



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
CEARA RURAL SUSTAINABLE DEVELOPMENT AND COMPETITIVENESS PROJECT  
APPROVED ON APRIL 5, 2012  
TO THE  
STATE OF CEARÁ  
WITH A GUARANTEE OF THE FEDERATIVE REPUBLIC OF BRAZIL

AGRICULTURE GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN REGION

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## ABBREVIATIONS AND ACRONYMS

CGE	State Audit Office ( <i>Controladoria Geral do Estado</i> )
COFIEX	External Financing Committee ( <i>Comissão de Financiamentos Externos</i> )
DIME	Development Impact Evaluation Initiative
EMATERCE	State Technical Assistance and Rural Extension Company ( <i>Empresa de Assistência Técnica e Extensão Rural do Ceará</i> )
ICR	Implementation Completion Report
LA	Loan Agreement
MTR	Mid-term Review
PAD	Project Appraisal Document
PDO	Project Development Objective
PGFN	General Attorney of the National Treasury ( <i>Procuradoria-Geral da Fazenda Nacional</i> )
PIU	Project Implementation Unit
SDA	State Secretariat of Agrarian Development ( <i>Secretaria de Estado de Desenvolvimento Agrário</i> )
SEMACE	State Secretariat of Environment ( <i>Secretaria de Estado de Meio Ambiente</i> )
STN	Secretariat of National Treasury ( <i>Secretaria do Tesouro Nacional</i> )
TCE	Ceará State Court of Auditors ( <i>Tribunal de Contas do Estado do Ceará</i> )



**BASIC DATA**

**Product Information**

Project ID P121167	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 05-Apr-2012	Current Closing Date 30-Apr-2018

**Organizations**

Borrower State of Ceara	Responsible Agency Secretaria de Desenvolvimento Agrario
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**Project Development Objective (PDO)**

Original PDO

Project Development objective: The objectives of the Project are to: (i) improve the sustainability of rural production, including irrigation and rural income generation; and (ii) contribute to the Borrower's efforts to universalize access to Water Services.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-81240	05-Apr-2012	03-Oct-2012	06-Dec-2012	30-Apr-2018	100.00	87.87	12.13

**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 Ceara Rural Sustainable Development and Competitiveness Project (P121167; Loan 8124-BR). The proposed restructuring will not change the original Project Development Objective (PDO). The main purposes of this restructuring are: (a) to extend the Project closing date from April 30, 2018 to April 30, 2019 for the completion of on-going investments under Component 1 - Economic Inclusion; and (b) to adjust the implementation schedule to reflect the extended implementation period. This restructuring will also adjust the Project's Results Framework to be consistent with investments under Component 1 and the attribution of results.

### B. Project Status

2. The Project was approved by the Board of Executive Directors on April 5, 2012 and became effective on December 6, 2012. The Project is financed through an IBRD loan (Loan 8124-BR) in the amount of US\$ 100 million. The original closing date of October 31, 2016. Due to implementation delays and management issues identified during the Mid-Term Review (MTR), which was completed on December 2014, the Project was restructured and the closing date was extended by 18 months to April 30, 2018.
3. The objectives of the Project are to: (i) improve the sustainability of rural production and rural income generation; and (ii) contribute to the Borrower's efforts to universalize access to water services. The Project consists of the following three components: Component 1- Economic Inclusion to promote investments in rural economic inclusion in the borrower's territory; Component 2 - Water Services to support the State's efforts to ensure universal access to potable water and water services in rural areas; and Component 3 - Institutional Strengthening and Project Management to provide technical and administrative management support and improve management systems. The Ceara State Secretariat of Agrarian Development (SDA) is the agency responsible for overall project implementation and management.
4. Progress towards achievement of Development Objectives (DO) and project implementation are rated 'Moderately Satisfactory' reflecting the uneven performance between Components 1 and 2. Disbursements have reached US\$ 87.87 million (or 87.8%) in March 2018 and about US\$ 9.19 million of the US\$ 12.13 million outstanding balance has already been committed against ongoing water and sanitation and rural productive business plans contracts (Table 1). Therefore, only about US\$ 2.94 million remains undisbursed and uncommitted (approximately 2.9 percent of total loan amount).

