed to the project. IBAMA has a functioning licensing system, which was improved and partially computerized under the project, but results do not cover the post-licensing monitoring and on-site monitoring of productive activities. This was not achieved.

72. Intermediate Outcome Indicator 5: “At least nine states and IBAMA have produced a full set of manuals, procedures and technical standards for the three most important typologies of activities to be licensed.” IBAMA has produced a full set of technical standards for two important typologies of activities to be licensed: roads and transmission lines, part from other important procedural and technical guides supporting the licensing process. This was not achieved.

73. The project allowed IBAMA and ICMBio to process licensing request in a more efficient, consistent, transparent and standardized way, with higher technical quality, predictability of process and more appropriately trained staff. The public can consult licenses issued at all levels. Governments have knowledge to design better economic instruments for environmental policy. MMA has a better presence in the web and improved computing power for its many publicly accessible systems. The possibility of funding of protected areas by mandatory contributions from benefitting agencies has been increased. Finally, MMA and its staff have acquired

⁸ Acre state signed an agreement/partnership (*convenio*) with MMA, but canceled it later. It had prepared a proposal for strengthening of its licensing capacity, got approval from the PCU and received funds, but returned the funds later due to internal disputes on applicable procurement rules, despite onsite assistance and training by the PCU.

substantial experience and knowledge with financial management and procurement under Bank-funded projects.

74. To corroborate achievements under sub-objectives one and two above, the following results (see pertinent outputs detailed in Annex 2) warrant registering:

- IBAMA has wider and deeper knowledge of how the Brazilian environmental impact assessment (EIA), licensing and compensation system compares with such systems and practices internationally. IBAMA officials have used the material produced under PNMA2 in congressional discussions on a proposed new federal licensing law.
- IBAMA now has available practical tools to guide EIAs and take rational licensing decisions, increasing the transparency and predictability of licensing for interested parties and the public, as well as the technical quality and consistency of EIA studies and decisions (see Annex 2 for details). The studies were funded by the loan and presented at a seminar in Brasilia in March 2016 to more than 450 participants⁹.
- IBAMA is finalizing the computerized “Integrated Environmental Management System (SIGA) ¹⁰”, to automate the licensing process, facilitate public access to documents and interaction with license applicants, and facilitate internal processing and data support for EIA studies. SIGA is being built using the tools mentioned above and developed and tested with software and hardware funded by the project.
- IBAMA and license applicants in two economic sectors now have available two technical guides developed by the project for EIA studies: for impacts of transmission lines and of roads. The guide on transmission lines was presented to and discussed by top public and private representatives of the power sector in December 2016¹¹; another seminar on the guide for roads will be held soon. Other sectors have already expressed strong interest in guides on other topics, such as petroleum exploration, hydro and thermal power generation, among others.
- There is now a guide for preparing terms of reference, developed by the project, for better-focused and scoped EIA studies, for use by IBAMA and other licensing agencies.
- The competencies for an improved licensing process have been identified by IBAMA, furthermore, the competencies available with its staff were mapped. As a result of the Project, IBAMA has now developed a training plan and the first training exercises on that basis have begun.
- The public has now access to virtually all environmental licenses issued in Brazil by IBAMA and subnational agencies, through the National Portal on Environmental Licensing¹² revamped by the project. Users can query the database by type of licensed activity, location, state of the license, issuing agency, and view pertaining documents. The site registered in 2016 7,808 users, 16,378 sessions, with 42,249 page views.
- The actual and potential distribution of endangered species of fauna in Brazil has been mapped by ICMBio with project funds (including pertinent hard- and software), which

⁹ [Link to seminar report and proceedings](#)

¹⁰ [Link to Instrução Normativa IBAMA on SIGA](#)

¹¹ Attendance lists on file

¹² [Link to National Portal on Environmental Licensing](#)

permits evaluating the impact of activities to be licensed on such species. This georeferenced database will be interlinked to SIGA.

- Federal and state governments are informed about the state of the art of the application of economic instruments for environmental policy in Brazil, based on a study funded by the project, which was disseminated and discussed in seminars with stakeholders.
- Government can raise funds for the implementation and management of protected areas on the basis of a proposal to regulate certain articles of the Federal Law of the System of Conservation Units (SNUC)¹³. The proposals were funded by the project. The articles oblige water supply/use agencies and power generating entities benefiting from a protected area to make financial contributions.
- MMA is able to operate and expand its data center by doubling its data processing capacity¹⁴ with the state-of-the-art equipment financed by the project. This allowed MMA to keep running its many systems and applications for internal and public use, such as the CAR database with its user interface for entering rural property data¹⁵, IBAMA's own licensing database as well as other IBAMA systems (since December 2016), and the National Portal for Environmental Licensing mentioned above, among others.

75. Sub-objective 3 - Demonstrating the effectiveness of targeted partnerships focused on defined priorities. Negligible.

76. This sub objective was measured by Intermediate Outcome Indicators 2 and 3 which were not achieved as no partnerships were implemented in/with the states.

77. While these results are certainly less than what was expected from the project, particularly with regard to state institutions, they are far from negligible and represent results for better institutional capacity, not mere outputs.

3.3 Efficiency

78. Activities financed under the project are environmental or public sector/institutional capacity strengthening, so it is challenging to quantify benefits in monetary terms. The cost effectiveness of the project funds disbursed, however, is modest, as the project improved systems and processes in MMA's and OEMA's service delivery over existing/alternative systems. This in turn improves overall efficiency in the allocation and use of public resource. Economic instruments also reduce enforcement costs although they would initially raise monitoring costs. Tools to guide EIAs and take rational licensing decisions, increasing the transparency and predictability of licensing for interested parties and the public, as well as the technical quality and consistency of EIA studies and decisions has led to efficiency gains. IBAMA's computerized Integrated Environmental Management System (SIGA) to automate the licensing process, facilitate public access to documents and interaction with license applicants, and facilitate internal processing and data support for EIA studies has addressed deficiencies which hindered efficiency and cost effectiveness. MMA expanded its data center by doubling its data processing capacity with financing from the project. This allowed MMA

¹³ [Link to Federal Law 9985 of 2002.](#)

¹⁴ MMA increased the storage capacity of the Data Center with counterpart funds, but did not count them as project cost.

