



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
TOCANTINS INTEGRATED SUSTAINABLE REGIONAL DEVELOPMENT
APPROVED ON JULY 26, 2012
TO
STATE OF TOCANTINS
WITH THE GUARANTEE OF THE FEDERATIVE REPUBLIC OF BRAZIL

TRANSPORT

LATIN AMERICA AND CARIBBEAN

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ABBREVIATIONS AND ACRONYMS

ADETUC	<i>Agência do Desenvolvimento do Turismo, Cultura e Economia Criativa</i> (Tourism and Culture Institute of Tocantins)
AGETO	<i>Agência Tocantinense de Transportes e Obras</i> (Transports and Civil Works Institute of Tocantins)
CREMA	Contract of Rehabilitation and Maintenance of Roadways
ESMPs	Environmental and Social Management Plans
GBV	Gender Based Violence
Naturatins	<i>Instituto Natureza do Tocantins</i> (Environment Institute of Tocantins)
Ruraltins	<i>Instituto de Desenvolvimento Rural de Tocantins</i> (Rural Development Institute of Tocantins)
SEAGRO	<i>Secretaria da Agricultura, Pecuária e Aquicultura</i> (Agriculture and Cattle Institute of Tocantins)
SEDUC	<i>Secretaria da Educação, Juventude e Esportes</i> (Educational Institute of Tocantins)
SEFAZ	<i>Secretaria da Fazenda e Planejamento</i> (Finance and Treasury Office of Tocantins)
SEMARH	<i>Secretaria do Meio Ambiente e de Recursos Hídricos de Tocantins</i> (Environment and Water Resources Institute of Tocantins)
SoT	State of Tocantins



BASIC DATA

Product Information

Project ID P121495	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 26-Jul-2012	Current Closing Date 31-Dec-2020

Organizations

Borrower State of Tocantins	Responsible Agency SEPLAN
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to foster improved effectiveness of road transport and enhanced efficiency of selected public services, in support of the Borrower's integrated and territorially balanced development agenda. The objective will be achieved through fostering (i) improved accessibility of populations and producers to employment opportunities, services, resources, and markets and enhanced connectivity to the State's territories and productive regions, and (ii) institutional strengthening to contribute to modernize public service delivery and management, promote local economic activities, strengthen environmental management, and improve education.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-81850	26-Jul-2012	06-Dec-2012	14-Feb-2013	31-Dec-2020	300.00	237.12	62.88

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Summary

1. This Restructuring Paper seeks the Approval of the Regional Vice President for a Level-2 restructuring of the Tocantins Integrated Sustainable Regional Development (P121495; Loan 8185-BR). The main objectives of this restructuring are: (a) to extend the Project closing date from December 31, 2020 to December 31, 2021 for the completion of on-going activities under Components 1 and 2; (b) to include new activities to strengthen the expected outcomes by mitigating the impact of COVID-19 pandemic on Project related activities; (c) to partially cancel US\$10 million of the Loan that was allocated for activities that cannot be achieved by the revised closing date of December 31, 2021; and (d) to improve selected intermediate outcome indicators that the State of Tocantins (SoT) was not able to measure properly because of issues in the previous methodologies.

B. Project status

2. **Project background.** The Project was approved by the Board on July 26, 2012 and declared Effective on February 14, 2013. The Project is financed by a US\$300 million IBRD loan of which 80 percent was allocated to the transport sector.

a. The Project's objective is to foster improved effectiveness of road transport and enhanced efficiency of selected public services in support of the Borrower's integrated and territorially balanced development agenda. This multi-sectoral Project spans six sectors (transport, agriculture, governance, environment, education and tourism), and includes more than 600 activities across eight executing agencies. The Project has three Components: (a) Component 1: Improving Effectiveness of Rural Transport (Cost US\$240.00 million); Component 2: Enhanced efficiency of public services (Cost US\$51.25 million); and Component 3: Project Management (Cost US\$8 million).

b. The Project has been restructured twice, first to replace the counterpart funding with Bank financing and second to extend the closing date. The Project initially included US\$75 million of counterpart funding with some payments based on a *pari-passu* formula. Due to the economic crisis of 2014, the SoT could not contribute to the counterpart funding, thus resulting in the suspension of many contracts and bidding processes the following year. The first restructuring, approved on January 11, 2017, eliminated the counterpart funding while the second restructuring, approved on February 13, 2019, extended the closing date by 21 months from March 31, 2019 to December 31, 2020 in order to accommodate prior delays.

3. **Current Project Status:** The Project is currently rated as Moderately Satisfactory for the overall Implementation Progress (IP) and Moderately Satisfactory for the PDO. Component 1 is rated as Satisfactory, and



the respective outcome indicators have been achieved. The implementation of Component 2 is significantly delayed and rated as Moderately Unsatisfactory. There are no significant safeguards issues, and the Project complies with all Environmental and Social Management Plans (ESMPs), policies and regulations. The Borrower does not have any outstanding audit reports, nor are there audit reports which are not satisfactory to the Bank. Detailed Project implementation ratings are mostly satisfactory except for procurement which is rated as Moderately Unsatisfactory.

4. Disbursement: The disbursement rate has reached 79 percent in November 2020 (US\$ 237.12 million out of the total of US\$300 million, or 81.77 percent after the partial cancellation if approved), after being impacted by a weaker exchange rate for the Brazilian Real against the US Dollar during the last years. The total variation in Exchange rate between February 2013 and October 2020 was 193.49 percent (43.22 percent only in 2020), against an inflation of 48.39 percent, creating a real increased value in reais of 145 percent. The Project scope was not reduced because the exchange rate of Brazilian Real (R\$) to US\$ was weaker than estimated at Appraisal, which allowed the loan to finance all activities originally planned: the loan value increased from R\$ 618 million at the time of Signature to the current R\$ 927 million.

5. Impact of COVID-19 and other delays. Government changes in 2018, delayed payments to contractors and, the COVID-19 pandemic have led to implementation delays. Most of the delayed payments were fully resolved between June and September 2020 but impacts from COVID-19 continue to significantly slow down Project implementation. Many activities scheduled to end in December 2020 will need additional time until 2021. A time-bound action plan to accelerate execution has been agreed with the client.

