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AND
INTERNATIONAL FINANCE CORPORATION
COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT
FOR
THE FEDERATIVE REPUBLIC OF BRAZIL
FOR THE PERIOD FY2008-2011

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Latin America and Caribbean Department

CURRENCY EQUIVALENTS

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Currency Unit = Real

Real 1.73 = US\$1.00

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

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ABBREVIATIONS AND ACRONYMS

AAA	Analytic and Advisory Activity	Atividade de Análise e Consultiva
BCB	Central Bank of Brazil	Banco Central do Brasil
BNDES	National Bank of Economic and Social Development	Banco Nacional de Desenvolvimento Econômico e Social
COFIEIX	Commission on External Financing	Comissão de Financiamentos Externos
CONSAD	Confederation of Secretariats of Administration of the States	Conselho Nacional de Secretários de Estado da Administração
CY	Calendar Year	Ano Civil
DPL	Development Policy Loan	Empréstimo para Políticas de Desenvolvimento
FY	Fiscal year	Ano Fiscal
FRL	Fiscal Responsibility Law	Lei de Responsabilidade Fiscal
GDP	Gross Domestic Product	Produto Interno Bruto
GEF	Global Environmental Facility	Fundo para o Meio-Ambiente Mundial
GoB	Government of Brazil	Governo do Brasil
IBRD	International Bank for Reconstruction and Development	Banco Internacional para a Reconstrução e o Desenvolvimento
IBGE	Brazilian Institute of Geography and Statistics	Instituto Brasileiro de Geografia e Estatística
ICT	Information and Communication Technology	Tecnologia da Informação e Comunicação
IDEB	Index of Development of Basic Education	Índice de Desenvolvimento da Educação Básica
IEG	Independent Evaluation Group	Grupo Independente de Avaliação
IFC	International Financial Corporation	Corporação Financeira Internacional
IMF	International Monetary Fund	Fundo Monetário Internacional
M&E	Monitoring and Evaluation	Monitoramento e Avaliação
MIC	Medium Income Countries	Países de Renda Média
NCB	National Competitive Bidding	Concorrência Nacional
NCCAP	National Climate Change Action Plan	Plano Nacional sobre Mudança do Clima
NCR	Net Current Revenue	Receita Corrente Líquida
NGO	Non Governmental Organization	Organização Não Governamental
NLTA	Non-Lending Technical Assistance	Assistência Técnica Não-Reembolsável
OECD	Organization for Economic Co-operation and Development	Organização para a Cooperação e Desenvolvimento Econômico (OCDE)
PAC	Growth Acceleration Program	Programa de Aceleração do Crescimento
PEFA	Public Expenditure and Financial Accountability Assessment	Avaliação dos Gastos Públicos e Avaliação Financeira da Prestação de Contas
PPP	Public-Private Partnerships	Parcerias Público-Privadas
SELIC	Headline interest rate from Central Bank (Clearance and Trustee System)	Taxa básica de Juros do Banco Central (Sistema Especial de Liquidação e Custódia)
SEM	Sustainable Environmental Management	Gerenciamento Ambiental Sustentável
SME	Small and Medium Enterprises	Pequenas e Médias Empresas
SWAP	Sector Wide Approach	Abordagem Setorial Ampla
TA	Technical Assistance	Assistência Técnica
WB	World Bank	Banco Mundial

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I. INTRODUCTION

1. **The Board of Executive Directors discussed the FY08-11 Country Partnership Strategy (CPS) for Brazil on May 1st, 2008 (Report No. 42677-BR).** The CPS explicitly recognized Brazil's significant achievements in tackling second-generation development challenges using innovative approaches that the Bank can share with other member countries. Examples include effective conditional cash transfer programs, a successful framework for ensuring sub-national fiscal discipline and cost-effective clean energy sources. The CPS also recognized Brazil's critical contributions to the development of the global policy agenda and the provision of global public goods in areas such as climate change and the fight against global infectious diseases. This Progress Report briefly takes stock of the implementation of the strategic framework embedded in the CPS, focusing on what has changed in the country context and on how the World Bank Group has implemented its program while adapting to the new realities and evolving demands of the Government of Brazil (GoB).

2. **The CPS aimed at responding to Brazil's demand for more flexible and efficient products that are better suited to the country's evolving needs.** The Government expects the Bank to be agile and flexible in altering its mix of products and delivery mechanisms in order to respond more efficiently to changes in Brazil's circumstances and Government priorities. Under the CPS, the Bank has effectively answered this Government demand. In particular, Brazil has been able to take advantage of IBRD's increasing financial product flexibility, as reflected in the use of customized repayment schedules, embedded risk management tools, and increasing loan maturities. The Bank has also increased its speed – e.g. cutting project preparation times by almost two thirds while maintaining high levels of quality in its portfolio – and made considerable progress in harmonizing its systems with those of other development agencies, and progressively adopting country systems in the areas of financial management and procurement.

3. **The Bank has also been flexible in responding to Brazil's changing priorities for Bank engagement while maintaining its focus on the country's key long-range development challenges.** In particular, in the context of rapid growth in reserves and in order to help consolidate Brazil's sub-national fiscal responsibility framework, the GoB has asked the World Bank Group to provide increasing technical and financial support to States and Municipalities. In particular, the GoB has asked the Bank to support both fiscal management programs and measures aimed at improving service delivery. Improving the quality of expenditures at the sub-national level is particularly important in the case of Brazil because of the highly decentralized nature of its federation. The World Bank Group has responded by rapidly shifting its lending program towards the State level, using traditional investment projects, stand-alone IFC and Bank advisory services, and also, increasingly, development policy loans (DPLs) and multi-sector operations with a sector-wide approach (SWAPs). The team is also exploring the possibility of engaging with large Municipalities through DPLs within the framework of OP8.60.¹ Overall, in the context of its Strategy for engaging with middle income countries, the Bank has generally focused its work at the sub-national level on supporting path-breaking investments and policy reforms whose impact can be enhanced through replication, and whose design and implementation can particularly benefit from the Bank's unique blend of financial, knowledge and strategy development services.²

4. **Despite its fast recovery from the global financial crisis, Brazil still faces significant challenges to achieve higher rates of broad-based sustainable growth; some of these challenges**

have actually been accentuated by the crisis. Despite Brazil's good short term prospects, growth could be hampered in the medium to long term by persisting low rates of investment, growing infrastructure bottlenecks and a high tax burden. Indeed, despite a very strong fiscal effort during the last decade, fiscal adjustment has been accomplished mainly by reducing public investment and by raising taxes. The fiscal space for increasing public investment has been further reduced as a result of recent increases in current expenditures by the Federal Government. The GoB has thus asked the World Bank Group to support efforts to increase the level and the quality of Brazil's public and private investments in infrastructure. In this context, the World Bank Group is engaged in helping the Government implement its flagship "Growth Acceleration Program" (PAC) as well as in supporting the incipient development of public-private partnerships (PPPs).

5. **Other areas in which Brazil continues to demand World Bank Group assistance are related to the country's high levels of income and regional inequality, and its pending challenges in the area of environmental sustainability.** Thus, the Bank is working with the GoB in its efforts to increase the coverage and especially the quality of education and health services. The Bank is also engaged in helping Brazil extend the already very good coverage of its conditional cash transfer program ("Bolsa Família") to cover virtually all poor families. Moreover, the Bank is supporting the development of productive activities and access to basic services in poor rural Amazon and Northeast regions. With reference to the Amazon, the IFC has launched its Brazilian Amazon Initiative, which aims to harness market forces to reduce deforestation. Finally, with regard to the sustainability agenda, the Bank has been working with the GoB on a substantial set of policy reforms in the areas of environmental management and enforcement, as well as in expanding the set of financial mechanisms for promoting sustainable natural resource use. This work has been complemented by direct technical support to program implementation using a mix of investment loans and trust funds.

6. **While the IBRD lending program presented in the CPS was indicative, it has been delivered without significant changes.** The indicative lending program identified for the entire CPS period totaled \$6.99 billion, of which \$5.2 billion were expected to be delivered in FY08-09. Up to this Progress Report, total lending under the CPS has reached \$6.7 billion. Of this amount, about \$5.2 billion were approved during FY08-09, which coincides with what had been envisioned for this period in the indicative CPS lending program. About three fourths of total lending has been to sub-national entities, mostly States, which is very close to what had been foreseen in the CPS. In terms of sector composition, the need to respond to crisis-related demands has led to a slight increase in projects geared towards fiscal and public sector management issues, at the expense of projects pertaining to the equity and competitiveness pillars of the CPS. For these two areas, however, lending is expected to grow at a faster rate in the remainder of the CPS period. The share of projects aimed at supporting the sustainability agenda has been close to what had been planned in the CPS, and is expected to remain stable over the rest of the CPS period.

7. **IFC commitments to Brazil totaled \$2.18 billion between FY08 and December 2009.** IFC mobilized substantial third party investments, with participants' outstanding balance reaching \$1.01 billion. IFC's committed balance stood at \$2.36 billion in December 2009, making Brazil IFC's second most important market after India. About half this amount was invested in financial institutions, followed by infrastructure projects with \$385 million, and agribusiness with \$282 million. As of December 2009, IFC had 73 active client companies in Brazil. The Corporation's strategy concentrates on projects that reduce poverty and inequality by targeting "Base of the Pyramid" groups, address climate change, and improve Brazil's competitiveness by supporting

SMEs and improving infrastructure. In 2008 for example, IFC clients employed 200,000 people, helped finance tertiary and technical education for over 700,000 students, and provided 200,000 loans to SMEs. IFC responded to the financial crisis by providing ample trade finance to client banks to increase their liquidity, strengthen their balance sheets, and ease their funding requirements. IFC provided \$333.1 million in trade finance in CY 2009 to second-tier client banks. This enabled them to continue supporting their clients, mainly mid-market companies and SMEs.

II. COUNTRY CONTEXT

8. **Even though the general political situation has remained largely unchanged during the CPS period, Brazil is entering an electoral period in which Federal and State authorities will be renewed.** The general elections of October 2010 will involve the Presidency, all State governors and Congress. Municipal elections are only due on October 2012. The elections are not likely to significantly change Brazil's economic model or its sustaining tripod of primary surpluses, inflation targets and floating exchange rate. Major presidential candidates share broad development priorities, focused on achieving Brazil's growth potential, and have expressed their commitment to this general framework. Political stability is also not at stake. While President Lula's eight-year legacy is likely to remain a very important political and development benchmark for the next government, mainstream presidential candidates should not have difficulty setting up a congressional support coalition.