¹⁵ [Link to CAR portal.](#) By end of 2016, 3.92 million rural properties have been registered, with a total area of 399 million hectares inserted into the database.

to keep running its many systems and applications for internal and public use, such as the CAR database with its user interface for entering rural property data. Collectively these efficiencies, and strengthened institutions at the Federal level, are critical in the context of Brazil as studies indicate that the economic cost of weak environmental management can be extremely high.

79. With proper advance planning, management and oversight, more results could have been achieved in much shorter time, but overall, the limited funds disbursed under the project were used efficiently.

80. Overall, efficiency is rated as Modest.

3.4 Justification of Overall Outcome Rating

81. The project objectives continue to be relevant to the priorities of Brazil. Although the project did not achieve its objective, it had some tangible achievements including knowledge gained, improved rules, guidelines and procedures, human resources trained and higher information technology capacity strengthen the institutions for doing a better, i.e., more efficient, more effective and higher quality job in licensing and monitoring economic activities and in adopting new tools for environmental policy.

82. The Relevance of Objectives is rated substantial and Relevance of Design is rated modest. With two sub objectives rated negligible, one sub objective rated modest and modest Efficiency, the overall outcome rating is Unsatisfactory.

3.5 Overarching Themes, Other Outcomes and Impacts

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

83. The activities implemented under the Project did not have an identifiable impact on poverty, gender aspects or social development, except improving environmental and social licensing.

(b) Institutional Change/Strengthening

84. The project has built the capacity of MMA and IBAMA for environmental management and significantly strengthened institutions at the Federal level. The deeper knowledge of the Brazilian environmental impact assessment (EIA) and licensing systems and adoption of international best practices cannot be overemphasized. The project allows IBAMA and ICMBio with the Integrated Environmental Management System (SIGA) to process licensing request in a more efficient, consistent, transparent and standardized way, with higher technical quality, predictability of process and more appropriately trained staff. The public has now access to virtually all environmental licenses issued in Brazil by IBAMA and subnational agencies, through the National Portal on Environmental Licensing.

85. The project has also strengthened management of protected areas and species. Government can now raise funds for the implementation and management of protected areas on the basis of a proposal to regulate certain articles of the Federal Law of the System of Conservation Units. It enabled ICMBio to map the actual and potential distribution of endangered species of fauna in Brazil, permitting evaluation of the impact of activities to be licensed on such species.

(c) Other Unintended Outcomes and Impacts (positive or negative)

86. None.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

87. No beneficiary survey or stakeholder workshops were held.

4. Assessment of Risk to Development Outcome

88. The development outcome, however limited, consists of increased knowledge, improved technical rules and procedures, transparency and predictability of environmental licensing, staff training and increased processing and storage capacity in support of licensing and other environmental management functions in federal institutions. Knowledge gained is not at risk of being lost, but of not being used. New rules, procedures, institutional systems, and training given may be lost due to staff turnover, which has been a chronic problem of Brazilian institutions, although has been diminished by the increase of permanent civil servants versus political appointees. IBAMA and ICMBio are highly professional institutions with a high percentage of committed permanent staff, but still suffers from turnover of appointed managers with any change in government. Improvements and expansion of capacity in information technology require regular maintenance as well as replacement investments. There is dedicated highly qualified IT staff in MMA, IBAMA and ICMBio, but IT will always be subject to the vagaries of budget allocations.

89. Rating: Moderate

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

90. The preparation of the project took a long time, and appraisal and negotiation of the project moved ahead in spite of the diminishing interest of the MMA after the change of minister in May 2008. As a result of pressure to approve the project, the appraised operation may not have been closely aligned with the government's changing demands and expectations. The project may not have represented what the federal government really wanted at the time. Component 2, which supported states, added much complexity to the project and was likely not a high priority for the MMA, and the government requested it to be dropped as part of their restructuring proposal. The ability of MMA to develop its procurement capacity and the expected support from UNDP were also underestimated at appraisal.

91. The PDO and its indicators should have been defined more clearly to make sure all parties understood the expected outcomes of the project and the level of capacity expected as a result of the project. A baseline diagnostic of existing institutional capacity and bottlenecks, at least at the federal level, would have enabled the project to understand the gaps and most pressing needs. Indicators could have specifically measured the quality, efficacy and efficiency aspects of environmental management, against a well-defined baseline.

92. As a result of these shortcomings, Bank performance at entry is rated Unsatisfactory.

(b) Quality of Supervision

93. There were many changes in team composition and leadership over time. The first TTL was based in Brasilia, the second in HQs and the third, and last, was based again in Brasilia. This allowed the team to maintain close contact with the PCU and MMA management during

the entire implementation time. The initial problems with project management due to the lack of capacity and staffing of the PCU and the lack of ownership in MMA during the first two years, were clearly noted and reported in the ISRs. The WB project team proposed actions and offered support, including training of staff. An Action Plan was prepared with eventually good results. Even without much progress, the ISRs were diligently prepared and the team reported on the performance indicators.

94. Once it became clear to the Bank that MMA really did not have the capacity or interest to continue working at the state level, the Bank accepted to simplify implementation and focus the project at the federal level interventions. These substantial changes are reflected in both restructuring proposals prepared by MMA.

95. Rating: Moderately Unsatisfactory.

(c) Justification of Rating for Overall Bank Performance

96. The Bank's preference was to close the project earlier given the many implementation problems and delays, and would have prepared a new project instead of extending this one. However, the Ministry of Finance did not favor approval of new loans, in particular during the economic and fiscal crisis. MMA management requested extension of the loan as an important instrument to benefit from the Bank's technical support in the policy dialogue on critical environmental policies, in particular regarding the new climate change agenda.¹⁶

97. Eventually, the Bank agreed to continue and restructure the project based on two restructuring proposals prepared by MMA, which included the cancellation of over 60% of the loan¹⁷. However, neither restructuring processes were completed, which meant that the problems with the disconnect between the PDO and the outcome indicators were never corrected and implementation challenges regarding the willingness and capacity to implement the state level component were never addressed.