6. Project implementation progress on component 1 (Transport): The current disbursement rate of this component is 82 percent, and 95 percent of the planned contracts have already been signed or completed. The indicator for CREMA (Contract of Rehabilitation and Maintenance of Roadways) roads has been surpassed with 1,964 km already rehabilitated out of a target of 1,500 km. Up to 2,200 km could be fully rehabilitated if the Project is extended (i.e., 47 percent more than target expected). In addition, 5489 km of rural roads now have all-season access (only 11 km short of the 5500 km target), with some works pending due to COVID-related delays. These would be completed during the next dry season from May to November 2021. This includes rural road activities in indigenous populated areas, such as in the *Ilha do Bananal*. The implementing agency for road works (AGETO - *Agência Tocantinense de Transportes e Obras*), has agreed to finalize these pending activities within the proposed extension period. It was further agreed to cancel one road execution, as it would have taken more time beyond the proposed extension.

7. Project implementation progress on component 2 (Enhanced efficiency of public services Component): The overall progress under this component remains delayed with a disbursement rate of 56 percent in December 2020. Most of the activities were completed (85 percent of the planned scope is completed), but some of them were extremely impacted by the COVID-19 pandemic, with five main construction activities delayed and in need of extension. In addition, a few innovative activities are proposed to be added to the Project, as part of this 12-



month extension, to address more recent and time-sensitive priorities at state level, such as: (i) piloting drone applications for the reduction of illegal deforestation, prevention of wildfires, extinction of forest fires and for supporting the delivery of medicines/vaccines to isolated populations during the COVID-19 pandemic; (ii) the construction of solar photovoltaic plants for irrigated areas and rehabilitated schools; and (iii) furniture and filtered air conditioning to allow the safe reopening of schools in 2021.

8. An Action Plan for implementing the pending activities has been elaborated by the State of Tocantins and agreed with the Bank team. Each executing agency has provided a detailed roadmap for bidding each one of the pending activities, including the most critical bottlenecks: (i) rebidding of five slaughterhouses, (ii) 20 critical points for accessibility; (iii) two road lots and (iv) two schools in order to finalize all those pending activities before December 2021. In addition, it was agreed that, in order to ensure an orderly closing of the Project and avoid any potential fiduciary issue in the extended year and future projects, the Bank will provide capacity building for STEP (the Bank's procurement system) and all procurement processes. The Bank team will follow up closely with the Project implementing agencies during the Project extension on those activities.

9. The Government of Tocantins has achieved significant progress to accelerate the implementation of the Project during the last months, including: (i) securing the advancement of major work contracts to be finalized until December 2021; (ii) having no late payments to contractors; (iii) preparing a detailed action plan and chronogram for all remaining activities, which are expected to be completed before October 2021; (iv) presenting all the documentation needed on the non-compliance case, including the legal opinion from State General Comptroller; and (v) updating STEP.

10. As such, the PDO remains achievable.

C. Rationale for restructuring and impact on communities and beneficiaries

11. Rationale and Justification. The proposed restructuring, including the extension of the closing date, would allow to complete the pending original activities under Components 1 and 2 in order to strengthen the desired outcomes and to implement a few additional activities to mitigate the impact of COVID-19 and climate change in the SoT. The PDO continues to be highly relevant for the 3 main Pillars of the Country Program Framework FY18-23¹. The proposed new activities would also support Pillars 1, 2 and 3 under the World Bank Group COVID-19 Crisis Response Approach Paper². Finally, the restructuring is fully aligned with the Brazil Government Response to the Impact of the COVID-19 pandemic on the country, which is attached as Annex 1.

¹ Report No. 113259-Br Country Partnership Framework for the Federative Republic of Brazil for the Period FY18-FY23; May 16, 2017

² Saving Lives, Scaling-up Impact and Getting Back on Track: World Bank Group COVID-19 Crisis Response Approach Paper. The new activities under the Project will support three main pillars of the Approach: Pillar 1 is Save Lives; Pillar 2 is Protect the Poor and Most Vulnerable and Pillar 3 is Ensuring Sustainable Business Growth and Job Creation.



12. The Project benefits around 60 percent of the population in the State, more than a million inhabitants. They will be severely impacted by the non-completion of several activities if the Project is not extended. Many pending activities imply low monetary resources but a significant effect on people's lives. The SoT is working on pending actions that were part of the original scope to support the economic recovery by focusing on their competitive advantage of primary sector production, increasing exports of certified meat and soybeans sustainably, including the activities that will serve for preparing the next Project for agro-logistics in Tocantins. Not extending the Project could mean that several activities are left incomplete, mostly due to the interruption created by the pandemic, without fully achieving the PDO. These include:

- a. Rural road works that were promised to indigenous communities and included as part of the Resettlement Action Plans, including finalizing the drainage works on municipal roads and improving accessibility through 20 critical points;
- b. Rehabilitating two CREMA road lots for 257 km; reaching a total 2200 km;
- c. Improving Road Safety, including pilots to redesign the way in which roads are interacting with villages (*Grotão* and *Palmeirópolis*);
- d. Stabilizing erosion and gules along the road network;
- e. Consultancies for the design of upgraded road capacity; and finalizing an agro-logistic study to inform the design of a future potential project to be financed by the Bank in the SoT;
- f. Completing 7 slaughterhouses, along with improved genetics for cattle, to ensure the beef industry can produce safe and certified food in approved sanitized conditions³;
- g. Rehabilitating 4 schools, providing the children and teachers with safe schools to be open during the pandemic and avoiding the use of temporary classrooms without proper equipment⁴;
- h. A consultancy on schools to fight against high early-dropping school rates by female teenagers that are vulnerable to become Gender-Based Violence (GBV) victims along the BR 153 road;
- i. A consultancy to develop the agro-logistic profile in the *Gurupi* Region, providing a clear roadmap to produce higher-value food produces sustainably, with the certificates needed for exportation;
- j. Finalizing the building for an environmental licensing office for Naturatins (Environmental Institute of Tocantins), integrating sustainable solutions for reducing energy and water consumption;
- k. Sustainable energy (solar plants and panels) for the schools and irrigated areas, that would allow to reduce the expenses of the Government and farmers, improve their incomes and reducing CO2 emissions;
- l. Consultancy of community-based tourism for improving livelihoods in the protected areas of Tocantins;
- m. New activities on (i) piloting the use of drones to fight against forest fires and to deliver medicines and vaccines to remote rural areas and (ii) furniture and equipment to reopen school safely during the pandemic.