9. **The Bank is well positioned for dealing with the political transition at the Federal and State levels.** Most of key political stakeholders at the Federal and State levels, government or opposition, perceive the Bank as an impartial solutions provider, a promoter of social equity at the national level and a fair partner of Brazil on common global issues. The Bank is putting in place a strategy to engage the new Federal and State Governments, coordinating stakeholder dialogue and broader communications to ensure a smooth transition and program continuity, as applicable. The strategy seeks to anticipate new priorities and suggest ways to engage, adjust or develop the Bank program proactively. As was the case in the first Lula administration, when the early, public and decisive Bank support was highly appreciated and created a climate of trust for the whole administration, the Bank communications strategy will work to highlight the rapid and high quality response allowed by this CPS to the needs of the new Federal and State Governments, thus positioning the Bank as a key partner. Finally, while the team does not expect Federal Government demand for an all-encompassing set of policy notes covering an exhaustive range of topics, the Bank will be ready to respond to requests for technical advice on specific policy issues through the preparation of demand-driven policy briefs, including for States.

10. **Following the outbreak of the global economic crisis in September 2008, Brazil underwent a recession that lasted only two quarters; aided by very strong fundamentals, a counter-cyclical macroeconomic policy stance and increasing commodity prices the economy is now recovering at a fast pace.** While the prompt response of the authorities to the tightening of financial market conditions avoided a credit crunch, the strong fundamentals allowed this time for a countercyclical monetary and fiscal policy stance. Regarding the latter, temporary tax breaks for key industrial sectors (automobile, appliances) were very effective in helping the prompt recovery of industrial production. Financial markets are also exhibiting a robust recovery.³ After experiencing almost zero growth in 2009, Brazil is projected to grow by between 4 and 6 percent in 2010 and 2011 (see Annex 3). However, the further expansions in irreversible expenditures, such as public sector salaries, are a concern. While fiscal sustainability is not at stake, the increased rigidity

in expenditures and the reduced fiscal space for investment might negatively affect long-term growth prospects.

11. **During the global economic slowdown, sub-national governments have suffered considerable reductions in fiscal revenues, both as a result of lower own tax collection and reduced Federal transfers.** Given the hard budget constraints and limited access to credit imposed by Brazil's Fiscal Responsibility Law (FRL), sub-national governments were mostly unable to adopt countercyclical fiscal policies. In particular, in the context of falling fiscal revenues, and given the strong rigidities existing in current expenditures, many of them were forced to cut discretionary expenditures, mainly investments. The Bank has been called by the GoB to support selected creditworthy sub-nationals in their efforts to maintain their commitment to long term debt sustainability while protecting their investment and social expenditure programs during the period of reduced fiscal revenues. While the Bank has attempted to selectively respond to these demands, it has maintained its focus in providing technical and financial support to State Governments whose policy reform and investment programs are expected to have strong developmental impacts.

III. CPS PROGRESS TO DATE

12. **The World Bank Group's work in Brazil has been organized around four of the country's key development challenges.** Both the previous CAS and the current CPS have been organized in the form of four pillars: strengthening the macroeconomic and good governance foundations of growth; boosting competitiveness; increasing equity; and improving environmental sustainability. The CPS has focused on monitoring results through a selected set of indicators. While these are well aligned with the government objectives in each of the CPS pillars, this Progress Report proposes a revised set of outcome indicators (Annex 1) to which the Bank's program can realistically be expected to contribute – as opposed to higher order objectives to which the Bank contributes only partially and/or indirectly. As described below, despite the relatively short period elapsed since the presentation of the CPS, there has been considerable progress made in the CPS outcomes that are more closely linked to the Bank's programs and activities.

Macroeconomic Foundations and Public Sector Management

13. **Since the presentation of the CPS Brazil has continued making rapid improvements in macroeconomic management.** The solid macroeconomic fundamentals built in the last decade have allowed Brazil to smooth the effects of the financial turmoil with relative speed. The government has been using its increased fiscal and external solvency and its enhanced credibility to adopt expansionary fiscal and monetary policies. As a result of these policies, however, the Government has been unable to reduce current expenditures (including those in social security) and to increase the share of public investment. This, nevertheless, has not compromised debt sustainability or the overall macroeconomic policy framework, which continues to be adequate. For example, prior to the advent of the crisis net public sector debt continued its declining path, falling from 45 percent of GDP in 2006 to 36 percent in 2008. During 2009 this ratio increased again to 44 percent, but it is expected to resume its declining trajectory as the economy recovers (see Annex 3). Moreover, with Bank support, at least 20 State Governments are making significant progress in terms of reducing unwarranted pension expenditures.

14. **Sub-national lending operations have been the main channel for supporting improvements in governance and public sector management.** There has been considerable

progress towards the CPS-expected outcomes of improved public sector efficiency and effectiveness at the State level, at least in those States in which the Bank has been active in this area. The Bank has responded to requests by the GoB to support efforts to enhance compliance with the FRL, especially after the advent of the global financial crisis, by supporting the fiscal adjustment and public sector management reform programs of the states of Alagoas, Ceará, the Federal District, Minas Gerais, Rio de Janeiro, and Rio Grande do Sul. Using SWAp and DPL operations, the Bank has helped implement cross-cutting results-based public sector governance reforms which have contributed to improving the quality of both fiscal management and service delivery in key sectors (e.g. education, health, private sector development and transport).

15. **Non-lending technical assistance activities (NLTA) have also played a key role in benchmarking and building the capacity of Brazilian public sector entities.** Programmatic Analytical and Advisory Services (AAA) in support of Governance improvements (FY08 and 09), in particular, supported in-depth assessments of governance issues in various sectors, and the preparation of Public Expenditure and Financial Accountability (PEFA) assessments at the State and Federal levels. Additional NLTA has been provided in the areas of auditing, procurement, investment management and, in partnership with the OECD, also in that of human resource management. The Bank has also supported annual conferences on Public Management that bring together State level officials in partnership with the confederation of Secretariats of Administration of the States (CONSAD). In addition, through the BRAVA AAA program, the Bank has continued to support the development of Monitoring and Evaluation Efforts in Brazil. These activities have played a key role in supporting the Bank's lending operations and in sharing advanced knowledge with its Brazilian partners. Finally, on tax policy issues, the Bank has prepared analytical pieces on fiscal federalism and counter-cyclical fiscal policies.

Boosting Competitiveness

16. **Brazil's competitiveness and medium term growth prospects could be hampered by persistently low rates of investment in infrastructure.** Capital formation is still low, inferior to 20 percent of GDP, and so is public investment (3.3 percent of GDP in 2008). Despite the GoB's intensive efforts to increase investments in infrastructure through its PAC program, there have been significant implementation delays, especially in the areas of transport and logistics, water and sanitation and urban development. At the GoB's request, the Bank is supporting the implementation of the PAC in the areas of energy, transport, water, housing, and environmental licensing. Likewise, although the Federal law for PPPs was passed more than 4 years ago and a Federal guarantee fund was put in place, no major Federal PPP has been announced. However, with WBG support some States have made more progress in this area – e.g. São Paulo, Minas Gerais and Bahia – and a Federal breakthrough is being made in the irrigation sector, supported on a fee for service basis by IFC and IBRD.

17. **The Bank has supported the GoB's efforts to promote private sector development and competitiveness through multi-sector SWAP and DPL operations at the sub-national level.** The Minas Gerais and Ceará SWAP projects, as well as the Rio de Janeiro State DPL, have included components aimed at supporting improvements in the business environment through the simplification of tax and business registration processes. Moreover, in the case of Minas and Ceará the Bank has supported respectively the modernization of State science and technology policies, and efforts to expand "digital inclusion" through the deployment of broadband internet networks. At the Federal level, a study on Knowledge, Innovation and Competitiveness was disseminated widely in

partnership with the national federation of industry associations (CNI). Moreover, the Bank is implementing NLTA activities aimed at supporting efforts by the GoB to further improve financial sector regulation and increase access to finance.

18. **Efforts to improve competitiveness and the investment climate have benefited from cooperation between IBRD and IFC.** Improving the business environment favors SMEs by enabling them to enter the formal economy. The IFC technical assistance facility has supported programs in several cities to reduce the time needed to open new businesses. This has been reflected in the corresponding *Doing Business* indicator (measured in the city of São Paulo), which has been reduced from 152 to 120 days. The Bank and IFC have coordinated their efforts to improve the investment climate in other cities and States. Other noteworthy indicators of improvement in Brazil's business environment to which the WBG has contributed include improvements in the effectiveness of environmental licensing agencies. IFC expects to begin advising State Governments on environmental licensing in 2010, starting with the Amazonian State of Acre.

19. **Support for mid-market companies, second-tier banks, and SMEs is a central component of IFC strategy in Brazil.** IFC has provided about \$150 million in (non-trade) financing for second-tier financial institutions since FY 2008. Most of these banks fund themselves in the local capital markets and were hit by the financial crisis of 2008. These transactions ranged from a \$2.2 million loan to Ceape-MA, a microfinance lender in Maranhão, to a \$55 million investment in certificates of deposit with warrants issued by Banco Daycoval. In total, IFC approved five SME-focused projects for \$117 million and mobilized an additional \$395 million since FY 2008. In calendar year 2008, IFC client banks made 216,000 SME loans for a total \$14 billion. They also made 1.5 million microfinance loans for an aggregate \$1.56 billion.

20. **In the transport sector, demand for borrowing from State governments has been large, and continues to increase as a result of the crisis.** The Bank continues to work with key partners in Rio and São Paulo on addressing issues of integrated urban transport planning, adding in a new dimension of climate change, and major investments in the public transport systems. The Bank's road transport portfolio also continues to be strong at the Federal and State level – e.g. through a Federal SWAp and State-level projects in Bahia, Minas and Tocantins. The Bank has also provided just-in-time advice on the design of highly visible transactions like the bullet train project from Rio to São Paulo and the rail ring of the city of São Paulo. In the area of logistics, despite limited progress in improving planning and the regulatory framework at the Federal level, the *Doing Business* indicators measuring the efficiency of import/export procedures have improved significantly during the CPS period.