98. Rating: Unsatisfactory.

5.2 Borrower Performance

(a) Government Performance

99. As a result of the change in minister, the level of commitment of MMA to the project declined during the last stages of project preparation, appraisal and negotiation in 2008 and 2009 diminished. The lack of strong support and ownership continued during the early stages of implementation in 2010-2011. MMA did not adequately staff the PCU and failed to establish a Supervisory Committee to provide strategic guidance. The replacement of UNDP, which was providing administrative support to MMA, never happened. This made it almost impossible for a poorly staffed PCU with limited resources to manage a complex project, which involved multiple federal and state agencies and included dozens of agreements with different agencies and a very large number of procurement processes and contracts.

100. Restricting the Project to the Federal level helped simplify implementation arrangement and advance some of the priority activities identified by the GoB, which focused

¹⁶ There were and still are several grant-funded projects (GEF, FIP and other trust funds) with the Bank as trustee, which gave it also a seat at the table.

¹⁷ The restructuring proposal that was almost approved by the Bank is in Annex 12.

on strengthening IBAMA, the federal agency responsible for licensing large-scale infrastructure investments.

101. In the later stages of implementation, the MMA developed a stronger dialogue with the Bank and prepared two restructuring proposals to try to extend the project, one even included substantial cancellation of funds. Neither one was ever approved, but MMA's commitment in later stages of project implementation was evident as it implemented a number of activities between 2014 and 2016 that had some noticeable results.

102. Rating: Unsatisfactory.

(b) Implementing Agency or Agencies Performance

103. MMA was the main implementing agency, but also relied on IBAMA, the federal environment agency, and ICMBio, the federal park service and agency concerned with conservation of biodiversity to implement a number of activities. It took both agencies a long time to prepare concrete proposals for funding under the licensing subcomponent of the Project. IBAMA had clear ideas regarding the need to improve the federal licensing process and began formulating a Program for Federal Environmental Licensing (ProLAF, see Annex 2). Both IBAMA and ICMBio became more proactive after 2014 and were able to satisfactorily complete their activities under the project. From late 2013 onwards, PCU staff in MMA also made serious efforts to get up to speed with financial management and procurement, with active Bank support. As a result, project management improved substantially in the last years of implementation.

104. Rating: Moderately Unsatisfactory.

(c) Justification of Rating for Overall Borrower Performance

105. The overall rating of the Borrower's performance is unsatisfactory because of (a) the weak institutional support to the project in the early years of implementation, (b) the failure to achieve most of the project objectives to a satisfactory degree, and (c) while the Project objectives focused on capacity improvements for both federal and state level institutions, ultimately the latter did not benefit from the Project.

106. Rating: Unsatisfactory.

6. Lessons Learned

107. **Client ownership has to be accurately assessed at each stage in project preparation.** The final stage of appraisal must continue to assess carefully whether the basic concept and design of a project is still fully owned by the client, especially when project preparation extends over long periods of time as was the case here. The political and institutional context may change from project preparation through appraisal, and often entail changes in priorities and interests. In the case of this project, new MMA management (in 2008) had signaled to the Bank that it was much more interested in working at the federal rather than at the state level.

108. **Effective management and administration capacity of the implementing agency should be secured before loan effectiveness.** Ministries are not usually geared to host "projects" with their demands in terms of staff for management and coordination, financial management, procurement, etc. Recruitment of new civil servants via "*concurso público*" is a slow and cumbersome process. MMA decided to shoulder the responsibility with its own staff, which has worked in very few other ministries (i.e. project META – P126537 - in the Ministry

of Mines and Energy), but did not work satisfactorily in the case of MMA. Arrangement for support to the regular ministerial structure must be sought and secured before project start. Other projects at MMA have relied on NGOs (and in some cases, on state-owned banks) to perform fiduciary work. Having an adequate team for coordination and administration in place, whether in-house or not, should be a condition of negotiations or loan effectiveness, and not just creation of a unit on paper.¹⁸

109. **Analysis of the institutional capacity gap is key.** Institutional strengthening should be based on addressing specific, identified problems with specific measures, part of which should be defined before project start. Project preparation did not analyze weaknesses in federal and state agencies, and the causes of such problems. Activities were left to be proposed by the agencies after approval and it took a long time for them to define subprojects to be funded from the Project.

110. **Technical Assistance components and activities are to be well defined by approval.** While ICRs of TA projects with other ministries in Brazil (i.e. P076977 - Energy Sector Technical Assistance Project - ESTAL) stress the importance of keeping the description of components flexible to adapt to evolution of government TA needs, projects should only start if a minimum of implementable action has been well defined beforehand (the “first year” rule of readiness in Bank projects). This warrants the ownership from agencies and has proved to be possible and effective in the case of the multi-agencies, ESTAL follow-up TA project (P126537 - Mineral & Energy Sectors TA Project).

111. **An adequate M&E and Results Framework is required.** The PDO may be broad in the case of institutional development, but should be complemented with specific, more concrete special objectives, and verifiable results indicators that capture dimensions of improvement. The PDO was too general to be measured and lacked results indicators that would permit evaluating whether the objective had been achieved or not. In the case of large umbrella-type projects, it should be possible to split up the PDO in several specific objectives, each with its own results indicators, for final and intermediate outcomes.

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

(a) Borrower/implementing agencies

112. The Ministry of the Environment (MMA), through its General Coordinator of the NEP II, responded for the Borrower on the ICR draft dated March 2, 2017. (Ofício No 01/2017/PNMAI/SECEX/MMA). Its main concern was the "unsatisfactory" rating for overall Borrower performance, which MMA does not agree with, in light of the latest achievements in 2016.