³ Five slaughterhouses will be rebid for finalize the remaining 30 percent of the works with Project funds. Two other slaughterhouses will be finalized with SoT funding (only 9 percent is remaining).

⁴ Construction works for other two schools have resumed after the agreement with the SoT on paying any costs exceeding the value of the contract, allowing the works to be retaken



13. The proposed restructuring would also include the following **additional changes to the Project**: (a) cancellation of US\$10 million divided among the three Components as a result of cancelling activities not feasible to implement in the remaining timeline, (b) implementation of the procurement action plan that was agreed between the Bank team and the SoT in order to avoid fiduciary issues in the extended period and (c) modification of the following five intermediate outcome indicators for Component 2 because of difficulties in their methodology: (i) Operationalization of municipal consortium in the road sector; (ii) Increase in volume of meats inspected by the municipal inspection service in the selected municipalities; (iii) Reduction of illegal deforestation in the Cerrado biome, relative to the 2008-2009 average; (iv) Percentage of teachers in state system trained in 6 schools identified by PEC (Education & Citizenship Party); and (v) Reduction of dropout rate in 6 pilot state schools identified by PEC.

14. Project risks. The risk of not achieving the PDO is still moderate, with substantial ratings on social, environmental, other and macroeconomic issues. These ratings are due to the fact that, if the Project is not extended, the SoT will not have the budget needed to pay for the pending works and activities and to ensure that any social or environmental issue is addressed. The proposed extension would fully mitigate these risks by allowing the SoT to finalize everything.

15. Substantial Environmental and Social risks if not extended. The current rating is Satisfactory for Social Safeguards and Moderately Satisfactory for Environmental Safeguards, with a Substantial risk since the Project needs the extension to finalize critical ongoing activities. Not completing these activities could have serious consequences and potentially generate the following harms for the indigenous population and the environment of the state of Tocantins:

a. The potential interruption of rural road works could impact indigenous communities in Ilha do Bananal, as these works have been generating employment opportunities for the communities and road connectivity could be interrupted during the rainy season. In addition, some road safety activities are still pending completion, such as finalizing the construction of sidewalks which has been identified as a priority by the local communities. Uncompleted and unsafe infrastructure could increase the risk of accidents and create a reputational risk for the Bank.

b. Not completing the construction of wastewater treatment facilities for the slaughterhouses could also have serious environmental consequences, such as soil pollution, exposure of communities to diseases or contamination of groundwater. The slaughterhouses are between 72 percent and 90 percent completed, with most of the equipment already installed. However, the construction of waste treatment ponds is still pending. These wastewater treatment facilities are also critical to improve the health safety of the cattle slaughtering process. Widely spread consumption of meat from clandestine slaughterhouses with low hygiene conditions is a serious public health issue for the State of Tocantins.

16. Other risks if the Project is not extended: The macroeconomic risk is rated substantial because of the lack of alternative sources of financing should the Project not be extended. The fiduciary risk is not substantial but remains moderate because detailed action plans have been agreed between the Bank and the PIU and have



started to be implemented. The COVID-19 situation had initially severely impacted execution, but the pace of implementation has since improved, although some delays are still observed.

II. DESCRIPTION OF PROPOSED CHANGES

D. Purpose of the restructuring

Results Framework

17. The PDO remains unchanged and is aligned with the three Pillars of the Country Program Framework FY18-23. The Project aims to foster (a) improved effectiveness of road transport and (b) enhanced efficiency of selected public services. The PDO will be achieved “through fostering (i) improved accessibility of populations and producers to employment opportunities, services, resources, and markets and enhanced connectivity to the State’s territories and productive regions, and (ii) institutional strengthening to contribute to modernize public service delivery and management, promote local economic activities, strengthen environmental management, and improve education”. The Theory of Change of the original Project is still relevant, and it is reflected in Annex 2.

18. The following changes to the result framework are proposed to measure the Project achievements more directly and to reflect changes in Project design along the years. Five intermediate indicators which are measuring outcomes as per the Project’s Theory of Change are proposed to be modified and other indicators are revised to follow the new Bank guidance on the Result Framework by eliminating either the target or the unit of measure from the name. The Result Framework was not changed during previous restructurings and some methodologies to measure outcomes were posing difficulties to the PIU due to delays in implementation of activities, hence some late changes in the indicators. The rationale for the most significant modifications of the result framework is explained below. All these changes have been agreed between the SoT and the Bank.

a. Component 2.1: Modernization of State Administration: Operationalization of municipal consortium in the road sector:

The original objective of this indicator was to establish sustainable maintenance arrangements for the rural roads rehabilitated under the Project. AGETO has proposed a different approach through direct agreements with municipalities, instead of consortia, on rural road maintenance financing. These agreements specify the financial contributions of municipalities to the financing of rural road maintenance for the next 6 years. The target is to enroll 111 municipalities through these agreements, starting from a baseline of 0. This indicator measures the “*support to de-concentrate Borrower’s administrative services to its regions*” output in the theory of change.

b. Component 2.2: Local Development: Increase in volume of meats inspected by the municipal inspection service in the selected municipalities (Percentage)



At the request of the SEAGRO, it is proposed to replace this indicator with another one due to the lack of time to measure potential variations in volume in certified meat because of the delays in the slaughterhouses' construction. The proposed intermediate indicator is to count the number of finished slaughterhouses that will be under concession and in operation by the closing date. The target for this revised indicator is 7 and the baseline is 0. This indicator measures the *“support for pilots to foster productivity and better access to markets for subsistence production and small and medium producers and attract sustainable investments while fostering environment sustainability”* output in the theory of change.

c. Component 2.3: Environmental Management: Reduction on illegal deforestation in the Cerrado biome, relative to the 2008-2009 average.