21. **The Bank has also supported comprehensive regional approaches to urban development.** During the CPS period, the ten municipal projects under preparation were consolidated into two horizontal APLs (*Brazil Municipal Lending* and *Rio Grande do Sul Integrated Municipal Program*). At the same time, the new Ceará Regional Economic Development Project is using an innovative approach for addressing regional governance and economic development by linking secondary cities to the broader development agenda of the State. This work has been complemented by AAA – e.g. the report "Competitiveness and Growth in Brazilian Cities" and a major world city conference in Porto Alegre – and NLTA activities. Among the latter, the Bank is working with the Ministries of Finance and Cities in the area of housing sector reform – including supporting the implementation of the large *Minha Casa Minha Vida* popular housing program. Moreover, a project is being prepared with *Caixa*, the second largest public Bank in Brazil, to

improve solid waste management across Brazilian cities. This innovative project would be the first to use a financial intermediary to structure carbon finance operations on a wholesale basis.

Increasing Equity

22. **On the social policy front, the Government has continued to implement well targeted transfer policies that are helping reduce inequality and poverty and minimize the negative social impacts of the crisis.** The official poverty rate dropped to 21.6 percent in 2008 from 32.9 percent in 2002. The Gini index also fell significantly, for the first time in many decades, from 0.59 in 2002 to 0.55 in 2008. The Bank has contributed to these outcomes through its support to the well targeted *Bolsa Família* conditional cash transfer program. While Government expenditures in this program have increased from R\$ 5.8 billion in 2004 to R\$ 11.1 billion in 2008, they have remained under 0.4% of Brazil's GDP. Besides having a significant impact on reducing the incidence and severity of extreme poverty, this program is helping increase school enrollment among poor children. The Bank has supported the GoB in its efforts to improve the targeting of *Bolsa Família*, build strong monitoring and evaluation systems, and strengthen the basic operations of the program by enhancing the role of Municipalities.

23. **There have also been notable improvements in relative income levels in the North and Northeast regions.** The ratio of per capita disposable income of the Northeast, with respect to Brazil as a whole, increased from 59.6 percent in 2006 to 62.5 percent in 2008. The corresponding increase for the North was from 65 to almost 72 percent. The Bank contributed to these outcomes mainly through rural poverty reduction projects, which have so far reached over 39,000 communities in the Northeast and North regions. Moreover, thanks to the *Crédito Fundiário* program – which the Bank helped develop – the number of landless and small farmers that have obtained access to land has increased by more than 20 percent between 2007 and 2008.

24. **Despite increasing primary enrollment, Brazil still faces important educational challenges that may hamper further progress in growth and poverty reduction.** While Brazil has pressed forward with a series of successful policies which heralded an expansion of access to elementary education, almost one-quarter of children of secondary school age are still not enrolled. The Government is taking aggressive actions to address this shortcoming and improve basic education quality. At the request of the GoB, the Bank has been supporting these efforts both through its AAA program and by means of multi-sector sub-national projects. In FY10, an ambitious analytical program was started in partnership with the Federal and selected State and Municipal Governments to help design and evaluate policies and programs related to early child development and different dimensions of the quality of education production process.

25. **IFC has financed education projects that provide technical and vocational training for middle- and low-income groups.** This strategy is aimed at accelerating Brazil's progress toward an equitable and competitive economy by improving employment opportunities for “Base of the Pyramid” income groups, and by providing businesses with better qualified staff. A growing shortage of trained employees is hampering the competitiveness of Brazilian companies and the economy as a whole. IFC's approach is to seek strategic clients with sufficient scale to deliver high-quality, low-cost education. Since FY 2008, IFC has supported four education projects for a total \$100 million. These include a \$28 million loan to *Anhanguera Educacional*, whose students are mainly young working adults from middle and low-income backgrounds. This project is expected to benefit an estimated 330,000 students in 2010, half of whom are women.

26. **While Brazil still exhibits comparatively low and highly unequal health status indicators for its level of income and public spending, the Bank is supporting efforts to improve access to primary care by the poor.** The Bank has been a pioneer in supporting the Brazilian Family Health Program (PSF). Between 2007 and 2008 the coverage of this program increased from 46 to 50 percent of the Brazilian population. The positive impacts of the PSF have been reflected in the improvement of infant mortality and other health indicators, particularly among the poorest segments of the population. The Bank approved in 2008 the second phase of the *Family Health* program, which will contribute to improve quality of primary care and extend coverage to 55 percent of the population by the end of 2011. The Bank is also supporting State-level efforts, in Minas and Rio de Janeiro, to increase the coverage of the PSF, especially among highly vulnerable populations.

27. **The Brazilian National Health System has improved significantly in the last twenty years but still suffers from unequal coverage, low quality and inefficiency.** Starting in 2006, however, the Government has implemented a new wave of reforms, collectively known as health covenants (*Pactos pela Saúde*), that are setting the stage for increased flexibility for sub-national entities to design and organize their own delivery systems, in line with local conditions but in the context of results-based budget allocations. The GoB has asked the Bank to support these reforms through the Federal *Qualisus-Rede* SWAp project. The Bank is also helping mainstream health reforms at the sub-national level through multi-sector operations with the states of Amazonas, Acre, Bahia, Ceará, Minas Gerais, Rio de Janeiro and the Federal District. IFC is financing health providers in Brazil that are focused on low- and middle-income groups. IFC clients in this field are increasingly working under contract to public sector agencies to provide in-patient and out-patient care as well as diagnostic services.

Improving Environmental Sustainability

28. **With Bank support, Brazil has continued making progress on the environmental sustainability agenda.** Deforestation in the Amazon, for example, has fallen steadily, declining from an average of 1.48 million ha per year during 2005-2007 to 1.3 million ha in 2008. Similarly, protected areas increased from 79 million ha in 2007 to 107 million in 2009. However, many challenges remain in order to address Brazil's key environmental issues. In this context, the GoB has asked the Bank to support its efforts to address implementation issues that have slowed down the pace of forest concessions. Moreover, the Bank is working with the GoB in developing better incentives for forest preservation and enhancing the management of protected and indigenous areas. At the Government's request, the Bank is also engaged in supporting implementation of the country's newly approved National Climate Change Action Plan (NCCAP), which is expected to lead to signed reductions of 20 million tons of CO₂ eq. per year by 2011, including through the increased use of renewable energy.⁴ IFC is supporting this strategy with traditional and non-traditional renewable energy projects. Additional support for the NCCAP could be provided under the newly created Climate Investment Funds (CIF) managed by the World Bank Group.

29. **To support the GoB's environmental sustainability agenda, the World Bank Group has combined trust funds with traditional IFC and IBRD financing.** The Bank has mobilized bilateral and multilateral grant funds (e.g. from the GEF) in support of conservation and natural resource management initiatives. There has also been collaboration between IFC and IBRD on the IFC Brazilian Amazon Initiative, specifically on Forestry projects and in the Pará Rural and PROACRE projects. Trust fund and IFC resources have leveraged the impact of Bank investment

loans at the State and Federal level, and that of the Sustainable Environmental Management (SEM) DPL series with the Federal Government. This program is supporting the GoB's efforts to increase the transparency of the environmental licensing process, enhance the implementation of mandated Brazilian environmental and social management procedures, and increase the effectiveness of environmental and social management systems in BNDES and other financial institutions. The Bank is also using investment projects to support institutional capacity building for decentralized environmental management as well as for addressing safeguards issues more generally.

30. **In addressing the natural resource aspects of the environmental sustainability agenda, the Bank has applied the tenets of the Amazon Partnership Framework proposed in the CPS.** The basic idea is for the Bank to become a full-service partner to Brazil, supporting improvements in access to basic services in remote areas, helping increase agricultural returns, improving the management of protected areas and the environmental and social impacts of infrastructure investments, and helping develop payments for environmental services and incentives for sustainable forestry. This approach has guided the development, not only of the SEM DPLs, but also that of new multi-sector investment loans at the State level, and the provision of lending and non-lending technical assistance.

31. **IFC launched its Brazilian Amazon Initiative in 2008, complementing IBRD's.** It aims to use market forces and economic incentives to slow deforestation and greenhouse gas emissions. The Initiative focuses on three main areas: sustainable agribusiness (particularly cattle and soy), sustainable forestry, and sustainable finance. IFC's approach is to develop financially and environmentally sustainable standards to which private sector players can subscribe, and which can be replicated and scaled up. The Initiative includes investments and advisory engagements. The Sustainable Beef Working Group, for example, convened by the IFC, was created and registered in 2009. It includes 36 organizations representing ranchers, meat packers, retailers, financial institutions, and NGOs. IFC and the Brazilian NGO Aliança da Terra have launched a project to improve environmental and social standards for ranchers and soy producers. In FY 2008, IFC approved a pioneering \$100 million sustainability loan to Unibanco, intended to set industry benchmarks in this type of lending for Brazilian companies. Unibanco's Sustainability Credit Line is aimed at cleaner production, renewable energy, and sustainable construction projects.

32. **During the CPS period, the Bank has also made progress in advancing a new and more integrated approach to water resource management.** In this approach, which is reflected in the Bank's six State-level water projects, sub-sectoral investments in water supply and sanitation are made within a broader framework of institutional and policy strengthening to address environmental flows, watershed protection and irrigation. At the Federal level, the Bank has responded to the Government request for a consolidation of technical assistance projects by working on the preparation of a \$100M integrated water project (*Interáguas*) which brings together agencies and ministries that deal with water into a common planning framework. There has also been progress in working jointly with the IFC sub-national facility in developing transactions with several State and Municipal water and sanitation companies using innovative market-oriented finance instruments.

New Development Challenges and Opportunities

33. **During the CPS period Brazil has discovered very large oil reserves, which creates new development opportunities and challenges.** By some estimates Brazil's oil reserves could reach 40 billion barrels, which would move the country from 14th to 7th place in world rankings. This creates several new policy challenges, including the need to revamp the sector's regulatory

framework, improve management of uncertain oil-related public sector revenues, address challenges related to the distribution of such revenues among sub-national governments, and deal with the possible appreciation of the Brazilian currency. Given that international experiences are particularly relevant for informing the public debate on these issues, the Bank could be called to play a relevant role, notably through its economic and sector work and AAA. IFC is supporting the development of Brazil's already sizable domestic oil service industry by enhancing local skills and supply chain linkages to benefit local suppliers.

34. **The selection of Brazil as the host of the 2014 World Cup and Rio de Janeiro as the seat of the 2016 Olympics also bring new challenges and development opportunities for Brazilian cities.** The additional infrastructure, which will be financed mostly by the Federal Government, as well as the increased tourism and publicity associated to these events should greatly benefit the host cities. However, local governments also face the challenge of completing the necessary investments in time without compromising other key development programs. In this context, the Bank could be called to play an important role in helping ensure that planned investments also help enhance local and regional economic development, provide positive benefits to the broader population, especially the urban poor, and are compatible with environmental sustainability – e.g. with a low-carbon approach to urban development.