113. Nevertheless, the Bank’s review considers the overall performance since the beginning of the Project, and in all areas of management, not only the Project team and staff directly involved in its implementation¹⁹.

¹⁸ Maintaining a PCU, with detailed staffing requirement was indeed an obligation of the Borrower in the Loan Agreement (Schedule 2, Section I.A, paragraph 2, LN 7782-BR).

¹⁹ In line with ICR guidelines, the ratings for government performance and implementing agency or agencies’ performance are combined into a rating of Borrower Performance. When the rating for one dimension is in one

114. MMA also states that the Bank did not consider the results of various activities that were implemented. While the Bank does consider all activities that were implemented, results must be measured according to the objectives and the Project's Results Framework and what the Project was expected to achieve at its approval. While Implementation Status and Results (ISR) Reports are prepared every six months and take into consideration the status of implementation for the preceding six months, the final ISR presents an overall view of Project implementation, taking into consideration the entire period of the Project, through an ICR lens.

115. The disbursement graph was revised, and it now shows the correct figures.

(b) Cofinanciers n/a

(c) Other partners and stakeholders n/a

range while the rating for the other dimension is in a lower range, the rating of overall Borrower Performance normally depends on the Outcome rating and defers to the lower rating based on this.

Annex 1. Project Costs and Financing

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

Components	Appraisal Estimate (USD millions)	Actual (USD millions)	Percentage of Appraisal
Comp. 1: Institutional Strengthening	25.76	4.10	15.9%
Environmental Licensing	17.16	3.70	21.6%
Environmental Monitoring	5.60	0	0.0%
Economic Instruments	3.00	0.40	13.3%
Comp. 2 : Integrated Mgmt. of Environmental Assets	3.00	0.00	0.0%
Comp. 3: Coordination, Dialogue and Communication	5.00	2.43	48.4%
Total Baseline Cost	33.76	6.53	
Physical Contingencies	0.96	-	
Price Contingencies	0.00	-	
Total Project Costs	34.72	6.53	18.8%
Front-end fee IBRD	-	0.06	
Total Financing Required	34.72	6.59	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual (USD millions)	Percentage of Appraisal
Borrower	Counterpart	10.42	2.64	25.3%
IBRD	-	24.30	3.95	16.3%

Annex 2. Outputs by Component

1. The project supported several studies within the scope of IBAMA that were significant and addressed the technical content of the Environmental Impact Assessment (EIA) and licensing process. The results were fundamental to organize and take advantage of environmental data, to increase the technical safety, to make available parameters for the preparation of environmental studies and to establish, in advance, the main environmental requirements to be considered in the management of environmental impacts. They strengthened the environmental licensing process and increased the transparency and consistency of the results, as well as the speed of technical and administrative procedures.
2. The studies carried out were part of IBAMA's Program for Strengthening Federal Environmental Licensing (ProLAF), under its Licensing Directorate of IBAMA. The objectives of ProLAF are: (i) to improve the quality of terms of reference for EIA studies; (ii) guide the preparation of EIAs; (iii) improve the analysis of environmental programs and their accompanying reports (indicators of results of prevention, mitigation and compensation of environmental impacts); (iv) systematize data, information and knowledge; (v) provide outcome indicators; (vi) promote safety and agility of the technical analysis procedures; (vii) provide tools to support analyses and decisions; (viii) increase the transparency of information; and (ix) enable the systematization of a historical data series, as well as the integrated analysis, modeling of scenarios and qualification of knowledge about the EIA. There were three components included in the ProLAF program.
3. The Project of Tool Development for the EIA process involved an exploratory phase (survey and research) and a propositional phase with the development of products to be used by IBAMA. The exploratory phase has been completed and included the following products:
 4. An international comparative study: survey of the Federal Environmental Laws, EIA and EC models in Brazil and comparative analysis with equivalent systems in the European Union, Germany, the Netherlands, Portugal, Australia, Canada, the United States and Chile;
 5. Checklists used in the licensing and EIA processes for project screening and classification, as well as for analysis and monitoring of impacts;
 6. Impact matrix for environmental studies: survey of data related to the analysis of environmental impacts in 72 EIAs submitted to IBAMA, with an analysis of the terms usually employed, of the consistency of the presented information, and of their relevance for the technical and decision support;
 7. Indicators: survey and analysis of environmental indicators and of indicators of management and monitoring of environmental programs, in available bibliographies and in LAF processes. Initiated in 2014, with funding from the Project, the first phase was completed in December 2015, the second in June 2016, and a complementary phase was expected to be finished in December 2016.

8. Competency mapping and training plan was aimed at promoting the management and training of the licensing staff in IBAMA, by competency. During 2014, the Environmental Licensing Board conducted the first Mapping and Competency Inventory for the positions of manager, environmental analysts, administrative and administrative analyst, funded by the Project. The inventory results, completed in December 2014, provided a consistent technical basis for capacity planning to meet the actual demand for skills, as pointed out by the staff and the management team. The competency survey also resulted in a training plan for the LAF prepared by team of the Licensing Directorate.

9. The Integrated Environmental Management System aimed at systematizing data, mapping and developing technological solutions for the automation of EIA, environmental licensing and environmental compensation (which is an obligation of those implementing economic activities or projects and meant to “compensate” for environmental damages caused by such projects or activities that could not be prevented or mitigated. The revenue is destined for funding protected areas). Started in November 2011, the first module went into operation in May 2014. The system includes the steps, activities, procedures, responsibilities, deadlines, costs and other data, and the availability of tools to support technical analysis and decisions.

10. The studies carried out included five modules: Module “Activity Characterization Sheet”; “Module of the Entrepreneur”; “Internal Workspace”, “Module Agencies Involved” and “External Module”. Started in November 2011, the first module went into operation in May 2014. The licensing module is in the final testing phase (through December 2016).