Table 1. Loan Allocation and Disbursement by Component (in US\$) in March 28, 2018

Components	Allocated	Disbursed	Undisbursed
1. Economic Inclusion	30,215,250	24,862,008	5,353,242
2. Water Services	49,691,500	44,300,272	5,391,228
3. Inst. Strengthening and Project Management	19,843,250	18,458,682	1,384,568
4. Front-end Fee	250,000		



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<b>Total:</b>	<b>100,000,000</b>	<b>87,870,962</b>	<b>12,129,038</b>
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5. Consistent good progress is being made under Component 2 and the corresponding PDO outcomes are likely to be achieved, with 15,885 out of the final target of 22,000 people already benefitting from new rural water systems, and 33,437 out of the target of 39,200 people having access to improved sanitation systems. Component 1 has progressed at a slower pace due to difficulties to operationalize the new approach for market-driven productive subprojects, which has proven to be a steeper learning curve than anticipated for local agencies, staff and beneficiaries. Through proactive Bank implementation support and enhanced commitment and efforts by the government, the component has progressed significantly in the last four months, overcoming the complex bureaucratic steps and procurement processes, which enabled the Project Implementation Unit (PIU) to initiate the field investments under the approved business plans.
6. Financing for a second phase of the Project has been requested by the State Government, and has been approved by the Federal Government. This signals the continuous commitment of Federal and State Governments to tackle poverty and improve shared prosperity for Ceara’s rural population.

**C. Action Plan**

7. The PIU addressed all critical bottlenecks under Component 1, mainly related to the bureaucratic approval processes and delays in obtaining necessary environmental licenses and other permits, as well as other technical and financial difficulties. As such, EMATERCE (the Rural Technical Assistance Institution) strengthened its involvement in the Project, providing technical assistance to improve the business plans and supporting their execution and supervision. SEMACE (Environmental Licensing Agency) started working closely with the PIU to review the business plans, visit sites and accelerate the process of environmental licensing. The State Audit Office (*Controladoria Geral do Estado - CGE*) got involved and ensured that all required documentation was included in the State government system to allow more timely transfer of resources to producer’s organizations. The Bank intensified implementation support and monthly milestones are now set to monitor progress and ensure successful and timely implementation throughout the remainder of the project. This implementation plan is being updated regularly and is closely monitored to avoid any further delays.
8. The PIU also hired a management consulting firm to help organize information, improve management systems and design a critical path and a decision tree to help process the business plans more efficiently. The entire system is now more transparent and efficient, such that bottlenecks may be more easily identified and addressed promptly. The SDA (State Secretariat for Agrarian Development) has also been more closely involved in the supervision of the project, providing much needed political and institutional support to the Project.

**D. Rationale for Restructuring**

9. Given that the Borrower has strengthened its implementation capacity and met the required condition to extent the Project by finalizing the procurement processes of 250 business plans by April 15, 2018, the Project is likely to achieve its objectives by the proposed new closing date of April 30, 2019.
10. The Project is in compliance with environment and social safeguards and all legal covenants are complied with. There are no outstanding audit reports.



11. Potential governance and implementation risks have been largely mitigated through the intensification of Bank's implementation support and the fulfillment of the agreed Action Plan. After mitigation, implementation risks are relatively low and implementation of the 250 business plans should be completed by April 2019.

## II. DESCRIPTION OF PROPOSED CHANGES

12. The proposed changes respond to the request from the State Government of Ceara (Letter GG No. 020/2018 dated January 15, 2018) to extend the closing date of the Loan Agreement (LA), which was approved by the Federal Government (the Guarantor) on March 14, 2018 (COFIEX Recommendation N° 03/0289).
13. *Project's Development Objective.* The original PDO is not be changed. The PDO remains as follows: "The objectives of the Project are to: (i) improve the sustainability of rural production and rural income generation; and (ii) contribute to the Borrower's efforts to universalize access to Water Services".
14. *Results Framework.* The results framework is revised to be better aligned with Component 1 activities. The main changes are: (i) final target for real revenue increase was reduced to a more realistic level given the delays in initiating the productive investments; and (ii) a new PDO indicator was introduced to capture the Project's activities meant to improve the sustainability of rural production and income generation. Other changes in the results framework include: (i) addition of a new intermediate indicator to capture the State's effort in providing technical assistance activities to enhance farmers'/ organizations' capacities; and (ii) adjustments in language and verification methods of various indicators. All the end target dates in the results framework have been changed to align with new project closing date. The revised results framework is presented in **Section IV. Detailed change(s)** and **Annex 1**.
15. The definition of PDO terms 'sustainability' and 'universalize access' are clarified as follows. In the context of the project, the term 'sustainability' refers to the enhanced adoption of environmentally sustainable climate smart technologies, diversification of production and broadening of market opportunities to promote greater environmental and economic resilience. The term 'universalize access' is based on the National Food Security Policy Directive (established by Decree No. 7,272/2010, Art. 3), which states that the State must act to promote universal access to quality water in sufficient quantity, with priority for families in situations of water insecurity and for the food production in family agriculture, fisheries and aquaculture.
16. *Closing Date.* The closing date is extended for 12 months, from April 30, 2018, to April 30, 2019. This will allow the approved business plans to be implemented and PDO results for Component 1 to be achieved.
17. *Implementation Schedule.* The overall Project implementation schedule has been updated to reflect the extended implementation period.