Portfolio Performance

35. **As of December 2009, lending under the CPS has been very much as agreed with the GoB at the time of its preparation.** The lending program identified in the CPS was only indicative, consisting of 44 projects and a total of \$6.99 billion for the entire CPS period. The indicative lending program for the first two years of the CPS period (FY08-09) included 33 projects for \$5.2 billion. Six of the projects identified in the CPS have been dropped and four new ones were added to the program. Up to January 2010, the Bank delivered 34 of the remaining 42 projects in the pipeline, for a total of approximately \$7 billion. The other 8 projects are in preparation. For seven of the projects delivered in FY08 (totaling \$274 million), however, board approval took place before CPS board discussion. Thus, 27 projects have been delivered under the CPS up to this Progress Report, totaling \$6.7 billion. Of this amount, about \$5.2 billion were approved during FY08-09, which coincides with what had been envisioned for this period in the indicative CPS lending program.

36. **Project size and the share of Federal vs. sub-national lending have also been close to what had been envisioned in the CPS.** In about half of the delivered projects identified in the CPS there have been differences between the final size of the loans and the CPS estimate. However, those changes have implied an increase of only 6 percent in the overall size of the indicative lending program. The share of sub-national operations in total lending –73 percent – has also been very close to the 71 percent that had been foreseen in the CPS. Most loans have been to State Governments: 20 out of the 26 loans approved under the CPS, with only 3 loans being with Municipalities and 3 with the Federal Government.

37. **The impact of the global financial crisis on sub-national finances has further increased demand for Bank support in the area of fiscal and public sector management.** The sector composition of the program has been quite similar to that envisioned in the CPS. However, the need to respond to crisis-related demands has led to a slight increase in projects geared primarily towards fiscal and public sector management issues, from 41 percent of the lending program identified in the CPS to 44 percent of total actual lending. In contrast, the share of lending aimed at supporting the

equity (14 percent) and competitiveness pillars (23 percent) of the CPS has been lower than expected (respectively 24 and 29 percent). Finally, lending under the sustainability pillar has accounted for 28 percent of total loans delivered, compared to the 27 percent envisioned in the CPS. It is worth noting, however, that almost half of the operations delivered under the CPS have been multi-sector, often combining technical and financial support in the areas of human development, infrastructure, environmental management, and fiscal and public sector management.

38. **Under the CPS the Bank has also been successful in achieving greater speed and flexibility.** Working closely with the GoB, the Bank reduced total average project processing time, between approval by the Federal Government and loan signing, from 30 to 11 months under the current CPS. Moreover, average loan maturity has been close or equal to 18 years and final maturities to 30 years, compared to the prior average and final maturities limits of respectively 10.25 and 25 years. Brazil has also begun utilizing the embedded risk management tools (e.g. fixed spread loans) and the repayment flexibility offered by Treasury (e.g. monthly pricing and repayments).

39. **In spite of the large number of projects, both active and in preparation, the Brazil portfolio has remained very sound.** There are 54 active projects with net commitments of \$7.9 billion. There are only three problem projects, and two potential problem projects. Pro-activity on problem projects is at 100 percent. Only one project has been rated with unsatisfactory procurement performance, and another one as unsatisfactory on financial management. This has been achieved through intense monitoring and management of the portfolio, and excellent collaboration with the Government – “light” portfolio reviews take place every two months, and in-depth reviews on an annual basis.

40. **The Bank and the IADB have increasingly partnered in the harmonization and country systems agendas.** The Bank and the IADB have agreed with the GoB on standard bidding documents. These are to be used for national competitive biddings, which account for over 90 percent of project related procurement. The Bank and IADB have also agreed to coordinate on all upcoming sub-national PEFA assessments. In addition, the Bank has been working with the Government on improving financial management systems, as well as internal and external audit and control. On the procurement side thresholds for prior review and for using different procurement methods have been raised to relatively high levels. This has been possible because of the sound local procurement legislation and practice. The procurement team has also been working with a number of States on the relevant OECD indicators and benchmarks, and has used them to improve procurement capacity in the context of public sector reform projects.

IV. WORLD BANK GROUP STRATEGY LOOKING FORWARD

41. **Looking forward, the composition of the WBG program is likely to be rebalanced towards the equity and competitiveness pillars of the CPS.** During the remainder of the CPS period, loans pertaining to these areas would each account for about 40 percent of the lending program, while lending under each of the other two CPS pillars would represent about 30 percent of the program.⁵ Indeed, the Bank is facing increasing demand for supporting innovative approaches to social service delivery at both the Federal and sub-national level. Moreover, the GoB is requesting increased Bank support to its program of public and private investments in infrastructure. This shift in demand is explained in part by the fact that Brazil is recovering rapidly from the effects of the global financial crisis, which raises the importance of addressing structural obstacles to long term

growth. Moreover, as fiscal revenues tend to recover, the focus of sub-national governments is gradually shifting from the objective of expanding fiscal space towards that of improving expenditure efficiency and effectiveness – i.e. from focusing on expanding social and investment programs to improving the quality of service delivery. The Bank is responding to these challenges through the same type of delivery mechanisms used in the first part of the CPS – e.g. multi-sector SWAp projects – but with an increasing emphasis in better coordinating Federal and State policy interventions. Finally, within the sustainability agenda, as the GoB moves to the implementation of its climate change policy, the Bank is working to provide further support to climate change mitigation and adaptation policies and investments.

42. **In line with the Bank, IFC has tightened the focus of its original strategy, and is emphasizing equity and quasi-equity transactions.** Its strategy is now concentrated in three key areas. The first is focused on reducing poverty and income inequality with projects that impact “Base of the Pyramid” groups through transactions principally in health and education, and microfinance. The second area concentrates on climate change-related projects in the Brazilian Amazon and on renewable energy and energy-efficiency ventures. The third area aims to improve Brazil’s competitiveness through support for SMEs and infrastructure projects.

43. **IBRD lending could reach about \$5.7 billion in FY10 and \$2.3 billion in FY11.** The indicative lending program for FY10 and FY11 totals about \$8 billion and is summarized in table 3. In comparison, between the approval of the CPS in May 1st, 2008 and June 2009, the Bank approved \$5.2 billion in lending to Brazil. Annex B3 provides a summary of the possible Bank program during the remainder of the CPS, including an indication of the development challenges that the respective operations are expected to help address. Lending is concentrated in FY10 because of the expected reduction in demand during the political transition period in FY11. The shares of Federal and sub-national lending during the remainder of the CPS period – respectively 33 and 67 percent – are expected to be very similar to what had been envisioned at the time of the CPS approval – respectively 29 and 71 percent. It is important to note, however, that the above volume of expected lending is the reflection of Government request and may be met only if IBRD has sufficient lending capacity. Current projections suggest that, under this lending program, Brazil will remain below the current US\$16.5 billion Single Borrower Limit.

TABLE 3: CURRENT INDICATIVE ESTIMATE OF IBRD LENDING PROGRAM FOR FY10-11

<i>Fiscal Year</i>	<i>Borrower</i>	<i>US\$(M)</i>
2010	Federal	776.3
	Subnational	4,935.5
	Total	5,711.8
2011	Federal	1,887.6
	Subnational	417.6
	Total	2,305.2
	Grand Total	8,017.0

44. **There is increasing demand for Bank support in the infrastructure sectors, both at the Federal and the sub-national levels.** With the drop in revenues and transfers, many state and Municipal Governments are unable to meet the needs of their ongoing investment programs, including those financed under the PAC. The Bank has been asked to help by providing additional

financing to existing investment projects (for example in São Paulo), supporting policy reforms through DPLs (for example for urban environmental and water management in Pernambuco), and by financing large state programs with new partners (for instance, feeder roads in Mato Grosso do Sul). There are also requests from the Federal Government to implement a second phase of the Federal Transport SWAP and possibly for supporting the Government's energy program.

45. **The Bank is also being called to support Brazil's shift towards increasing decentralization, especially in social policies and programs.** To the extent that sub-national Governments are responsible for key social services – e.g. in health and education – the improvement of their capacity to provide high quality social services is key for addressing Brazil's significant equity challenges. Since the Bank is supporting human development programs at both the Federal and the State level, it is well positioned to help improve the vertical integration of their respective social policies. The Bank is seeking to engage with Municipal Governments through DPLs, at least in large urban centers, in order to contribute to the improvement of public service delivery. Indeed, the Bank would then be in a position to help increase the coordination of social policies at all levels of Government, which would likely result in improved effectiveness and efficiency of social programs.

46. **As embodied in the programmatic SEM DPL series, moving to greater sustainability implies making progress on policy implementation as well in scaling up investments.** A substantial set of policy reforms have been put forth in the areas supported by the SEM DPL series. Beyond these projects, the Bank will continue contributing to the sustainability agenda through extensive analytic work and the scaling up of investments to promote sustainability at the state level. The areas of focus for AAA are low carbon-intensive growth, the risks of Amazon dieback, and constraints imposed by weak land administration and ways of unblocking this process. Moreover, the Bank will also support efforts to turn Brazilian metropolis into “green” low carbon cities. In particular, the Bank will explore possibilities for blending various financial sources (IBRD, CDM, GEF, and others) to support the implementation of city-wide GHG reduction plans.

47. **The Bank has also started to develop a new strategy for addressing the regional challenges of the North East.** The goal is accelerating growth in the poorest region of Brazil by means of increasing its economic ties with the rest of the country as well as with global markets. The main feature of the strategy is that it will promote regional rather than state-specific interventions. A three-pronged approach is being proposed to stimulate: (a) innovative and inclusive economic growth (building on the lessons of the rural poverty reduction projects and analytical work on supply chains and clusters), (b) integrated water resource management and increased productive use of the water (building on AAA and the PPPs in irrigation) and (c) addressing the specific environmental challenges of the semi-arid together with climate change issues. The strategy will seek out investment synergies across states for a common purpose, in areas such as logistics, market access, ICT, and shared water resources.