11. The results achieved by the set of activities and studies carried out with the resources of the NEP II were presented at a National Seminar entitled "Pathways to Strengthening Federal Environmental Licensing", held in Brasilia in March 2016, with the presence of more than 450 people and with wide repercussions at the national level.

12. A National Portal on Environmental Licensing has been created, is functional and being used by the public for consultation of federal, state and municipal environmental licenses issued.

13. A proposal for regulation of Articles 47 and 48 of the Federal Law of the System of Conservation Units (SNUC) has been prepared by consultants. These articles obliges water supply/water use and electricity-generating entities that benefit from a conservation unit (protected area) to contribute financially to its implementation and protection.

14. An analysis of the “state of the art” of the application of economic instruments for environmental policy at the federal, state and municipal level has been conducted, disseminated and discussed in seminars with stakeholders.

15. Data storage and server capacity of MMA has been increased to support, among other things, MMA’s web portal, the Rural Environmental Cadastre (CAR), the National Environmental Licensing Portal, and other databases and information heaps relevant for environmental management and administration by MMA.

Annex 3. Economic and Financial Analysis

1. The Project Appraisal Document explained in section IV.A “Economic and financial Analyses” why no cost-benefit analysis was conducted neither for the Phase 1 of PNMA nor for this Phase 2. The reason presented is that such analysis would not be possible for institutional strengthening or the fiscal impact on the state financial budget would unlikely be significant. In fact, isolating and measuring the economic value of the benefits associated to the activities effectively implemented by the project is not feasible.

2. The PAD also suggested that activities to be undertaken by the states under the monitoring component could generate data or at least description of costs and benefits that could then be used for the economic assessment of the partnerships with the states, in particular in case of specific activities related for instance to water quality improvement or solid-waste management. However, since no such partnership eventually took place, no such economic analysis could be conducted ex-post.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Angie D. Alva	E T Temporary	LCSSD - HIS	
Jorge Luis Archimbaud	Senior Country Officer	LCC5A	
Nicolas Drossos	Consultant	GGODR	
Daniel R. Gross	Consultant	GENDR	
Isabella Micali Drossos	Senior Counsel	LEGAM	
Alberto Ninio	Deputy Gen. Counsel, Operation	LEGVP	
Monica do Amaral Porto	Consultant	LCSWS - HIS	
Luis R. Prada Villalobos	Senior Procurement Specialist	GGO05	
Andrea Semaan	Consultant	OPSPF	
Renan Poveda	Senior Environmental Specialist	GEN04	
Adriana Moreira	Senior Environmental Specialist	GEN04	
Gunars Platais	Senior Environmental Economist	GEN04	
Luis Prada Villalobos	Senior Procurement Specialist	GGO05	
Marie Louise Damania	Consultant		
Marta Irving	Consultant		
Monica Porto	Consultant		
Andrea Semaan	Consultant	OPCSPF	
Frederico Rabello	Senior Procurement Specialist	GGO04	
Paula Freitas	Sr. Water Resources Specialist	GWA04	
Franklin Almeida	Consultant		

Simone Suhnel	Consultant		
Supervision/ICR			
Frederico Rabello	Senior Procurement Specialist	GGO04	
Adriana Moreira	Senior Environmental Specialist	GEN04	
Cassia Barreto	Consultant		
Cristina Roriz	Operations Analyst		
Sinuê Aliram	Senior Procurement Specialist	GGO04	
Maria João Kaizeler	Financial Management Specialist	GGO22	
Catalina Marulanda	Lead Urban Specialist	GSU10	
Jose de Arimatea	Consultant		
Frederico Pedroso	Disaster Risk Management Specialist	GSU10	
Alexandre Takahashi	Consultant		
Lucianna Matte	Consultant		
Janice Molina	Consultant		
Nicolas Drossos	Consultant	GGODR	
Daniella Ziller Arruda	Operations Analyst	GEN04	
Paula Pedreira de Freitas	Senior Water Resources Spec.	GWA04	
Gregor Wolf	Program Leader	LCC5C	
Guadalupe Romero Silva	Local Consultant ST	GEN04	
Christophe de Gouvello	Senior Energy Specialist	GEE04	
Alberto Costa	Senior Social Development Specialist	GSU04	
Clarisse Dall'Acqua	Senior Environmental Specialist	GEN04	
Danilo Carvalho	Procurement Specialist	GGO04	
Thiago Teodoro	ETC	GGO22	

Susana Amaral	Senior Financial Management Specialist	GGO22	
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(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		
FY07	8.53	39.07
FY08	14.45	118.37
FY09	13.87	84.15
FY10	3.76	12.96
Total:	40.61	254.54
Supervision/ICR		
FY10	4.36	20.08
FY11	6.57	37.40
FY12	7.88	75.52
FY13	7.58	69.78
FY14	12.17	57.86
FY15	18.96	84.53
FY16	28.41	110.28
FY17	8.11	18.49
Total:	94.04	473.95

Annex 5. Beneficiary Survey Results

Not applicable.

Annex 6. Stakeholder Workshop Report and Results

Not applicable.