At the request of the SEMARH, it is proposed to replace the indicator on illegal deforestation with *Instruments of the Brazilian Forestry Code implemented in Tocantins with Project support*, with a target of 4 instruments (Rural Environmental Cadaster; State Secretary and Policy focusing on the topic; monitoring of illegal deforestation and wildfires; natural capital tool elaborated), starting from a baseline of 0. This change is needed because the State has indicated that it was not able to measure the previous indicator. This indicator measures *“Studies to evaluate the need for new public policies for the conservation and sustainable use of natural resources and, if needed, to develop biodiversity regulatory mechanisms and technical instruments for that, and pilots in support of that”* output in the theory of change.

d. Component 2.4: Improvement of Education System: (i) Percentage of teachers in state system trained in 6 schools identified by PEC (Education & Citizenship Party) (Percentage) and (ii) Reduction of dropout rate in 6 pilot state schools identified by PEC.

It is proposed to revise the methodology for the two indicators under Component 2.4 to incorporate one more for one of the six municipalities that are part of the pilot. In total, there will be 7 schools in which the early dropout rate and the percentage of the teachers trained will be measured instead of the previously envisaged 6 schools. The target and baseline for this indicator remain the same. These two indicators measure the *“Support in identifying strengths and weaknesses in the quality of teaching and providing targeted training to ameliorate weaknesses”* and *“Support in improving the relevance and returns to schooling through supplementary courses in upper secondary schools and improved education materials”* outputs in the theory of change.

Components, Cost and Cancellations Proposed

19. The costs of the Project's components are updated to reflect the cancellation of some activities that cannot be completed by the closing date. Specifically, the PIU and the Bank have agreed to cancel some of the



original activities under Component 1 and a revised implementation schedule has been prepared for the activities and actions that can be implement during the extension period.⁵ **The cancellation of US\$10 million from the initial Bank financing is also proposed.** As the Project’s available budget in local currency has increased from R\$ 618 million to R\$ 927 million because of depreciation, a few new activities have been added to the scope of the Project. The amount of financing for the first component will change from US\$ 240 million to US\$ 236.50 million. The amount of financing for component 2 will change from US\$51.25 million to US\$ 47.75 million and from US\$ 8 million to US\$ 5 million for component 3 (see also below).

Loan Closing Date

20. It is proposed to extend the loan closing date by 12 months until December 31, 2021 (i.e. a total cumulative extension of 33 months) to complete the remaining activities in execution under Components 1 and 2.

Reallocation between Disbursement Categories

21. Changes in allocations between categories. As a result of the partial cancellation of US\$ 10 million of the Loan, and of the modifications of the list of activities to be financed under this Project, a reallocation of funds between categories is also proposed as part of this restructuring.

Disbursement Estimates

22. Disbursement estimates are revised based in order to reflect the extended closing date. \$ 62 million disbursements are still pending. With partial cancellation of US\$ 10 million, the Project will have a target of \$52 million to be disbursed during the 12-month extension period. The estimated disbursement profile is modified accordingly.

Implementation Schedule

23. The restructuring proposes to extend and update the implementation schedule in consistency with the extended closing dates. To this end, the client has agreed on an action plan towards implementation that is acceptable to the Bank. The action plan below covers the schedule for implementation of critical pending activities:

Table 1. Action Plan for implementation

Activity	Value (USD)	Completion Date	Comments
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⁵ The cancellation value date will be the same as the date of Ministry of Economy’s approval through PGFN's Legal Opinion and the Notice to the Borrower will reflect said date.



Rebidding with design-build of the 5 pending slaughterhouses with contract terminated.	700.000	September 2021	
Rebidding of the 2 pending schools in <i>Alvorada</i> and <i>Fatima</i> .	850.000	September 2021	
Termination of Naturatins building and improvement for reducing water and energy consumption.	300.000	September 2021	The main building will be finished in January 2021.
Crema 2 (two lots)- 106.13 Km (TO 387-498) + 151 km (TO 070 – 255)	12,800,000.00	October 2021	One direct contracting and one bidding process.
Elimination of 20 critical points in the road network	5,350,000.00	September 2021	Rebidding in progress
Consultancy to support agro-industrial development in the <i>Gurupi</i> region	1,500,000.00	October 2021	This activity combines several smaller contracts (3 consultancies).
Photovoltaic installation for the irrigated perimeter in São Joao, together with other works pending at the irrigated perimeter.	2,800,000.00	September 2021	
Acquisition of Furniture, solar panels, air conditioning equipment with filters, and Covid 19 pandemic protection system for State Schools that have undergone improvement interventions (10 schools)	1,410,000.00	October 2021 (after all schools are completely rehabilitated)	
Consultancy and piloting drone activities to prevent and combat forest fires, illegal deforestation and supply medicines/vaccines to isolated communities	1,350,000.00	November 2021	Potential GIF-funded activity to support the drone pilot implementation



Recovery of 4 gullies that threaten the roads rehabilitated under the Project	1,090,000.00	August 2021	
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New activities incorporated

24. Innovative activities have been introduced to fight COVID-19 and the impact of climate change in the State of Tocantins. Specifically, the Project will pilot the use of drones to deliver medical products such as COVID-19 vaccines to remote areas and to monitor wildfires and illegal deforestation. The Project will also finance the installation of solar panels in the irrigated area and on Government buildings. These activities could potentially be scaled-up through an eventual new Bank project in Tocantins.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓



Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Improving effectiveness of rural transport	240.00	Revised	Improving effectiveness of rural transport	236.50
Enhanced efficiency of public services	51.25	Revised	Enhanced efficiency of public services	47.75
Project Management	8.00	Revised	Project Management	5.00
n/a	0.00	Marked for Deletion	n/a	0.00
TOTAL	299.25			289.25

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-81850	Effective	31-Mar-2019	31-Dec-2020	31-Dec-2021	30-Apr-2022



CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IBRD-81850-001	Disbursing & Repaying	USD	300,000,000.00	10,000,000.00	31-Dec-2020	290,000,000.00	BORROWER'S REQUEST FOR COUNTRY REASONS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Ln/Cr/Tf	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-81850-001	Currency: USD				
iLap Category Sequence No: 1.A	Current Expenditure Category: GO, CW, CS, NCS Pts 1.1, 1.2, 1.3				
	233,000,000.00	190,474,138.78	232,000,000.00	100.00	100.00
iLap Category Sequence No: 1.B	Current Expenditure Category: GO, CW, CS, NCS for Part 1.4				
	7,000,000.00	1,829,136.26	4,500,000.00	100.00	100.00
iLap Category Sequence No: 2.A	Current Expenditure Category: GO, CS, NCS, TR Pt 2.1(i-iii) 2.2-2.4				
	40,000,000.00	20,625,939.48	33,200,000.00	100.00	100.00
iLap Category Sequence No: 2.B	Current Expenditure Category: CW, CS, NCS Part 2.1 (iv)				
	11,250,000.00	7,276,043.58	14,550,000.00	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: GO, CS, NCS, TR & OP for Part 3				
	8,000,000.00	2,386,987.69	5,000,000.00	100.00	100.00
iLap Category Sequence No: 5	Current Expenditure Category: PREMIUM FOR CAPS/COLLARS				



	0.00	0.00	0.00
Total	299,250,000.00	222,592,245.79	289,250,000.00

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2013	3,500,000.00	5,739,948.52
2014	25,000,000.00	2,737,479.29
2015	26,500,000.00	34,474,359.10
2016	40,000,000.00	18,805,821.24
2017	80,000,000.00	56,481,656.89
2018	80,000,000.00	51,797,458.29
2019	45,000,000.00	22,458,311.00
2020	0.00	32,980,942.42
2021	0.00	40,524,023.25
2022	0.00	24,000,000.00



Results framework

COUNTRY: Brazil

Tocantins Integrated Sustainable Regional Development

Project Development Objectives(s)

The objective of the Project is to foster improved effectiveness of road transport and enhanced efficiency of selected public services, in support of the Borrower's integrated and territorially balanced development agenda. The objective will be achieved through fostering (i) improved accessibility of populations and producers to employment opportunities, services, resources, and markets and enhanced connectivity to the State's territories and productive regions, and (ii) institutional strengthening to contribute to modernize public service delivery and management, promote local economic activities, strengthen environmental management, and improve education.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
To foster improved effectiveness of road transport			
Percentage of CREMA State road network in good condition (Percentage)		9.00	100.00
Vehicle-km travelled on State paved roads under good condition (Number)		260,000.00	2,320,000.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: The unit of measure is number of Vehicle-KM measured by the traffic survey done every two years. Revised to eliminate the increase and state the actual number. The actual values show the largest increase</i>		
Share of rural population with access to an all-season road (Percentage)		85.00	92.00
Number of rural people with access to an all-season road (Number)		802,733.00	983,912.00
To enhanced efficiency of selected public services			



Indicator Name	PBC	Baseline	End Target
Improved public services delivery as measured by substantial achievement of intermediate indicators of Component 2 (Number)		0.00	3.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Improving effectiveness of rural transport			
Extension of municipal roads with all-season accessibility (Kilometers)		0.00	5,500.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: Revised to make the indicator neutral (eliminating increase). The unit of measure was changed from number to Km to be more accurate.</i>	
Roads rehabilitated, Rural (Kilometers)		0.00	1,500.00
Component 2.1: Modernization of State Administration			
Agencies with implemented results agreements between the secretaries and responsible units (Number)		0.00	5.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: Revised to reflect the agreement made on the RP of 2017. Also, unit measure is number rather than percentage.</i>	
Cooperation agreements on rural road maintenance financing signed between the state and municipal government (Number)		0.00	111.00



Indicator Name	PBC	Baseline	End Target
<p><i>Action: This indicator has been Revised</i></p>		<p>Rationale: <i>The new state administration does not have an intention to work further with the municipal consortium, in particular, considering the municipal election in 2020. The original objective of this indicator was to establish sustainable maintenance arrangements for rural roads that the Project has invested. The client has proposed a different approach, concretely, making agreements directly with municipalities, instead of consortium, on rural road maintenance financing, which will define municipalities' financial contributions to rural road maintenance in the next 6 years.</i></p>	
<p>Component 2.2: Local Development</p>			
<p>Producers which upgrade from subsistence farming to market farming in selected areas (Number)</p>		<p>0.00</p>	<p>120.00</p>
<p><i>Action: This indicator has been Revised</i></p>		<p>Rationale: <i>Revised to make the indicator neutral (eliminating the target from the name).</i></p>	
<p>Concessioned and Operational Municipal Slaughterhouses built related to the project (Number)</p>		<p>0.00</p>	<p>7.00</p>
<p><i>Action: This indicator has been Revised</i></p>		<p>Rationale: <i>Due to the lack of time to measure potential variations in volume in certified meat as a result of the delays in the slaughterhouses construction, the new intermediate indicator is to count the number of finished slaughterhouses that are under concession and in operation by the time of the closing date.</i></p>	
<p>Component 2.3: Environmental Management</p>			
<p>Average time to concession environmental licensing for complex State road activities with environmental impact (Days)</p>		<p>100.00</p>	<p>40.00</p>
<p><i>Action: This indicator has been Revised</i></p>		<p>Rationale: <i>Eliminating the reduction to make the indicator neutral.</i></p>	



Indicator Name	PBC	Baseline	End Target
Instruments from the Brazilian Forestry code applied by the State of Tocantins (Number)		0.00	4.00
Action: This indicator has been Revised	<p>Rationale: <i>Number of instruments from the Brazilian Forestry code applied by the State of Tocantins with a target of 4 instruments: (Rural Environmental Cadaster; State Secretary and Policy focusing on the topic; monitoring of illegal deforestation and wildfires; natural capital tool elaborated) and a baseline was 0 at the beginning of the project.</i></p> <p><i>The previous indicator looked at monitor the overall deforestation in the SoT, identifying legal and illegal deforestation. The overall deforestation rate 2008-2009 is 1.311 km2 , including legal and illegal deforestation (source: LAPIG-GO). The Cerrado deforestation rate 2002-2008 is 12,198 km2 (source: MMA). Illegal deforestation rate was defined by deforestation rate discounting legal deforestation (deforestation in compliance with Forest Code and SoT regulations). The project made a study but turned out that identifying which deforestation was legal and which one illegal was extremely difficult. As a result, the Bank team agreed on a change that is needed as a result of those complications for measuring the previous indicator.</i></p>		
Water management pilot projects implemented in the SoT priority river basins with committees (Number)		0.00	3.00
Action: This indicator has been Revised	<p>Rationale: <i>Correcting an spelling mistake. The indicator covers the hydrographic river basins of Rivers Formoso, Providencia and Palmas.</i></p>		
Component 2.4: Improvement of Education System			
Municipal Education Plans (with Early Childhood Education (ECE) component) agreed with municipalities (Number)		0.00	6.00
Action: This indicator has been Revised	<p>Rationale: <i>Eliminate the unit of measure from the indicator name.</i></p>		