48. **Across all sectors, the Bank will continue implementing an ambitious Country Study and Conference program.** While the Bank has continued providing specific advice to the Government when requested, the high level of “sophistication” of Brazilian clients make it critical to further emphasize the quality of the knowledge services provided by the Bank. Thus, an increasing number of partnerships have been initiated with local scholars in order to promote original research that can shed new lights on economically important and politically relevant issues. In this context, the preparation of a series of Country Studies and Conferences is underway to help

position the Bank on a number of critical topics that were highlighted in the CPS and are likely to be widely debated in the next electoral period. In particular, the Country Study program for FY10 will touch upon issues such as quality of education, job quality, aging, early childhood development, climate change and the Amazon dieback, and the effects of the financial crisis on poverty.⁶

V. RISKS

49. **The CPS identified five main types of risks.** First, the Bank's engagement with the Federal Government could weaken as a result of the sharp move to a State focus. This risk was successfully mitigated by ensuring that the conceptualization of new sub-national projects is performed with the full engagement not only of the Bank and the corresponding sub-national Governments, but also with the active participation of the Federal Government. The Bank was also able to maintain its policy dialogue at the Federal level by means of lending and non-lending technical assistance activities. Moreover, through its AAA agenda the Bank is working to provide adequate analysis of national policy priorities so as to place in better perspective and enhance the effectiveness of the work being done at the State and local levels. A second risk was that little progress would be made in structural reforms, such as in the areas of taxes, social security and labor legislation. While the Bank remained engaged whenever opportunities for addressing these politically-difficult structural issues arose, this is a risk that still persists. A third identified risk was that the planned increase in public investment that underpinned the Government program did not materialize. This risk was also partially confirmed as illustrated by the fact that the implementation of the PAC has been slower than what was initially planned. The Bank has been trying and will continue to support the GoB in addressing the corresponding management bottlenecks.

50. **The CPS also flagged possible external and internal Bank Group risks.** These would be associated with sudden reductions in financing, which would affect the economy through an impact on interest rates and inflation. The global financial crisis did create an important challenge of this sort for Brazilian policy makers, but their quick and effective responses proved that this risk was indeed moderate or low, thanks to Brazil's improved macroeconomic fundamentals. Finally, the internal risk identified in the CPS, derived from the possibility that the Bank would not be able to pursue a new and more flexible approach in Brazil was also proved not to be significant. Indeed, the Bank was able to effectively implement its "principled" albeit "opportunistic" approach, which has been reflected in its growing and sound lending portfolio.

51. **Looking forward, the main new factor that could affect the Bank Group's strategy in Brazil is related to the 2010 elections at the State and Federal levels.** However, the Bank is well positioned to act as a continuity factor for new state administrations, helping them minimize transition lags. Although Brazilian political divisions remain deep, at the Federal level and in most states the political climate has evolved from one of large discontinuities in programs and projects across successive administrations, to one in which politicians increasingly seek to adapt and improve successful initiatives implemented by their predecessors. Bank-financed operations, in particular, have been preserved during recent political transitions.

Annex 1- Revised CPS Outcomes Framework

Original CPS Outcome	Revised CPS Outcome (if applicable)	Baseline (2007)	Progress Towards CPS Outcomes (2008-2009)	End of Program Target (2011)
Macroeconomic foundations and public sector management				
Increased reliance on reductions in current expenditures (as opposed to increases in taxation) to meet fiscal goals	Reduction in ratio of consolidated debt to net current revenues (executive branch) in states where Bank is supporting fiscal programs under the CPS (MG, CE, RJ, RS, AL, DF)	Average of 145.4% (median of 180.6%)	Average reduction of 13% (median of 8%) in 2008	Average reduction of 22% (median of 15%)
Federal social security spending / GDP starts to decrease from 12.5% to approximately 12%	Number of states participating in cadastre upgrade program to eliminate unwarranted beneficiary payments in all state government branches	The executive branches of some states have initiated cadastre upgrade but other states and other government branches (judiciary, legislative) have not	20 states with cadastre upgrade completed for all branches. \$150M of potential benefits (2009)	Legislative and judicial branches and independent bodies from 24 states have confirmed their intended participation in the cadastre upgrade program, covering approximately 200,000 civil servant files.
Share of federal public investment and targeted capital subsidies increased from 6% in 2007 to 8 % in 2011	Ratio of non-financial investments to net current revenues (executive branch) in states where Bank is supporting fiscal programs under the CPS (MG, CE, RJ, RS, AL, DF)	Average of 7.2% (median of 7.1%)	Avg increase of 32% (median of 22%) in 2008	Avg increase of 84% (median of 50%)
Increased efficiency and effectiveness of State public resource use and allocation, as measured by share of personnel in Executive branch total expenditures	Ratio of total personnel expenditures to net current revenues (executive branch) in states where Bank is supporting fiscal programs under the CPS (MG, CE, RJ, RS, AL, DF)	Average of 39.7% (median of 41.1%)	Avg reduction of 2% (median of 3%) in 2008	Avg reduction of 7% (median of 6%)
State public sector results-based management agreements are signed and successfully implemented	Number of states that make systematic use of performance information for management purposes	2 states (MG, CE)	6 states (MG, CE, RS, DF, PE, Acre) in 2009	8 states (MG, CE, RS, DF, PE, Acre, AL, BA)

Original CPS Outcome	Revised CPS Outcome (if applicable)	Baseline (2007)	Progress Towards CPS Outcomes (2008-2009)	End of Program Target (2011)
Competitive Brazil				
Time and steps required to open a new business reduced by 15%	n.a.	152 days (São Paulo) in 2007	120 days (São Paulo) in 2009	100 days (São Paulo) in 2011
Customs clearance time reduced by 10% (5.8 days in 2007)	WB's Doing Business index of time to export and import	Respectively 18 and 22 days in 2007	Respectively 12 and 16 days in 2009	Respectively 10 and 14 days in 2011
Quality and efficiency of public expenditure in infrastructure is improved by introducing results-based management	Improved effectiveness of government agencies in implementing mandated Brazilian environmental and social management procedures	30 percent of environmental licenses issued at the Federal level during 2002-2007 were judicially challenged by Public Prosecutor's Office	Decrease to at most 28 percent in the number of judicially challenged licenses (this is the 2010 target in the SEM DPL)	Decrease to 24 percent in the number of judicially challenged licenses by Public Prosecutor's Office compared with the number of environmental licenses issued at the Federal level during 2002-2007
Capital market turnover increased by 10%	WB's Doing Business index of coverage of private credit bureau and public credit registry	Respectively 46.4% and 17.1% of adults in 2007	Respectively 59.2% and 23.7% of adults in 2009	Respectively 72% and 30% of adults in 2011
Fiscal capacity, management and competitiveness of cities is improved	Increase in volume of waste disposed in environmentally sustainable sanitary landfills with Bank support through the BRAZIL Integrated Solid Waste Management Project	n.a.	Zero (400t/day expected in 2010)	1200t/day in 2011 (4000t/day expected in 2014)

Original CPS Outcome	Revised CPS Outcome (if applicable)	Baseline (2007)	Progress Towards CPS Outcomes (2008-2009)	End of Program Target (2011)
Equitable Brazil				
Percentage of children in <i>Bolsa Família</i> (BF) completing primary education	Percentage of primary school-age children in BF beneficiary families attending school	n.a. (data was requested to Ministry of Social Development)	84 percent (first semester 2009)	87 percent
Landless and small farmers obtaining access to land through Crédito Fundiário	Not applicable (n.a.)	33,000 families fully settled	40,102 families fully settled (December 2008); 8,300 families have been approved, await financing; 22,000 families have registered proposals.	46,000 families fully settled
Index of Development of Basic Education	Index of Development of Basic Education (IDEB) for primary (4 th and 8 th grade) and secondary education	Average IDEB scores in 2007: 4.2 for 4 th grade; 3.8 for 8 th grade; 3.5 for secondary education.	n.a. (data is being collected by the Ministry of Education and will be available by mid 2010)	Average IDEB scores in 2011: 4.7 for 4 th grade; 4.3 for 8 th grade; 4.0 for secondary education.
Percentage of hospitals achieving at least level 1 accreditation per system established by the National Accreditation Organization	Proportion of people covered with the Family Health Program	46.3%	49.5% (2008)	55.0%
Number of families with access to potable water	Population with access to clean water	161.4 Million	163.4 Million (2008)	169 Million
People with access to sanitation	Population with access to sewage	101 Million	107.3 Million (2008)	112 Million
GDP per capita ratio (NE/BR) increased from 0.51 in 2006 to 0.55 in 2011	Real per capita disposable income: ratio of Northeast to national average	59.6%	62.5% (2008)	64%

Original CPS Outcome	Revised CPS Outcome (if applicable)	Baseline (2007)	Progress Towards CPS Outcomes (2008-2009)	End of Program Target (2011)
Sustainable Brazil				
Human Dev. Index in the Amazon increased from 15% below Brazil average in 2007 to 5% below average in 2011	Real per capita disposable income: ratio of North to national average	65.1%	71.9% (2008)	75.5%
Annual deforestation rate in the Amazon decreased from 1.4 million ha in 2005 to 0.7 million ha in 2011	Reduction in average annual rate of deforestation in the Amazon	2005-2007 average annual deforestation rate: 1.48 million ha	2008 deforestation rate: 1.3 million ha	2011 deforestation rate: 0.7 million ha
Connection to rural electricity grid increased from 97% in 2006 to 100% in 2011	Energy produced from renewable sources or saved by energy efficiency projects supported by BNDES	Zero in 2007	Less than 10,000 tera joules per year (TJ/year), which is the 2010 target in SEM DPL	60,000 TJ/year in 2011
Area under certified sustainable forest management and/or forest concessions increases from 3 to 8 million ha. by 2011	Sustainable Natural Forest Management of private and public area	2007: 2.7 million ha in private land (FSC-certified natural forests) and zero in public land	3.5 million ha in private and public areas	Sustainable Natural Forest Management of private and public areas expanded to 5 million ha
Protected areas to increase from 100 million ha in 2007 to 120 million by 2011	Protected areas to increase from 79 million ha in 2007 to 110 million by 2011	79 million ha in 2007	107 million ha in 2009	120 million ha in 2011
n.a.	Mainstreaming of Climate Change in public and private sector investments	National Climate Change Action Plan (NCCAP) not yet approved; no BNDES-financed GHG emission reduction projects	NCCAP has been approved and implementation is beginning	Planned signed reductions of 20 million tons of CO ₂ eq/year from actions monitored under NCCAP (including CDM and BNDES-financed projects)
n.a.	Improved effectiveness of environmental/ social management systems in financial institutions	35% of projects submitted directly to BNDES screened according to the current Institutional Policy	Less than 60% of projects submitted directly to BNDES screened (this is the 2010 target in the SEM DPL)	100% of projects screened and monitored according to the new Environmental and Social Institutional Policy