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

1. The Ministry of the Environment (MMA), through its General Coordinator of the NEP II, responded for the Borrower on the ICR draft dated March 2, 2017. (Oficio No 01/2017/PNMAI/SECEX/MMA).
2. MMA does not agree with the "unsatisfactory" rating for overall Borrower performance, in light of the last achievements in 2016.
3. MMA does not agree with PDO indicator 2 stating as "partially achieved, at federal level", in light of earlier finding of Mid-Term Review in March 2016, that all project activities implemented contributed towards that objective. Similarly, MMA objects to the value zero for achievements under intermediate results indicator 8, in light of certain project activities implemented. MMA also mentions activities towards increased use of economic instruments as worth mentioning under intermediate results indicator 9.
4. MMA states that many project activities will have further policy consequences through time, and attaches its own completion report in support of this.
5. MMA does not understand the criteria for the ISR ratings in section G of the data sheet, particularly the reason for the drop-in rating from MU to U in the last trimester before the closing date.
6. MMA states that there is no official evidence for the statement that "the project was born with minimal chances to prosper, but was allowed to continue for several years despite inadequate initial implementation capacity and support", and that the Bank itself let the Program continue. In light of the ICR statement, MMA maintains that the actual achievements represent a victory deserving a better rating.
7. MMA states that they did their best in light of the fact that the project did not manage to work with states and municipalities, and that two restructuring proposals, prepared jointly with the Bank, were in the end not approved by the same Bank.
8. Regarding the ICR statement that "implementation picked up in late 2012 and over the period 2013 through 2015", MMA alleges that some of the most important activities were implemented still in 2016, with significant disbursements. It also states that in 2014 and 2015 new bidding processes were negatively affected due to the uncertainty whether new contracts could still be concluded in the remaining time.
9. Concerning financial management, MMA points out that the ICR statement that "all IFRs received during the life of the project were considered acceptable, although they were generally received after the agreed deadline" is not consistent with the mid-term review finding that "periodic financial reports are adequate and were submitted to the Bank within the defined deadlines".
10. MMA questions the following ICR statement: "Inefficient was probably the maintenance of a PCU, however small and ineffective, during the first two years of the project (2010-2011), as well as the cost of maintaining a somewhat stronger PCU for four years thereafter...", justifying that the costs of maintaining the team were necessary and justified.

11. MMA also states that there was no lack of commitment to the Program and support for it by the Ministry, in light of their putting in place a new PCU team, the attempts to restructure the project, and of some important activities before 2014 that were not considered.



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Ofício n.º **01** /2017/PNMAII/SECEX/MMA

Brasília (DF), **27** de março de 2017

A Sua Senhoria
CHRISTOPHE DE GOUVELLO
Gerente do Projeto PNMAII no Banco Mundial
Banco Mundial
70712-900 – Brasília DF

Assunto: Posicionamento da Coordenação do PNMA II sobre a minuta do documento **“IMPLEMENTATION COMPLETION AND RESULTS REPORT”** apresentado pelo Banco Mundial

Senhor Diretor - Brasil,

1. Vimo-nos por meio deste informar o posicionamento deste Ministério em relação à minuta do documento “Implementation Completion and Results Report” desse Banco Mundial (BIRD), de 02.03.2017.

2. Primeiramente, destaca-se a não concordância deste Ministério à avaliação de **“moderadamente insatisfatório”**, pois, apesar de reconhecer as dificuldades e problemas enfrentados na execução do Projeto e o não atingimento total das metas e indicadores, houve um evidente esforço institucional para enfrentar as dificuldades e produzir, na realidade enfrentada, os ótimos resultados que estão impactando positivamente nas Políticas Públicas de Meio Ambiente. Ressalta-se, inclusive, os apontamentos desses resultados e do esforço empreendido no próprio documento do Banco Mundial, que, apesar de ter reconhecido esses fatos, ao realizar a análise desconsiderou a importância dos mesmos,

3. Nesse sentido, segue os apontamentos deste Ministério:

a) **Item C. Ratings Summary, página v** - neste item a performance do Mutuário (MMA) é classificada de formas diferentes - item C.1 Borrower Performance é moderately unsatisfactory e no item C.2. Overall Borrower Performance é unsatisfactory – questiona-se aqui o fato de o MMA ter sua performance classificada de duas formas diferentes. Além do mais, este Ministério discorda da classificação em que foi pontuado, entendendo que deveria ser melhor classificado conforme os fatos apresentados no Relatório de Encerramento do Programa encaminhado ao Banco Mundial em 23.11.2017.

b) **Tabela (a) PDO Indicator(s), páginas vi, vii, viii e ix** cabe ressaltar que:

Para o indicador 2, embora tenha sido avaliado no quadro Actual Value Achieved at Completion or Target Years como Partially, at federal level, na missão de Meio Termo do Banco Mundial, em 21 e 22 de março de 2016, foi apontado que todas as atividades realizadas pelo projeto até o momento contribuíram para o atingimento deste objetivo.

Para o indicador 8, embora tenha sido avaliado no quadro Actual Value Achieved at Completion or Target Years como 0, na missão de Meio Termo do Banco Mundial, em 21 e 22 de março de 2016, foi apontado que várias atividades realizadas pelo projeto contribuíram para este indicador, como a elaboração de protocolos e mapas de vulnerabilidade para as espécies ameaçadas em extinção, os estudos para a regulamentação dos artigos 47 e 48 da Lei nº 9.985/00, a elaboração do diagnóstico do estado da arte dos instrumentos econômicos ambientais na implementação das políticas públicas de meio ambiente nos níveis federal, estadual e municipal, entre outros.

Para o indicador 9, embora tenha sido apontado que o resultado para este indicador não foi resultado do projeto em si, ressalta-se que o PNMA II realizou, por meio de contratação de consultoria, o diagnóstico do estado da arte dos instrumentos econômicos ambientais na implementação das políticas públicas de meio ambiente nos níveis federal, estadual e municipal. Durante a elaboração deste diagnóstico foram realizados 3 (três) seminários com o stakeholders dos instrumentos avaliados, representantes de governo e da sociedade civil para debater o tema. Assim, houve uma imensa troca e disseminação de experiências sobre os instrumentos e espera-se que o estudo e os seminários resultem na implementação de instrumentos por mais municípios e estados além da otimização dos instrumentos já existentes.