Indicator Name	PBC	Baseline	End Target
Teachers in state system trained in 7 schools identified by the SoT (Percentage)		0.00	90.00
Action: This indicator has been Revised	Rationale: <i>One municipality had two schools, making the total number of schools under the training system to be 7, not 6 as previous.</i>		
Reduction of dropout rate in 7 pilot state schools identified by the the SoT (Percentage)		0.00	25.00
Action: This indicator has been Revised	Rationale: <i>The measure of the results will focus only on the 7 schools of the 6 municipalities and not measure the drop-out rate on the entire state.</i>		



ANNEX 1 - *Impact of the COVID-19 pandemic on the country and government response*

- 1. By December 21st, 2020, the number of officially recorded cases of COVID-19 was almost 7.24 million (the third highest in the world) with more than 186,000 deaths.**⁶ The State of Sao Paulo had the first confirmed COVID-19 case in February 2020 and it currently tops the number of cases and deaths in the country. Some Brazilian states, particularly those in the northern and northeastern regions, had infections rates per 100,000 population comparable to the most severely affected parts of the world.
- 2. The GoB put in place public health measures to respond to the pandemic.** On February 3, 2020, the GoB declared the 'State of Public Health Emergency of National Importance'. On March 20, 2020, the GoB made use of Article 65 of the *Lei Complementar* No. 101, dated May 4, 2000, and declared the 'State of Public Calamity' through *Decreto Legislativo* No. 6, to allow an increase in public spending beyond current limits until December 31, 2020. By September 2020 the GoB allocated, through the MoH, more than BRL 28 billion (US\$5.3 billion) in additional expenses to the COVID-19 direct response actions.⁷
- 3. However, COVID-19 daily cases continued to rise, in part because of insufficient testing capacity, uneven implementation of social distancing measures and limited adherence.**⁸ Social distancing measures were applied with different degrees of enforcement across the country. By December 21st, 2020, the social distancing index was only 36.8 percent in Brazil, having reached a 62.2 percent peak in late March 2020.⁹ While most subnational authorities promoted containment measures in order to decrease the levels of disease transmission and prevent their local health care systems from being overwhelmed, the national debate on whether to adopt a vertical or horizontal social isolation strategy remains. Limited adherence, uneven enforcement of containment measures and polarized views on these strategies by policy makers posed challenges to the implementation of an integrated national health response strategy.
- 4. In contrast with the mixed record on the health front, the GoB's economic and social protection response to COVID-19 was large, timely, with broad support across the nation.** The GoB launched a timely, targeted, and time-bound fiscal package of about US\$148.5 billion (11.4 percent of GDP) in response to COVID-19¹⁰, focused on the expansion of the cash transfer program BF, temporary benefit programs for workers, credit lines, and guarantees for SMEs. The inclusion of 1.2 million families to BF was critical. The GoB also expanded the accessible unemployment insurance program and anticipated the payment of existing benefits, such as the *Abono Salarial* – a wage supplement or the 13th months pension payment, allowed special withdrawals from the employer-sponsored saving accounts (FGTS), and introduced two new temporary benefits: *Auxilio Emergencial* (AE) and *Benefício Emergencial de Manutenção do Emprego e da Renda* (BEm)¹¹.

⁶ WHO (World Health Organization), Coronavirus Disease (COVID-19) Situation Report.

⁷ Specific measures included: the purchase of personal protective equipment for health professionals; the hiring of health professionals; and the provision of tests, medications, respirators, and intensive care unit capacity; and telemedicine services.

⁸ World Bank. 2020. "COVID 19 in Brazil: Impacts and Policy Responses." World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34223> License: CC BY 3.0 IGO.

⁹ <https://mapabrasileirodacovid.inloco.com.br/pt/>.

¹⁰ On March 20, 2020, the Government declared the 'State of Public Calamity' to allow an increase in public spending beyond current limits until December 31, 2020.

¹¹ AE provides cash transfers to people outside the formal wage employment but not eligible for social assistance. Under BEm firms could apply to a wage subsidy for employees which hours had to be reduced or completely suspended. The subsidy was granted under the requirement to maintain the employment relationship for a certain amount of time after the program ended.



5. **Following the dramatic decrease in demand resulting from the pandemic, Brazil is projected to fall into one of the deepest recessions on record, with widespread impacts on poverty and unemployment**^[1]. When the COVID-19 crisis hit, Brazil's poorest were still recovering from the 2014-2016 economic recession, with 19.9 percent of the population living on less than US\$5.50 per day in 2019, including 9.3 million people on less than US\$1.90 per day— the global reference for extreme poverty.^[2] The projected economic recession in 2020, with temporary mitigation measures, is estimated to lead to a fall of the poverty rate (at US\$5.50 per day, 2011 PPP) to 13.3 percent of the population in 2020. Yet, this number could rise to about 21.5 percent in 2021 once the emergency measures expire and if the labor market is not able to fully absorb the unemployed. Brazil will need to undertake strong fiscal consolidation and adoption of structural reforms in 2021. The overall fiscal deficit of the general government for 2020 is estimated at 15.2 percent of GDP compared to 5.5 percent of GDP in 2019. Gross public financing needs for 2020 are estimated at US\$502.4 billion (38.5 percent of GDP), compared to US\$383 billion (27.4 percent of GDP) pre-COVID-19. Public debt is deemed sustainable in the medium term with expected stabilization at 101 percent of GDP in 2027 (4 years later and 24 p.p. higher than pre-COVID-19 projections)^[3].