Annex 2: Brazil Selected Key Economic Indicators, 2002-08

Indicator	2002	2003	2004	2005	2006	2007	2008
National Accounts							
<i>Real GDP Growth (percent)</i>	2.7	1.1	5.7	3.2	4.0	5.7	5.1
<i>Consumption Growth (percent)</i>	2.6	-0.3	3.9	3.9	4.5	5.9	5.4
<i>Investment Growth (percent)</i>	-5.2	-4.6	9.1	3.6	9.8	13.5	13.8
<i>Investment (percent of GDP)</i>	16.4	15.3	16.1	15.9	16.4	17.5	19.0
<i>Public sector</i>	3.7	2.6	3.2	3.3	3.3	3.3	3.3
<i>Private sector</i>	12.7	12.7	12.9	12.6	13.1	14.2	15.7
<i>Gross National Savings (percent of GDP)</i>	14.7	16.0	18.5	17.3	17.6	17.5	16.9
External Sector							
<i>Trade Balance (US\$ bi)</i>	13.1	24.8	33.7	44.7	46.1	40.3	24.8
<i>Current Account Balance (US\$ bi)</i>	-7.6	4.2	11.7	14.0	13.6	1.6	-28.2
<i>Current Account Balance (percent of GDP)</i>	-1.5	0.7	1.8	1.6	1.3	0.1	-1.8
<i>Foreign Direct Investment</i>	16.6	10.1	18.1	15.1	18.8	34.5	45.1
<i>International Reserves (US\$ bi)</i>	37.8	49.3	52.9	53.8	85.8	180.3	206.8
<i>External Debt (US\$ bi)</i>	350.0	290.0	210.0	143.2	125.2	120.3	100.2
<i>External Debt to Exports (percent)</i>	82.7	72.5	53.7	55.8	41.3	32.4	19.0
<i>Interest Payments to Exports (percent)</i>	23.6	19.4	14.8	12.2	10.8	9.5	7.1
<i>Nominal Exchange Rate (eop)</i>	3.53	2.89	2.65	2.34	2.14	1.77	2.3
Public Sector							
<i>PS. Primary Balance (percent of GDP)</i>	3.5	3.9	4.2	4.4	3.9	3.9	4.1
<i>PS. Overall Balance (percent of GDP)</i>	-4.2	-4.6	-2.4	-3.0	-3.0	-2.2	-1.5
<i>Net Public Sector Debt (percent of GDP)</i>	50.5	52.3	47.0	46.5	44.7	42.0	36.0
<i>Gross Public Sector Debt (percent of GDP)</i>	85.0	76.5	69.2	64.2	64.8	68.8	58.6
Prices and Economic Activity							
<i>Consumer Inflation (percent)</i>	12.5	9.3	7.6	5.7	3.3	4.1	5.9
<i>Wholesale Inflation (percent)</i>	26.4	7.7	12.1	1.2	3.8	7.9	9.1
<i>Headline Interest Rate (avg. percent)</i>	25.0	16.5	17.8	19.5	13.3	11.3	13.8
<i>Unemployment (percent)</i>	11.7	12.3	11.5	9.8	10.0	9.3	7.9
<i>Source: IMF, BCB, IBGE, IPEA</i>							

Annex 3: Macroeconomic Outlook, 2009-2012

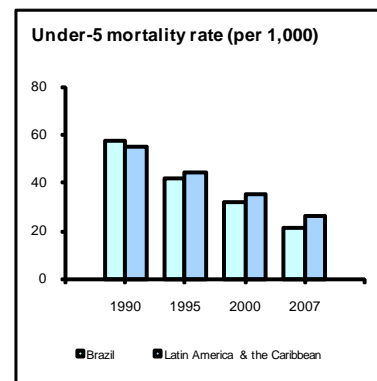
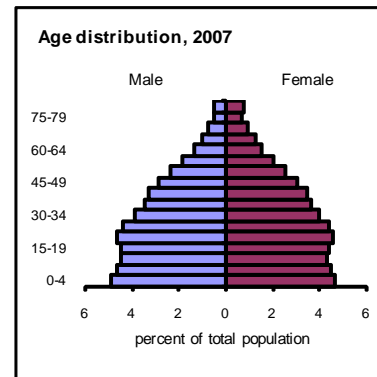
Indicator	2009		2010		2011		2012	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
National Accounts								
Real GDP Growth (%)	-0.1	-0.3	5.1	4.5	4.5	4.1	4.2	4.2
Consumption Growth (%)	1.1	3.2	4.4	3.2	4.7	2.4	3.8	3.8
Investment Growth (%)	-4.8	-16.2	7.6	10.4	3.7	13.4	7.4	7.4
Investment (% of GDP)	17.6	15.6	18.0	16.4	17.8	17.8	18.3	18.3
Public sector	2.3	2.3	2.5	2.5	2.8	2.8	3.2	3.2
Private sector	15.4	13.3	15.5	13.8	15.0	15.0	15.1	15.1
Gross National Savings	16.2	14.3	14.7	13.4	14.6	14.7	15.5	15.6
External Sector								
Trade Balance (US\$ bi)	21.8	25.9	20.5	25.3	25.1	27.0	25.1	27.2
Current Account Balance (US\$ bi)	-26.3	-22.1	-62.8	-57.4	-65.5	-62.6	-59.8	-56.5
Current Account Balance (% of GDP)	-1.5	-1.2	-3.3	-3.0	-3.3	-3.2	-2.8	-2.7
Foreign Direct Investment	25.0	25.0	33.0	33.0	35.0	35.0	35.0	35.0
International Reserves (US\$ bi)	239	235.5	266	261.4	280	277.8	286	283.6
Debt Service to Exports (%)	18.6	18.6	12.0	11.9	12.5	12.3	11.5	11.4
Interest Payments to Exports (%)	4.5	4.5	4.6	4.5	4.6	4.5	4.5	4.4
Nominal Exchange Rate (eop)	1.7	1.7	1.76	1.8	1.8	1.8	1.9	1.9
Public Sector								
PS. Primary Balance (% of GDP)	1.8	1.8	3.0	3.0	2.9	2.9	3.0	3.0
PS. Overall Balance (% of GDP)	-4.0	-4.0	-1.5	-1.6	-1.2	-1.3	-0.8	-0.8
Net Public Sector Debt (% of GDP)	44.1	44.2	42.0	42.4	39.3	39.9	37.9	38.5
Gross Gen. Gov. Debt (% of GDP)	67.0	67.0	70.0	70.0	68.0	68.0	66.0	66.0
Prices and Economic Activity								
Consumer Inflation (%)	4.3	4.3	4.5	4.5	4.5	4.5	4.5	4.5
Wholesale Inflation (%)	-0.9	-0.9	4.5	4.5	4.5	4.5	4.5	4.5
Headline Interest Rate (% eop)	8.8	8.8	10.5	10.5	10.5	10.5	10.0	10.0
Unemployment (%)	7.2	7.2	6.9	6.9	6.5	6.5	6.5	6.5
Industrial Cap. Utilization (%)	81.5	81.5	85.0	85.0	86.3	86.3	86.0	86.0
Source: IMF, BCB, IBGE, WB Calculations								

CPS Progress Report - Annex A2-1

Brazil at a glance

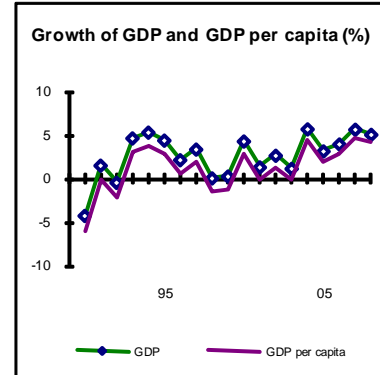
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Key Development Indicators	Brazil	Latin America & Carib.	Upper middle income
<i>(2008)</i>			
Population, mid-year (millions)	192.0	561	824
Surface area (thousand sq. km)	8,515	20,421	41,497
Population growth (%)	1.0	1.2	0.7
Urban population (% of total population)	86	78	75
GNI (Atlas method, US\$ billions)	1,401.3	3,252	5,854
GNI per capita (Atlas method, US\$)	7,300	5,801	7,107
GNI per capita (PPP, international \$)	9,270	9,678	12,072
GDP growth (%)	5.1	5.7	5.8
GDP per capita growth (%)	4.1	4.4	5.0
<i>(most recent estimate, 2003–2008)</i>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	5	8	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	13	17	..
Life expectancy at birth (years)	73	73	71
Infant mortality (per 1,000 live births)	20	22	21
Child malnutrition (% of children under 5)	2	4	..
Adult literacy, male (% of ages 15 and older)	90	92	95
Adult literacy, female (% of ages 15 and older)	90	90	93
Gross primary enrollment, male (% of age group)	134	120	112
Gross primary enrollment, female (% of age group)	125	116	109
Access to an improved water source (% of population)	91	91	95
Access to improved sanitation facilities (% of population)	77	78	83



CPS Progress Report - Annex A2-1

Net Aid Flows	1980	1990	2000	2008 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	85	151	232	297
<i>Top 3 donors (in 2007):</i>				
France	9	19	24	113
Germany	48	31	49	77
Spain	..	0	6	33
Aid (% of GNI)	0.0	0.0	0.0	0.0
Aid per capita (US\$)	1	1	1	2



Long-Term Economic Trends

Consumer prices (annual % change)	<i>95.6</i>	1621.0	6.0	7.1
GDP implicit deflator (annual % change)	87.3	2,735.5	6.2	5.9
Exchange rate (annual average, local per US\$)	0.0	0.0	1.8	1.8
Terms of trade index (2000 = 100)	..	..	..	..

