RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

MATO GROSSO DO SUL STATE ROAD TRANSPORT PROJECT

PROJECT APPROVED ON MAY 4, 2010

(LOAN NUMBER 7872- BR)

TO THE

STATE OF MATO GROSSO DO SUL

JUNE 29, 2015

Transport and ICT Global Practice
Brazil Country Management Unit
Latin America and the Caribbean Region

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Regional Vice President: Jorge Familiar
Country Director: Deborah L. Wetzel
Senior Global Practice Director Pierre Guislain
Practice Manager: Aurelio Menendez
Task Team Leader: Eric Lancelot
1. This Restructuring Paper for Brazil, Mato Grosso do Sul State Road Transport Project, Loan 7872-BR, P118410, proposes to extend the closing date by 12 months, from June 30, 2015 to June 30, 2016. This would be the first extension of the closing date. A formal request for the extension of the closing date was made by the State of Mato Grosso do Sul to the Federal Government which endorsed the extension on June 26, 2015 through its recommendation 05/0262.

2. This extension is required to finalize some key institutional strengthening activities which are important to more substantially achieve the PDO.

3. The overall performance of the Project is satisfactory, with a disbursement rate of 99% from the loan and all works financed by the loan and the planned counterpart fully completed. Additional works undertaken by the Government with other sources of funding are being considered for eligibility under the Project that could allow reaching the Project physical targets, given that unfavorable exchange rate resulted in a $50 million net “losses” and +/-80% achievement of Project targets with Bank (US$300 million) and initial counterpart (US$75 million) funding.

4. Delays in the initiation of key institutional strengthening activities under the Project’s Institutional Development Component resulted in the impossibility for the Borrower to conclude those Technical Assistsances by the current Project closing date of June 30, 2015. The main remaining activities are the following:

   - Under component 2.1 for the SEMAC: i) agenda PPP: the Project supported the State in the preparation of its law on PPP (adopted last year) and the structuring of a PPP unit. A first pilot PPP has been agreed to turn the PPP agenda operational, but delays in the procurement of the consultant in charge of the design of this PPP have occurred. The contract is expected to be executed within FY16; ii) management by results: the tendering process has also been delayed but is now in its final stage (technical evaluation report). This activity is expected to start in the coming weeks for an execution of 10 to 12 months;

   - Under component 2.3 and 2.4 for the transport sector: i) two main studies, the implantation of a Pavement Management System (PMS) and the State Logistic Plan (PELT), are underway, but delays in the execution of the services will result in a conclusion of both studies around September 2015; ii) the process of restructuring and modernization of the sector has been delayed and the new Government is very keen on building on the policy dialogue previously held under the Project, notably on the transition towards result based management and commercialization, key to improving efficiency in the management of the sector; iii) the Government is keen to launch an assessment of the road safety of the infrastructure following the iRAP methodology in the context of the preparation of the mid-
term review of the decade of actions planned in Brasilia in November 2015, with results expected in the coming 10-12 months.

5. The PDO are expected to be more substantially achieved with this extended closing date.

6. The Project is not subject to suspension of disbursements.

7. The Recipient does not have any outstanding audit reports or there are no audit reports which are not satisfactory to the Bank, unless the Recipient and the Bank have agreed on actions to address the deficiencies.
# DATA SHEET

**Brazil**  
*Mato Grosso do Sul State Road Transport Project (P118410)*  
*LATIN AMERICA AND CARIBBEAN*  
*Transport & ICT*

Report No: RES19012

## Basic Information

<table>
<thead>
<tr>
<th>Project ID:</th>
<th>P118410</th>
<th>Lending Instrument:</th>
<th>Specific Investment Loan</th>
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<tbody>
<tr>
<td>Regional Vice President:</td>
<td>Jorge Familiar Calderon</td>
<td>Original EA Category:</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>Country Director:</td>
<td>Deborah L. Wetzel</td>
<td>Current EA Category:</td>
<td>Partial Assessment (B)</td>
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<tr>
<td>Senior Global Practice Director:</td>
<td>Pierre Guislain</td>
<td>Original Approval Date:</td>
<td>04-May-2010</td>
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<td>Practice Manager/Manager:</td>
<td>Aurelio Menendez</td>
<td>Current Closing Date:</td>
<td>30-Jun-2015</td>
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<td>Team Leader(s):</td>
<td>Eric R. Lancelot</td>
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## Restructuring Type

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<th>Short Form</th>
<th>Decision Authority:</th>
<th>Country Director Approval</th>
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<td>Decision Authority:</td>
<td>Country Director Approval</td>
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## Financing (as of 28-May-2015)

### Key Dates

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<th>Project</th>
<th>Ln/Cr/TF</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
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<th>Original Closing Date</th>
<th>Revised Closing Date</th>
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### Disbursements (in Millions)

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<th>Status</th>
<th>Currency</th>
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## Policy Waivers

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<th>Does the project depart from the CAS/CPF in content or in other significant</th>
<th>Yes [ ]</th>
<th>No [X]</th>
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A. Summary of Proposed Changes

The proposed restructuring is to extend the closing date by 12 months, until June 30, 2016. This would be the first extension of the closing date. This extension has been endorsed by the Federal Government on June 26, 2015 through its GTEC recommendation 05/0262. This extension is required to finalize some key institutional strengthening activities which are important to more substantially achieve the PDO.

B. Project Status

The overall performance of the Project is satisfactory, with a disbursement rate of 99% from the loan and all works financed by the loan and the planned counterpart fully completed. Additional works undertaken by the Government with other sources of funding are being considered for eligibility under the Project that could allow reaching the Project physical targets, given that unfavorable exchange rate resulted in a $50 million net “losses” and +/-80% achievement of Project targets with Bank (US$300 million) and initial counterpart (US$75 million) funding.

Delays in the initiation of key institutional strengthening activities under the Project’s Institutional Development Component resulted in the impossibility for the Borrower to conclude those Technical Assistances by the current Project closing date of June 30, 2015.

C. Proposed Changes

Financing

Change in Loan Closing Date(s):

Explanation

The extension of the closing date is required to complete a set of institutional strengthening activities key to achieve the Project development objective, including:

1. Under component 2.1 for the SEMAC: i) agenda PPP: the Project supported the State in the preparation of its law on PPP (adopted last year) and the structuring of a PPP unit. A first pilot PPP has been agreed to turn the PPP agenda operational, but delays in the procurement of the consultant in charge of the design of this PPP have occurred. The contract is expected to be executed within FY16; ii) management by results: the tendering process has also been delayed but is now in its final stage (technical evaluation report). This activity is expected to start in the coming weeks for an execution of 10 to 12 months;

2. Under component 2.3 and 2.4 for the transport sector: i) two main studies, the implantation of a Pavement Management System (PMS) and the State Logistic Plan (PELT), are underway, but delays in the execution of the services will result in a conclusion of both studies around September 2015; ii) the process of restructuring and modernization of the sector has been delayed and the new Government is very keen on building on the policy dialogue previously held under the Project, notably on the transition towards result based management and commercialization, key to improving efficiency in the management of the sector; iii) the Government is keen to launch an assessment of the road safety of the infrastructure following the iRAP methodology in the context of the preparation of the mid-term review of the decade of actions planned in Brasilia in November 2015, with results expected in the coming 10-12 months.

<table>
<thead>
<tr>
<th>Ln/Cr/TF</th>
<th>Status</th>
<th>Original Closing Date</th>
<th>Current Closing Date</th>
<th>Proposed Closing Date</th>
<th>Previous Closing Date(s)</th>
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