WBG support for responding to the crisis

6. **The World Bank Group FY18-23 CPF for Brazil (Report No. 113259-BR, discussed by the Executive Directors on July 13, 2017) was prepared against the backdrop of the deep 2014-2016 economic recession that led to a fiscal crisis and increased levels of unemployment and poverty.** The main premise of the CPF was the need to revisit the country's growth model, to improve its sustainability and inclusiveness. The CPF was built around three focus areas: (i) fiscal consolidation and government effectiveness; (ii) private investment and productivity; and (iii) sustainable development. The CPF was approved before the new administration took office. While the current government has supported reforms consistent with the first two pillars of the CPF (such as the pension reform, and the reforms to open up the aviation and the water and sanitation markets), there has been limited progress on the area of sustainable development. The planned Performance and Learning Review will assess progress thus far and reflect proposed changes to the CPF.

7. **In response to COVID-19, the World Bank has adjusted its program, introducing flexibility to respond to the new reality.** In a first phase, in view of the projected recession in 2020 without precedent and its widespread impacts on unemployment and poverty, the World Bank response to COVID-19 is anchored on a US\$ 1 billion federal IPF operation to protect the poor from income and human capital losses. This adjustment is in alignment with the World Bank Group COVID-19 Crisis Response Board paper, Pillar 2: "Protecting the Poor and the Vulnerable". In addition to this lending operation, the World Bank prepared a rapid assessment of the economic and social impacts of COVID-19 and designed an innovative procurement option for the fast disbursement of loans. The World Bank lending portfolio was restructured to respond to the new reality¹². Seven projects were restructured thus far, reallocating about US\$54 million to support subnational borrowers in their response to COVID-19 and cancelling a non-performing operation for US\$200 million.

^[1] The unemployment rate reached 12.9 percent in May 2020 (14.5 percent for women) and 13.6 percent in August 2020, the highest rate in the past three years. In addition, COVID-19 related containment measures and disruptions in demand are projected to further reduce private consumption, investment, and labor demand. Industrial production declined 21.9 percent in May 2020 relative to May 2019.

^[2] As of 2018. Data for poverty rates for 2019 is not yet available. The extreme poverty figure is based on a monthly per capita income below BRL 178.

^[3] This assumes continued compliance with the fiscal rule, enacted as a constitutional amendment in 2016, from 2021 onwards. Low external debt helps to contain the impact on the overall public debt profile. The flexible exchange rate remains the first line of defense against external shocks, complemented by high international reserves (US\$349 billion). The financial sector has capital, liquidity cushions, and low nonperforming loans, but vulnerabilities remain specially with high leveraged households and firms.

¹² The portfolio in Brazil comprises 33 operations (including five Recipient-Executed Trust Funds), for a total net commitment of US\$6.57 billion, of which US\$3.42 billion (52 percent) is undisbursed. The portfolio also includes 50 active Trust Fund grants, mostly in the environment sector, for a total amount of US\$144.27 million.



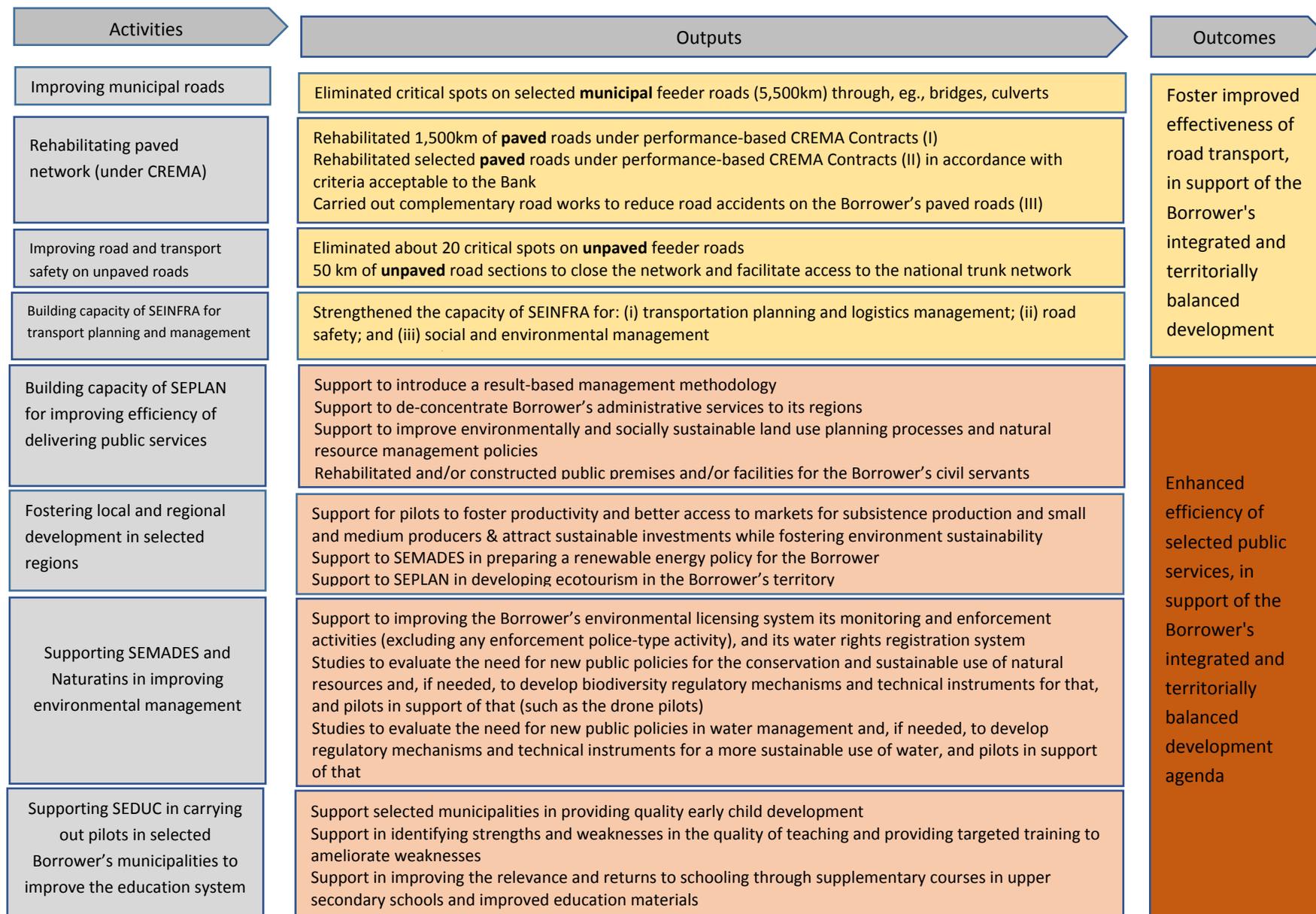
8. **The post-COVID recovery will require restoring public finances to a sustainable path, improving effectiveness of social service delivery safeguarding access by the poor, implementing reforms to improve productivity, and supporting climate change adaptation and mitigation.** The World Bank lending engagement in the recovery phase will focus on federal Program-for-Results (PforR) financing supporting education (P163868) and health (P171977) reforms, as well as subnational operations in areas severely affected by COVID-19. Constraints on available lending resources and the limited number of subnational entities with access to sovereign guarantee call for selectivity. One of the examples is the Salvador Social Service Delivery Project II (P172605). This IPF operation seeks to improve the effectiveness of health, education and social service delivery (including services to address gender-based violence) in one of the poorest municipalities in the country, with dismal human capital indicators and a high proportion of Afro-descendant population. In addition, a new DPF operation (P172455) with the State of Amazonas, hosting the largest forest area in the country, seeks to support fiscal and environmental sustainability (including actions to combat deforestation). This operation will be complemented with an Amazon Economic Memorandum and a Green Growth Economic Memorandum to engage the authorities on a greener growth model, and other planned analytical work on fiscal, trade, business environment and productivity, the Brazil 2040 study, the human capital review, and the infrastructure policy and regulatory assessment, will be among the core areas of World Bank policy engagement with the government going forward.