### III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Loan Closing Date(s)	✓	
Change in Implementation Schedule	✓	
Change in Implementing Agency		✓
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Change in Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Disbursement Estimates		✓
Change in Overall Risk Rating		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓
Change in Economic and Financial Analysis		✓
Change in Technical Analysis		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

### IV. DETAILED CHANGE(S)

#### RESULTS FRAMEWORK

#### Project Development Objective Indicators



<b>Real Revenue increase (inflation adjusted) of the beneficiary rural producers' organizations</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	5.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>New piped household water connections that are resulting from the project intervention</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	14796.00	22000.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Number of people in rural areas with access to "Improved Sanitation" under the project</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	32724.00	39200.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Increased number of beneficiary organizations participating in environment recovery activities and conservation</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	27.00	25.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Producers Organizations supported by the project that have a sustainable business initiative, financed via subproject investments</b>				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	80.00	New
Date	08-Apr-2018	08-Apr-2018	30-Apr-2019	



Intermediate Indicators

Productive investments implemented and operational				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	280.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	

25% of productive investments led by women				
Unit of Measure: Number				
Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	156.00	70.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	

Rural producers supported by the Project selling products to institutional and private markets				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	245.00	30.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	

Rural producer organizations supported by the Project adopting environmentally sustainable technologies (eg. solar panels, drip irrigation systems)				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	28.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	

Basic sanitation investments implemented and sustainably operated.				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action



Value	0.00	126.00	210.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Beneficiaries trained in business management and environmentally sustainable practices</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	436.00	10000.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Water reuse pilot projects implemented with project support.</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	16.00	13.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Beneficiaries trained in water services systems management</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	228.00	420.00	Revised
Date	31-Jul-2012	27-Apr-2017	30-Apr-2019	
<b>Training being provided to governmental staff and strategic partners according to the Project Capacity Building Plan (number of training sessions/courses).</b>				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	165.00	80.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Number of participants</b>				
Unit of Measure: Number				
Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action



Value	0.00	10085.00	3200.00	Marked for Deletion
Date	31-Jul-2012	10-Nov-2017	30-Apr-2018	
<b>Training for project beneficiaries to stimulate adoption of environmentally sustainable practices (number of training sessions/courses)</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	124.00	8.00	Marked for Deletion
Date	31-Jul-2012	10-Nov-2017	30-Apr-2018	
<b>Number of participants in training courses provided under by the project</b> Unit of Measure: Number Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	3865.00	1350.00	Marked for Deletion
Date	31-Jul-2012	10-Nov-2017	30-Apr-2018	
<b>Project results and lessons learned disseminated.</b> Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	12.00	8.00	Revised
Date	31-Jul-2012	10-Nov-2017	30-Apr-2019	
<b>Total hours of technical assistance provided to producer organizations</b> Unit of Measure: Hours Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	45000.00	New
Date	08-Apr-2018	08-Apr-2018	30-Apr-2019	
<b>Total hours of technical assistance provided to family production units</b> Unit of Measure: Hours Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action



Value	0.00	0.00	70000.00	New
Date	08-Apr-2018	08-Apr-2018	30-Apr-2019	

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-81240	Effective	31-Oct-2016	30-Apr-2018	30-Apr-2019	30-Aug-2019

**Annex 1. Revised results framework**

Original Indicators and targets (restructured in 2015)	Proposed Indicators and targets	Comments
<b>PDO Indicators</b>		
Real revenue increase (inflation adjusted) of beneficiary rural producers' organizations – <b>Final target: 20%</b>	Real revenue increase (inflation adjusted) of beneficiary rural producers' organizations – <b>Final target: 5%</b>	<b>Target revised.</b> Although real revenue increase is still the expected impact of the project, the final target had to be reduced to a more realistic level given the delays in initiating the productive investments. Given the timeframe required for the investments to mature and become profitable, it is unlikely that producer organizations would reach 20% increase in revenue in the lifetime of project due to project financing. In the short run, a more modest increment in revenue is expected, in particular for producer organizations that already commercialize and that with the project will have production and sale leveraged. Other organizations will require a greater time to consolidate. A supporting output-based PDO indicator will be included to provide evidence on production and income generation sustainability within the project timeframe. End target date changed to align with new project closing date.
New piped household water connections that result from project intervention – <b>Final target: 22,000</b>	-	<b>No changes,</b> except to end target date to align it with new project closing date