1980-90 1990-2000 2000-08
(average annual growth %)

Population, mid-year (millions)	121.6	149.6	174.2	192.0	2.1	1.5	1.2
GDP (US\$ millions)	235,025	461,952	644,702	1,575,151	2.7	2.7	3.6
	<i>(% of GDP)</i>						
Agriculture	11.0	8.1	5.6	6.7	2.8	3.6	4.2
Industry	43.8	38.7	27.7	28.0	2.0	2.4	3.2
Manufacturing	33.5	<i>25.3</i>	17.2	16.0	..	2.0	3.1
Services	45.2	53.2	66.7	65.3	3.3	3.8	3.8
Household final consumption expenditure	69.7	59.3	64.3	60.7	1.2	3.7	3.3
General gov't final consumption expenditure	9.2	19.3	19.2	20.2	7.3	1.0	3.3
Gross capital formation	23.3	20.2	18.3	18.9	3.3	4.2	4.0
Exports of goods and services	9.1	8.2	10.0	14.3	7.5	5.9	8.6
Imports of goods and services	11.3	7.0	11.7	14.2	0.5	11.6	8.0
Gross savings	..	18.9	<i>13.5</i>	16.9			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

CPS Progress Report - Annex A2-1

Braz
il

Balance of Payments and Trade	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	54,187	184,216
Total merchandise imports (cif)	55,783	155,475
Net trade in goods and services	-7,860	8,146
Current account balance as a % of GDP	-3.8	-1.8

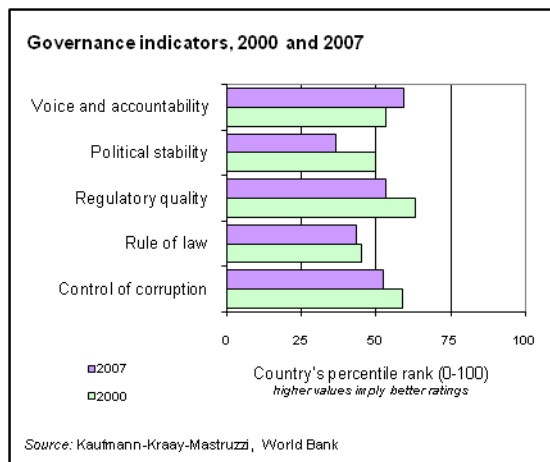
Workers' remittances and compensation of employees (receipts)	1,649	4,382
Reserves, including gold	33,011	206,806

Central Government Finance

<i>(% of GDP)</i>		
Current revenue (including grants)	16.5	24.8
Tax revenue	0.0	15.3
Current expenditure	0.0	21.8
Overall surplus/deficit	-2.1	-1.6
Highest marginal tax rate (%)		
Individual	28	28
Corporate	15	15

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	223,846	255,614
Total debt service	61,029	55,420
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	34.7	16.2
Total debt service (% of exports)	89.2	22.8
Foreign direct investment (net inflows)	32,779	45,058
Portfolio equity (net inflows)	3,076	-7,565

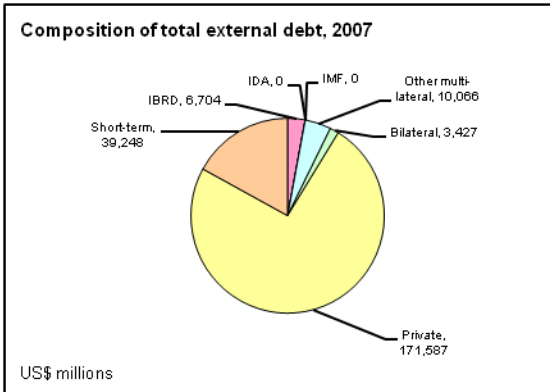


Technology and Infrastructure	2000	2007
Paved roads (% of total)	5.5	..
Fixed line and mobile phone subscribers (per 100 people)	31	84
High technology exports (% of manufactured exports)	18.7	12.4

Environment

Agricultural land (% of land area)	31	31
Forest area (% of land area)	58.3	56.5
Nationally protected areas (% of land area)	..	17.9
Freshwater resources per capita (cu. meters)	30,227	28,277
Freshwater withdrawal (billion cubic meters)	7	..
CO2 emissions per capita (mt)	59.3	..
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	1.8	1.7
Energy use per capita (kg of oil equivalent)	7.3	7.3
	1,090	1,184

CPS Progress Report - Annex A2-1



	2000	2008
Private Sector Development		
Time required to start a business (days)	–	152
Cost to start a business (% of GNI per capita)	–	8.2
Time required to register property (days)	–	42
	2000	2007
Ranked as a major constraint to business (% of managers surveyed who agreed)		
Tax rates	..	84.5
Access to/cost of financing	..	84.3
		102.
Stock market capitalization (% of GDP)	35.1	8
Bank capital to asset ratio (%)	12.1	9.9

Energy use per capita (kg of oil equivalent) 1,09
0 1,184

World Bank Group portfolio	2000	2007
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	51	6,704
Disbursements	0	374
Principal repayments	38	115
Interest payments	6	364
IDA		
Total debt outstanding and disbursed	–	–
Disbursements	–	–
Total debt service	–	–
IFC (fiscal year)		
Total disbursed and outstanding portfolio	2,14	1,706
of which IFC own account	1,15	1,284
Disbursements for IFC own account	7	397
Portfolio sales, prepayments and repayments for IFC own account	160	175
MIGA		
Gross exposure	111	288
New guarantees	706	5

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.
.. indicates data are not available. – indicates observation is not applicable.

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9

Development Economics, Development Data Group (DECDG).

CPS Progress Report - Annex A2-1

Millennium Development Goals

Brazil

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

	Brazil			
	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	15.5	12.0	11.0	5.2
Poverty headcount ratio at national poverty line (% of population)	..	..	22.0	21.5
Share of income or consumption to the poorest quintile (%)	2.4	2.6	2.7	3.0
Prevalence of malnutrition (% of children under 5)	..	4.5	..	2.2
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	92	93
Primary completion rate (% of relevant age group)	..	90	108	106
Secondary school enrollment (gross, %)	54	64	104	105
Youth literacy rate (% of people ages 15-24)	90	91	93	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	103	103
Women employed in the nonagricultural sector (% of nonagricultural employment)	35	39	40	..
Proportion of seats held by women in national parliament (%)	5	7	6	9
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	58	42	32	22
Infant mortality rate (per 1,000 live births)	49	37	28	20
Measles immunization (proportion of one-year olds immunized, %)	78	87	99	99

CPS Progress Report - Annex A2-1

Goal 5: reduce maternal mortality by three-fourths

Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	110
Births attended by skilled health staff (% of total)	72	88	96	97
Contraceptive prevalence (% of women ages 15-49)	59	77	..	..

Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases

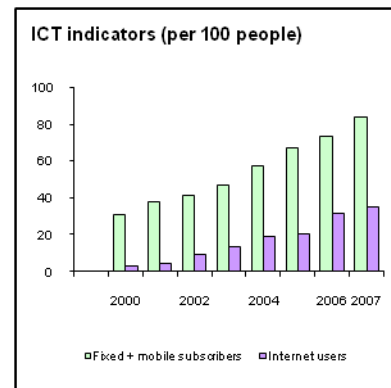
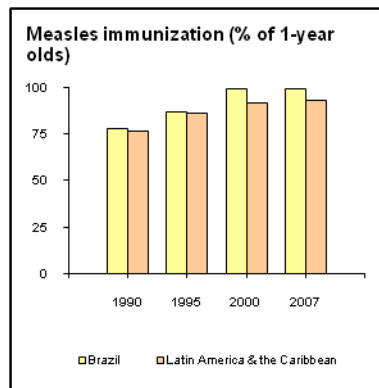
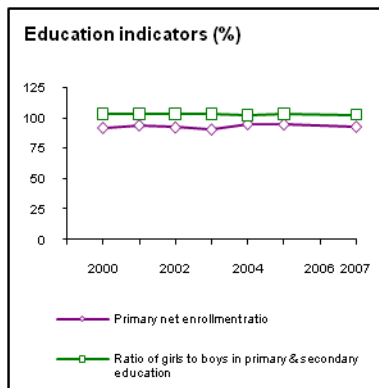
Prevalence of HIV (% of population ages 15-49)	0.4	0.6	0.6	0.6
Incidence of tuberculosis (per 100,000 people)	84	71	60	48
Tuberculosis cases detected under DOTS (%)	..	..	7	69

Goal 7: halve the proportion of people without sustainable access to basic needs

Access to an improved water source (% of population)	83	86	89	91
Access to improved sanitation facilities (% of population)	71	73	74	77
Forest area (% of total land area)	61.5	59.9	58.3	56.5
Nationally protected areas (% of total land area)	..	..	..	17.9
CO2 emissions (metric tons per capita)	1.4	1.5	1.8	1.7
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	7.7	7.8	7.3	7.3

Goal 8: develop a global partnership for development

Telephone mainlines (per 100 people)	6.3	8.2	17.8	20.6
Mobile phone subscribers (per 100 people)	0.0	0.8	13.3	63.1
Internet users (per 100 people)	0.0	0.1	2.9	35.2
Personal computers (per 100 people)	0.3	1.7	4.9	16.1



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

11/3/09

Development Economics, Development Data Group (DECDG).

CPS Progress Report - Annex B2 - Brazil
Selected Indicators* of Bank Portfolio Performance and Management

As Of Date 11/11/2009

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation ^a	52	53	54	57
Average Implementation Period (years) ^b	4.0	4.0	3.5	3.5
Percent of Problem Projects by Number ^{a, c}	13.5	17.0	9.3	7.0
Percent of Problem Projects by Amount ^{a, c}	27.9	5.4	2.0	1.2
Percent of Projects at Risk by Number ^{a, d}	15.4	18.9	13.0	12.3
Percent of Projects at Risk by Amount ^{a, d}	28.0	5.6	2.5	17.5
Disbursement Ratio (%) ^e	35.1	34.9	36.9	10.4
Portfolio Management				
CPPR during the year (yes/no)	Yes	Yes	Yes	
Supervision Resources (total US\$)	4,674	5,752		
Average Supervision (US\$/project)	90	109		

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	239	28
Proj Eval by OED by Amt (US\$ millions)	28,222.6	2,433.9
% of OED Projects Rated U or HU by Number	24.5	10.7
% of OED Projects Rated U or HU by Amt	24.9	6.8