Ademais, cabe ressaltar que o período de avaliação do Programa foi muito próximo ao final da execução do mesmo, sendo assim, muitos desdobramentos das ações do Programa nas Políticas Públicas Ambientais Brasileira, que impactam os indicadores positivamente, ainda estão por ocorrer. Para melhor entendimento do que o programa representou ao MMA segue anexo à este ofício o Relatório de Encerramento do Programa elaborado pela UCP do PNMA II.

c) Item G. Ratings of Project Performance in ISRs, página ix – neste item está demonstrada a classificação do Programa por períodos, no entanto não está explícito quais os critérios utilizados para esta avaliação. Dessa forma, não é possível estabelecer o motivo da piora na avaliação da implementação do projeto no período de março a junho de 2016, sendo que este período foi o último trimestre do Programa, momento em que foi recebido os últimos produtos contratados.

d) Item I. Disbursement Profile, página x - neste item temos a avaliação do perfil de desembolso do Programa por ano, no entanto, nota-se que o gráfico apresenta o ano de 2017, sendo que o programa encerrou em 30.06.2016 e teve o período de graça, no qual realizou alguns pagamentos, até o dia 30.10.2016. Dessa forma, a queda no gráfico do ano de 2016 para o ano de 2017 não é realista, pois neste período o Programa estava encerrado não podendo, inclusive, realizar mais nenhum gasto.

e) Parágrafo 6 do subitem 1.1, página 2 – o Banco afirma que *“Em resumo, retrospectivamente, o projeto nasceu com poucas chances de prosperar, mas foi autorizado a continuar por vários anos, apesar da inadequada capacidade inicial de implementação e apoio.”*. Observa-se que não há documento oficial que apresente esta análise e que o Programa foi autorizado a continuar tanto pelo Banco Mundial, que acompanhou o desenvolvimento do programa pari passu, quanto pelas esferas competentes do Governo Brasileiro. Ademais, tendo em vista esta análise de que o Programa estava fadado ao fracasso, todo o resultado alcançado pelo PNMAII deveria, então, refletir uma considerável vitória resultando em uma melhor classificação na análise do Banco Mundial.

f) Subitem 1.3 e Subitem 1.6, páginas 2 e 3 - Ressalta-se que as duas tentativas de revisão do projeto, que continham proposta de revisão dos Objetivos de Desenvolvimento do Projeto, proposta de revisão dos componentes e proposta de revisão dos indicadores, foram aprovadas pelo Governo Brasileiro, não tendo sido aprovadas pelo Banco Mundial, apesar das propostas terem sido construídas juntamente com o Banco Mundial. As propostas de reestruturação do Projeto foram baseadas na realidade em que o PNMAII encontrava-se, por não conseguir implementar as ações com estados e municípios e enfatizando as atividades a nível federal e assim mitigar e diminuir os riscos de implementação do projeto. Com a não aprovação das propostas de reestruturação a UCP do PNMAII prosseguiu com as atividades possíveis, mas que não conseguiam atender como um todo os objetivos e indicadores do Programa.

g) Parágrafo 40, do Subitem 2.2, página 7 - Neste parágrafo é pontuado que a implementação do programa melhorou no final de 2012 e depois no período de 2013 a 2015 e que houve um significativo aumento em 2014 e 2015, momento em que as licitações em andamento saltaram de uma para onze. Há de se enfatizar aqui, que entre 2015 e junho de 2016, o PNMA II realizou algumas de suas atividades mais importantes, como a elaboração dos manuais para duas tipologias de licenciamento ambiental federal e a aquisição de servidores que duplicou a capacidade do DATA Center do MMA garantindo a boa eficiência do Portal Nacional de Licenciamento Ambiental e do Cadastro Ambiental Rural, assim como, o bom funcionamento da database de licenciamento do IBAMA, alojados nestes novos servidores. Sendo essas duas atividades responsáveis por significativa parte dos desembolsos do Programa. Ressalta-se ainda, que, nos anos de 2014 e 2015 (períodos previstos para encerramento do Programa), a realização de novas licitações foi prejudicada pois não havia certeza se haveria tempo hábil para a conclusão de novos contratos, principalmente pela demora da aprovação das novas vigências pelo Banco Mundial.

h) Parágrafo 53, do Subitem 2.2, página 9 – Neste parágrafo o Banco Mundial afirma que os IFRs geralmente foram aceitos após os prazos acordados, no entanto, contradiz o que foi registrado por este Banco na Missão de Meio Termo realizadas em 21 e 22 de março 2016, em que diz *“Os relatórios financeiros periódicos estão adequados e foram encaminhados ao banco nos prazos definidos”*.

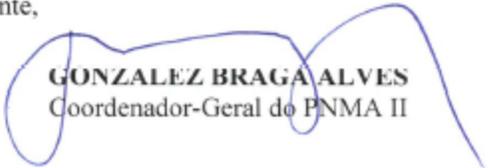
i) Parágrafo 64, do Subitem 3.3, página 13 - Neste parágrafo é pontuado pelo Banco que *“Ineficiente foi, provavelmente, a manutenção de uma UCP, embora pequena e ineficaz, durante os dois primeiros anos do projeto (2010-2011), bem*

como o custo de manter uma PCU um pouco mais forte por quatro anos depois para contratar e supervisionar o número reduzido Dos contratos públicos (2012-2016).” Nota-se que, conforme estabelecido no Acordo de empréstimo, era necessário que o MMA disponibilizasse uma equipe mínima, com uma previsão de o Programa chegar a ter 35 pessoas na equipe da UCP, fato que foi pontuado diversas vezes pelo Banco Mundial e nas auditorias da CGU. Em 2012, quando o MMA fortaleceu a equipe da UCP, mesmo sendo ainda uma equipe enxuta, verificou-se um aumento significativo na execução do Programa. Assim entende-se que os custos para a manutenção da equipe foram necessários e justificáveis.

j) Parágrafo 82 e 83. do Subitem 5.2, página 15 – Aqui, ao analisar a performance do Governo Brasileiro, o Banco Mundial classifica como sendo insatisfatório, o que contradiz o Item C. Ratings Summary da página v que classifica a performance do mutuário como moderadamente insatisfatória. No mais, há de se esclarecer que não houve falta de comprometimento deste Ministério com o Programa, visto o aporte de nova equipe à UCP, as tratativas diversas com o Banco Mundial para reestruturar o PNMAII e o esforço da equipe em conseguir melhorar a execução do mesmo. Evidencia-se que, ao mencionar que o tudo o que foi alcançado pelo projeto aconteceu entre 2014 e 2016, desconsidera-se todo trabalho realizado para a elaboração dos Termos de Referência e editais e as licitações que ocorreram nos anos anteriores e que possibilitaram as atividades realizadas nos anos seguintes.