-	Project supported Producers Organizations that have a sustainable business initiative, financed via sub-project investments – <b>Final target: 80%</b>	<b>New indicator:</b> “Sustainable business initiative” is based on compliance with the following criteria 6 months after conclusion of subproject financing: Participating producer organization has: 1. Business plan implemented and operational; 2. Regular technical assistance visits (minimum 2 per year); 3. Functioning accounting system; 4. Maintenance & Operation plan and reserve fund for financed investments; 5. Producer organization trained in sustainable production practices and management; 6. Sales to at least one new buyer. Those sub indicators are regularly monitored as part of the intermediate indicators.
Number of people in rural areas with access to —Improved Sanitation under the project – <b>Final target: 39,200</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
Increased number of beneficiary organizations participating in environmental recovery activities – <b>Final target: 25</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
<b>Intermediate Indicators</b>		
Productive investments implemented and operational – <b>Final Target: 282</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
25% of productive investments led by women – <b>Final target: 70</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
Participating rural producers’ organizations successfully accessing formal markets (e.g., PAA and PNAE) – <b>Final target: 40%</b>	Rural producers supported by the Project with product sales to institutional and private markets – <b>Final target: 30%</b>	<b>Revised</b> – The indicator was revised to better reflect the measurement methods described in the PAD, which is ‘ <i>number of rural producers selling products to institutional markets</i> ’. Also, most of the rural producer organizations supported by the project are constituted as ‘associations’, which according to the Brazilian legislation <sup>1</sup> , cannot perform profitable activities. Therefore, in order to capture increase in market access, the project will assess individual rural producers accessing markets, instead of associations (beneficiary of the Project via association). End target date changed to align with new project closing date.

<sup>1</sup> Definition of Producer Association: The Association is an organized group of people with non-entrepreneurial goals, i.e., do not aim for profit, as required by Article No. 53 of the Brazilian Civil Code, in verbis:

"Art. 53. Associations are formed by the union of people who organize themselves for non-economic purposes.

Single paragraph. There is no reciprocal right and obligation among members."

Therefore, the association is a private legal entity whose purpose is to carry out cultural, social, religious, recreational, activities, not for profit, that is, do not aim at profits and endowed with personality distinct from its associates.

With the acquisition of legal status, the association will become subject of rights and obligations. As a result, each of the associates will constitute one individuality, and the association another, each having their own assets, rights and obligations, and there are reciprocal rights and obligations among members.



-	Total hours of technical assistance provided to producer organizations– <b>Final targets: 45,000 hours</b>	<b>New Indicator</b> – This proposed indicator captures the project’s emphasis and efforts in technical assistance activities to enhance producer organizations’ capacity.
	Total hours of technical assistance provided to family production units – <b>Final targets: 70,000 hours</b>	<b>New Indicator</b> – This proposed indicator captures the project’s emphasis and efforts in technical assistance activities to enhance family farmers capacity.
Improved efficiency in agricultural production through access to environmentally sustainable technologies – <b>Final target: 28</b>	Rural producer organizations supported by the Project adopting environmentally sustainable technologies - <b>Final targets: 28</b>	<b>Revised</b> – Given the unclear methodology to estimate the term ‘improved efficiency’, PIU requested the revision of the indicator wording to better reflect the measurement methods described in the PAD and actual project activities. End target date changed to align with new project closing date.
Basic sanitation investments implemented and sustainably operated – <b>Final target: 210</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
Beneficiary organizations trained in business management – <b>Final target: 280</b>	Beneficiaries trained in business management and environmentally sustainable practices – <b>Final target: 10,000</b>	<b>Revised</b> – Indicator was revised to capture the total number of individual beneficiaries trained in business management and environmental sustainable practices and technologies. End target date changed to align with new project closing date.
Number of water reuse pilot projects implemented with project support – <b>Final target: 13</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
Potable water supply systems and basic sanitation management training provided to water services managers – <b>Final target: 280</b>	Beneficiaries trained in water services systems management – <b>Final target: 420</b>	<b>Revised</b> – PIU requested the revision of the indicator wording to better reflect the measurement methods described in the PAD for training activities for Component 2. End target date changed to align with new project closing date.
Training being provided to government staff and strategic partners in accordance with the Project Capacity Building Plan – <b>Final target: 80</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date
Number of participants – <b>Final targets: 3200</b>	-	<b>Dropped</b> – The indicators for training were reassessed and aggregated for clarity purpose.
Training for project beneficiaries to encourage adoption of environmentally sustainable practices – <b>Final targets: 8</b>		<b>Dropped</b> – The indicators for training were reassessed and aggregated for clarity purpose.
Number of participants in training courses provided under by the project – <b>Final target: 1350</b>		<b>Dropped</b> – The indicators for training were reassessed and aggregated for clarity purpose.
Project results and lessons learned disseminated – <b>Final target: 8</b>	-	<b>No changes</b> , except to end target date to align it with new project closing date



**The World Bank**

Ceara Rural Sustainable Development and Competitiveness (P121167)

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