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

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

CPS Progress Report - Annex B3 - IBRD Program Summary

3/11/2010

Country Federative Republic of Brazil

Fiscal year

Proj ID

IBRD Lending Program

Development Challenges

<i>Fiscal year/Borrower</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Fiscal & Public Sector Management</i>	<i>Infrastructure and Urban</i>	<i>Human Development & Innovation</i>	<i>Agriculture & Natural Resources Management</i>	<i>Development in Sensitive biomes</i>
2010							
<i>Federal</i>	BR - AIDS SUS	67.0			√		
	BR - Bolsa Familia 2nd APL	200.0			√		
	BR - Eletrobras Distribution Co. Improvement	485.0		√			
	BR - National Environmental 2 - Phase II	24.3				√	√
		776.3					
<i>Subnational</i>	BR - São Paulo Feeder Roads	166.7		√			
	BR - (AF) São Paulo Trains and Signalling	112.9		√			
	BR - (AF) Bahia State Integ. Rural	30.0				√	
	BR - (APL2) Rio Grande do Sul Int. Municipal Dev.	8.1		√			
	BR - Alagoas Fiscal & Public Mgmt Reform	195.5	√				
	BR - Integrated Solid Waste & Carbon Finance	50.0	√	√		√	
	BR - Integrated Water Management São Paulo	104.0		√		√	
	BR - Santos Municipality Project APL 5	44.0	√	√			
	BR - RJ Sustainable Rural Developmet	39.5				√	
	BR - Rio de Janeiro Mass Transit II	211.7		√			
	BR Pernambuco Sustainable Water	190.0				√	
	BR Rio State DPL	485.0	√		√		
	BR Rio de Janeiro PSM/Fiscal MST	18.7	√				
	BR SP METRO LINE 4 (PHASE 2)	130.0		√			
	BR SP Sust Rural Dev & Access to Markets	78.0				√	
	BR SP Water Reagua	78.0		√		√	
	BR - BR (AF) São Paulo Feeder Roads	326.8		√			
	BR - Parana Rural Poverty II	50.4				√	
	BR - 'Sao Paulo Metro Line 5	650.0		√			
	BR - Rio de Janeiro Municipal DPL	1,045.0	√				
	BR - (AF) 2nd Minas Gerias Devt. Partnership	461.0	√				
	BR - Mato Grosso do Sul Roads	300.0		√			
	BR - Sergipe Water	70.2				√	
	BR Santa Catarina Rural Competitiveness	90.0				√	
		4,935.5					
	Result	5,711.8					
2011							
<i>Federal</i>	BR - Indigenous Peoples Sustainable Development	40.0			√		√
	BR - 2nd Prog. DPL for Sust. Env. Management	700.0				√	
	BR - Vigisus III - Disease Surveillance	100.0			√		
	BR - Federal Integrated Water	97.6				√	
		937.6					
<i>Subnational</i>	BR - (AF) Brasília Environ. Sustainable	57.6		√			
	BR - Plandesul	200.0				√	√
	BR - Bahia Health and Water Mgmt	60.0		√	√		
		317.6					
	Result	1,255.2					
Other Possibilities							
<i>Federal</i>	BR - (AF) Road Transport Sw ap	500.0		√			
	BR - Reform of University Hospitals	450.0			√		
<i>Subnational</i>	BR - Pernambuco Regional	100.0		√			√
	Result	1,050.0					
	Overall Result	8,017.0					

CPS Progress Report - Annex B3

Brazil: IFC Investment Operations Program

	2007	2008	2008	2010*
Commitments (US\$m)				
Gross	509.04	1662.83	864.26	478.9
Net**	509.04	1090.33	641.93	478.9
Net Commitments by Sector (%)				
Agriculture & Forestry	0.00%	7.34%	0.00%	0.00%
Oil, Gas & Mining	0.00%	9.17%	0.00%	0.00%
Utilities	1.28%	1.31%	3.81%	0.00%
Transportation and Warehousing	9.82%	0.54%	0.00%	0.00%
Food & Beverages	30.45%	0.32%	3.89%	0.00%
Primary Metals	0.00%	2.29%	0.00%	0.00%
Industrial & Consumer Products	6.88%	3.67%	3.89%	0.00%
Information	0.00%	0.28%	0.00%	0.00%
Finance & Insurance	51.58%	60.38%	88.40%	92.61%
Collective Investment Vehicles	0.00%	4.59%	0.00%	0.00%
Health Care	0.00%	1.56%	0.00%	0.00%
Education Services	0.00%	1.23%	0.00%	7.39%
Electric Power	0.00%	7.34%	0.00%	0.00%
Total	100%	100%	100%	100%
Net Commitments by Investment Instrument (%)				
Equity	5.21%	1.75%	1.66%	1.40%
Guarantee	24.07%	24.06%	74.57%	83.92%
Loan	63.45%	69.93%	12.45%	14.68%
Quasi-loan	7.27%	4.22%	11.32%	
Risk product		0.40%		
Total	100%	100%	100%	100%

* As of January 31, 2010

** IFC's own account only

CPS Progress Report - Annex B4 - Summary of Non-lending Services -

As Of Date 11/11/2009

Product	Completion FY	Cost (US\$000)	Audience ^a	Objective ^b
Recent completions				
BR Environmental Licensing Study	2008	175.0	Government	KG,PS
BR Biodiesel Study	2008	135.0	Government	KG,PD
BR (Joint) Energy Study	2008	155.0	Government	KG,PS,PD
BR Quality of Education Spending	2008	305.0	Government	KG,PS,PD
BR Directed Credit aka 2nd Prg. ESW	2008	120.0	Government	KG,PS
BR City Econ Growth and Competitiveness	2008	160.0	Public	KG,PS,PD
BR Financial Sector NLTA	2008	82.0	Government	KG,PS
BR Energy Efficiency Strategy	2008	67.5	Government	KG,PS,PD
BR Energy Development	2008	160.8	Government	KG,PS,PD
BR-BRAVA Program Phase 3	2008	140.0	Government	KG,PS
BR(SCL) Aviation	2008	44.0	Public	KG,PS,PD
BR Public Debt Management	2009	80.0	Government	KG,PS
BR Fiscal Federalism	2009	164.0	Government	KG,PS,PD
BR Freight Logistics, How to decrease	2009	165.0	Government	KG,PS,PD
BR Labor Programmatic AAA Phase 2	2009	140.0	Government	KG,PS,PD
BR (SCL) Countercyclical Fiscal Pol.	2009	100.0	Government	KG,PS,PD
BR (FBS) Concession Pub. Irrig. Perimeters	2009	603.7	Government	KG,PS
BR Nat'l Housing Plan-Policy (Cities All)	2009	55.0	Government	KG,PS
BR (FBS) Baixio do Irece II	2009	542.0	Government	KG,PS
BR Governance capacity in the Health Sector	2009	20.0	Government	KG,PS,PD
BR Good Governance Prog	2009	100.0	Government	KG,PS
BR Early Childhood Developmente Conferenc	2009	100.0	Public	KG,PS,PD
BR Skills Innovation Assessment	2009	50.0	Government	KG,PS,PD
		3,663.9		
Underway				
	2010			
BR GAP Report	2010	80.0	Government	KG,PS
BR CCH Low Carbon Country Case Study	2010	587.5	Government	KG,PS,PD
BR Equality of Opportunity	2010	140.0	Government	KG,PS,PD
BR Early Childhood	2010	113.0	Government	KG,PS,PD
BR Evaluating and Improving Efficiency	2010	200.0	Government	KG, PS
BR Labor Programmatic AAA Phase 3	2010	114.0	Government	KG,PS,PD
BR Building Evidence for C&V Reduction	2010	200.0	Government	KG, PS
BR Involuntary Resettlement: Review of P	2010	120.0	Government	KG, PS
BR Improve Quality of Road Investments	2010	160.0	Government	KG, PS
BR Amazon Regional Programmatic	2010	200.0	Government	KG,PS,PD
BR Education Quality PAR	2010	113.0	Government	KG,PS,PD
BR (CCH) Amazon Dieback Analysis	2010	1,150.0	Public	KG,PS,PD
BR Proposed High-Speed Train Project	2010	50.0	Government	KG,PS
BR BRAVA Program	2010	140.0	Government	KG,PS
BR SNTA Nova Eletrobras	2010	390.0	Government	KG,PS
BR PEFA-plus (Federal)	2010	120.0	Government	KG,PS,PD
BR Housing Sector TA	2010	120.0	Government	KG,PS,PD
BR Public Sector NLTA	2010	150.0	Government	KG,PS
BR Financial Literacy Impact Evaluation	2010	60.0	Government	KG,PS,PD
		4,207.5		
Planned				
	2011			
BR Country Study on Education	2011	150.0	Government	KG,PS,PD
BR Money Credit and Growth	2011	180.0	Government	KG,PS,PD
BR Aging Country Study	2011	180.0	Government	KG,PS,PD
BR MST Job Quality	2011	180.0	Government	KG,PS,PD
BR Soc Protec. During 2008 Twin Cities	2011	180.0	Government	KG,PS,PD
BR Spatial Structure in Metro Cities	2011	100.0	Government	KG,PS,PD
BR BM&F Carbon Markets Strengthening	2011	50.0	Government	KG,PS,PD
CA - Brazil TA & Gdnce on Natnl Hsng Pln	2011	75.0	Government	KG,PS
		1,095.0		
		8,966.4		

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

¹ Municipalities are autonomous entities of the country's Federation, independent from both State and Federal Governments. This would allow the Bank to support Brazil's efforts to integrate and coordinate policies at different levels of government. This would also support Brazil's efforts to enhance fiscal consolidation not only at the Federal and State level, but also at the Municipal level. Such efforts would be important for at least two reasons. First, several Brazilian Municipalities are larger than many Brazilian States. Second, Municipalities are the main providers of essential public services and as such are critical for the country's success in promoting growth, reducing poverty, and ensuring all citizens receive services of equal quality.

² It is important to note, however, that despite its increased activities at the sub-national level, the Bank has continued (and will continue) to be strongly engaged in contributing to the policy debate on nation-wide developmental challenges through its AAA agenda. Moreover, the GoB has recently increased its requests for Bank technical and financial support to Federal programs – e.g. in the areas of health, education, transport and energy.

³ By February 2010 the Ibovespa stock market index had grown 62.5 percent with respect to March 2009, sovereign spreads were at 180 basis points -- lower than pre-global crisis levels of about 240. While the exchange rate was still slightly depreciated with respect its pre-global crisis level of 1.64 R\$/US\$, it had appreciated by 22 percent compared to March 2009, reaching 1.81 R\$/US\$. Capital inflows also resumed their pre-global crisis trend and the country's international reserves reached US\$241 billion in February 2010, a level well above the pre-global crisis peak of US\$205 billion recorded in August 2008.

⁴ Brazil has set an ambitious set of goals under its National Action Plan for Climate Change. These goals include reducing deforestation by 80 percent by 2020; increasing renewable energy installed capacity to 7,000 MW by 2010; increasing renewable energy from bagasse to 11 percent of total electricity generation; increasing the use of ethanol in automobiles' fuel mix by 11 percent per year; and decreasing energy use through energy efficiency by 10 percent by 2030.

⁵ Because many operations are multi-sector, shares add up to more than 100 percent.

⁶ It is worth noting that specific analytical and country studies may benefit from custom-tailored LEGLA participation (e.g. through review of terms of reference and supervision of external legal experts).