4. Dessa forma, conclui-se os apontamentos deste Ministério ao Relatório apresentado. Solicita-se que seja considerado as observações acima na conclusão deste relatório e que, caso não seja possível considerá-las, que seja publicitado este ofício juntamente com o Relatório do Banco Mundial. Segue anexo o Relatório de Encerramento do PNMAII e o documento referente à Missão de Meio Termo do Banco Mundial realizada em março de 2016.

Atenciosamente,


GONZALEZ BRAGA ALVES
Coordenador-Geral do PNMA II

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Not applicable.

Annex 9. List of Supporting Documents

MMA, Relatório de Encerramento do Programa Nacional do Meio Ambiente – PNMAII, Nov. 1, 2016

IBAMA, Licenciamento Ambiental Federal – LAF, Guia Prático LAF, Vol. 1 (em edição), 2016

IBAMA, Avaliação de Impacto Ambiental, Caminhos para o Fortalecimento do Licenciamento Ambiental Federal – Resumo Executivo, 2016

Annex 10. Brazil’s Macroeconomic Context

1. Following years of relatively rapid growth during the commodity boom from 2004-2010, Brazil entered a period of declining growth from 2011-2014. Growth averaged 4.5% between 2004 and 2010, 2.4 percent between 2011 and 2014, culminating in near stagnation in 2014. It was during the period of declining growth from 2012-2014 that a number of states requested support to maintain services and where possible to accommodate fiscal adjustment. At the time, the slowdown was seen by all analysts as a temporary phenomenon, likely to result in zero growth in 2015 and a gradual recovery thereafter.

2. In fact, the slowdown of 2011-2014 was followed by the deepest recession in more than a century in 2015 and 2016. Growth in the previous decade was largely based on favorable external conditions, consumption, and an expanding labor force. As these drivers were increasingly exhausted, structural constraints on potential growth became binding.²⁰ Moreover, a structural fiscal problem became apparent. During the boom, rising real revenues were able to accommodate increasing (and downwardly rigid) expenditures, particularly a generous pension system and other expenditure commitments enshrined in the constitution. As growth declined so did public revenues. The policy response was initially to try and boost the economy through subsidized credit, tax breaks and other subsidies, all of which contributed to a deterioration of the fiscal position, and implicitly assumed that the slowdown was temporary. In fact the recession in 2015 was deepened by the impact of the *Lava Jato* corruption investigation, which contributed to paralyze investment, reduced the ability of the Government to act, and drove confidence to record low levels. The result was that in 2015 GDP fell by 3.8 percent, and is projected to fall by a similar amount in 2016.

3. Falling revenues and rigid public spending drove the fiscal deficit to over 10 percent of GDP in 2015. The primary balance deteriorated from a surplus of 2.2 percent of GDP in 2012, to a deficit of 1.9 percent in 2015, and despite fiscal adjustment measures is likely to reach a deficit of 3.1 percent in 2016. During 2015 and early 2016 the government attempted

²⁰ These include infrastructure bottlenecks, high labor costs and low skill levels, a high tax burden and onerous tax system, excessive administrative burdens, shallow credit markets, and barriers to competition and international trade.

to pursue fiscal consolidation but was ultimately unable to reverse the trend of rising deficits, owing partly to the political crisis, including the presidential impeachment and the ever widening Lava-Jato investigation, which implicated many politicians. This has undermined market credibility and kept interest rates high, resulting in a deeper economic contraction.

4. The effects of the crisis on subnational finances has also been devastating. The boom of revenues until 2011 was felt at the subnational level as states receive the bulk of their income from complex rule based tax sharing mechanisms, and, in the case of a few states such as Rio de Janeiro, from oil royalties. At the same time, the vast majority of expenditure by states is mandated either by the constitution or federal legislation. Thus, levels of health and education spending are rigid, as are public pension obligations. At the same time, there are legal limitations on sacking public employees. The effect of these rigidities were to make fiscal adjustment in the face of falling revenues, almost impossible. Heavily indebted states such as Rio de Janeiro, Rio Grande do Sul and Minas Gerais, cut the little remaining investment and very soon were unable to meet payments of suppliers or wages on time. As the crisis continues, other states are facing a similar predicament. Even in cases in which fiscal adjustment is attempted at the state level, measures are often overturned in the state legislative assemblies. The Government is currently trying to develop a mechanism to bail out states, which have become insolvent, without creating moral hazard.

5. The crisis has also had dramatic effects on social indicators. Rising unemployment and falling real wages mean that past progress in poverty reduction is being reversed. In the current recession 1.6 million formal jobs were lost in 2015 and losses continued during 2016. Unemployment remained low at 6.5 percent until the end of 2014, but then surged since reaching 10.9 percent in 2016.

6. The crisis facing the Brazilian economy is unprecedented and was unforeseen in its depth. In January 2014, the consensus forecast for the Brazilian economy (published by the Banco Central do Brasil) was for growth of GDP of 1.9% in 2014 and 2.2% in 2015. In June 2014, this forecast had been reduced to 1.1% and 1.5% respectively. Even in January 2015, the forecast for the year was zero growth followed by a modest recovery of 1.5% in 2016. In fact, GDP actually fell 3.8% in 2015 and is forecast to fall by 3.5% in 2016. Since at least the beginning of the twentieth century, the Brazilian economy has never experienced such a fall in GDP over two years. The only comparable (but smaller) fall in GDP was in the Great Depression, in 1930 and 1931 when GDP fell by 2.1 and 3.3% respectively – a cumulative fall of 5.3% compared with 7.2% in 2015 and 2016. Thus, the context in which states launched programs was that of facing a temporary slowdown of the economy. In fact, these programs were actually carried out in the deepest recession experienced in Brazil for over a century.

Annex 11. Map