Selectivity, Complementarity, Partnerships

9. **In addition to coordinating with donors on lending support in response to COVID-19 (as reflected in the federal income support operation), the World Bank has coordinated with the IFC and MIGA.** The IFC response to COVID-19 has been mainly anchored on credit lines to provide liquidity relief to small and medium companies, complemented by advisory support on infrastructure development and on environmental and social sustainability. The World Bank, the IFC, and MIGA teams are also coordinating on potential World Bank Group support to the economic recovery phase, including engagement on the proposed reform of the water and sanitation legal and regulatory framework.



Annex 2: Theory of Change Chain





Alignment of the ToC and result framework

PDO	PDO indicators	Outputs	Intermediate outcome indicators
<p>Foster improved effectiveness of road transport, in support of the Borrower's integrated and territorially balanced development agenda</p>	<p><i>CREMA State road network in good condition (100% of 1,500km)</i></p> <p><i>Vehicle-km travelled on State paved roads under good condition (2.32m (1,500km))</i></p> <p><i>Rural population with access to an all-season road in the western part of Tocantins (92% (population in 72 municipalities))</i></p>	<p>Eliminated critical spots on selected municipal feeder roads (5,500km) through, eg., bridges, culverts</p>	<p>Extension of municipal roads with all-season accessibility (5,500km)</p>
		<p>Rehabilitated 1,500km of paved roads under performance-based CREMA Contracts (I) Rehabilitated selected paved roads under performance-based CREMA Contracts (II) in accordance with criteria acceptable to the Bank Carried out complementary road works to reduce road accidents on the Borrower's paved roads (III)</p>	<p>Roads rehabilitated, Rural (1,500km)</p>
		<p>Eliminated about 20 critical spots on unpaved feeder roads 50 km of unpaved road sections to close the network and facilitate access to the national trunk network</p>	
		<p>Strengthened the capacity of SEINFRA for: (i) transportation planning and logistics management; (ii) road safety; and (iii) social and environmental management</p>	
<p>Enhanced efficiency of selected public services, in support of the Borrower's integrated and territorially balanced development agenda</p>	<p><i>Improved public services delivery as measured by substantial achievement of intermediate indicators of Component 2 (number) (3 out of 4 indicators, 75% achievement)</i></p>	<p>Support to introduce a result-based management methodology</p> <p>Support to de-concentrate Borrower's administrative services to its regions</p> <p>Support to improve environmentally and socially sustainable land use planning processes and natural resource management policies Rehabilitated and/or constructed public premises and/or facilities for the Borrower's civil servants</p>	<p>Agencies with implemented results agreements between the secretaries and responsible units (5) * (SEPLAN, SEINFRA, SEMADES, SEAGRO SEDUC) (number)</p> <p>Cooperation agreements on rural road maintenance financing signed between the state and municipal governments (Number of municipalities)* revised</p>
		<p>Support for pilots to foster productivity and better access to markets for subsistence production and small and medium producers & attract sustainable investments while fostering environment sustainability</p> <p>Support to SEMADES in preparing a renewable energy policy for the Borrower</p> <p>Support to SEPLAN in developing ecotourism in the Borrower's territory</p>	<p>Producers which upgrade from subsistence farming to market farming in selected areas (120) (number)</p> <p>Concessioned and operational municipal slaughterhouses built related to the project (7) (number) * revised</p>
		<p>Support to improving the Borrower's environmental licensing system its monitoring and enforcement activities (excluding any enforcement police-type activity), and its water rights registration system Studies to evaluate the need for new public policies for the conservation and sustainable use of natural resources and, if needed, to develop biodiversity regulatory mechanisms and technical instruments for that, and pilots in support of that Studies to evaluate the need for new public policies in water management and, if needed, to develop regulatory mechanisms and technical instruments for a more sustainable use of water, and pilots in support of that</p>	<p>Average time to concession environmental licensing for complex State road activities with environmental impact (40 days)</p> <p>Instruments from the Brazilian Forestry code applied by the State of Tocantins (4) (number) *revised</p> <p>Water management pilot projects implemented in the SoT priority river basins with committees (3)</p>



The World Bank

Tocantins Integrated Sustainable Regional Development (P121495)

Support selected municipalities in providing quality early child development
Support in identifying strengths and weaknesses in the quality of teaching
and providing targeted training to ameliorate weaknesses
Support in improving the relevance and returns to schooling through
supplementary courses in upper secondary schools and improved education
materials

Municipal Education Plans w ECE comp. agreed with
municipalities (6) (Number)
Teachers in state system trained in 7 schools identified by the SoT
(90%) (Percentage) * revised
Reduction of dropout rate in 7 pilot state schools identified by the
SoT (25%) * revised