PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA325

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Tocantins Integrated Sustainable Regional Development (P121495)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>LATIN AMERICA AND CARIBBEAN</td>
</tr>
<tr>
<td>Country</td>
<td>Brazil</td>
</tr>
<tr>
<td>Sector(s)</td>
<td>Rural and Inter-Urban Roads and Highways (70%), Sub-national government administration (15%), General public administration sector (10%), General education sector (5%)</td>
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<tr>
<td>Lending Instrument</td>
<td>Specific Investment Loan</td>
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<td>Project ID</td>
<td>P121495</td>
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<td>Borrower(s)</td>
<td>State of Tocantins</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>State of Tocantins - Secretariat of Planning and Public Management Modernization</td>
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<tr>
<td>Environmental Category</td>
<td>B-Partial Assessment</td>
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<tr>
<td>Date PID Prepared</td>
<td>13-Mar-2012</td>
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<tr>
<td>Estimated Date of Appraisal Completion</td>
<td>12-Jan-2012</td>
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<td>Estimated Date of Board Approval</td>
<td>05-Jul-2012</td>
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<tr>
<td>Decision</td>
<td>Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments.</td>
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<td>Other Decision</td>
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I. Project Context

Country Context

1. General characteristics. The State of Tocantins (SoT) is the most recent State in Brazil created under the 1988 constitution when it split from the northern half of the former State of Goiás. Located in the Center-North of Brazil, in the Cerrado biome (87% of the State), it has a tropical climate with pronounced seasonality marked by a dry season from May through October. With an area of 277,621 km² and a population of 1.38 million (2010), the State density is low (4.98 hab/km²). It enjoys unique environmental assets, including large preserved areas among which is the Bananal Island on the Araguaia River, the world's largest river islands, and the Jalapão region in the State's eastern end. Urbanization in the State has grown at a fast pace since its creation and is now aligned with current Brazilian trends, with 79% of the population in urban areas mainly concentrated in 10 major cities. Most other cities are small to very small, with more than half of the 139 municipalities having less than 5,000 inhabitants.

2. The SoT economy & finances. With a GDP close to R$13 billion (2008) (equivalent to US$7.1 billion using 2008 average exchange rate) and high growth rates in its early stage of creation of a high 7% growth per year on average over the past 7 years, despite sensitivities to external shocks, Tocantins is one of Brazil's smallest yet fastest growing states. The economy is comprised of the primary sector (20.8%, mainly agriculture), industry (23.6%, notably construction and agro-industry) and services (55.6%) (2008). The State has had large surpluses in its trade balance as a result of impressive export growth as illustrated by 23% increase between 2009 and 2010. However such exports mainly rely on a limited number of agricultural products and overall accessibility and logistics remain a major bottleneck as the centers of production are located at best several hundred kilometers away from the main consumption centers. Successive governments have managed to maintain a healthy financial position through the implementation of fiscal responsibility plans and budgetary policies since the State’s creation allowing adequate capacity to take on additional debt. Tax revenues have increased by 20% in 2010 over 2009 and despite the global crisis, revenues still increased by 16% and 26% in nominal terms from 2009 to 2010 and 2010 to 2011, respectively.

3. The SoT social context. Although the socio-economic situation has improved since the State’s creation, further progress remains to be achieved to bring up social indicators closer to national averages. While GDP per capita has nearly doubled in the past 6 years, (i) it currently stands at a relatively low R$10,223 per year (2008) (equivalent to US$5,600 using 2008 average exchange rate), placing Tocantins 16th amongst the Brazilian states; (ii) Human Development Index was 0.756 in 2005 (vs. 0.61 in 1991) yet about 11% (2008) of the population remains below the poverty line; (iii) the infant mortality rate (2009) is 26 deaths per 1,000 children under the age of one (22.5 on average in Brazil); (iv) the literacy rate has improved significantly, from 62% in 1991 to 85% in 2007, yet test scores remain well below the Brazil average at both the primary and secondary levels, as does access to early child education. Finally, two vulnerable groups live in Tocantins, including 13,100 indigenous people living mostly on six main indigenous territories (as per FUNAI, IBGE 2010) and about 7,500 residents of Quilombos in 15 dispersed rural communities.

II. Sectoral and Institutional Context

4. The SoT Development Strategy. Long term development strategies targeted at fostering sustainable development and quality of life for citizens in a perspective of modernization of the State have been prioritized consistently under successive four-year multi-annual plans (Plano Pluri Anual - PPA) adopted by different governments over the last 20 years. During the early stages of the State’s creation, this translated into a strong focus on building core infrastructure given the relative remoteness of the State and the existence of lagging regions. The State’s more recent PPAs have progressively evolved towards supporting a more encompassing, well balanced and integrated development of its territories and citizens. Aligned with this long term strategy, the SoT new PPA (2012-2015) aims at fostering competitiveness for economic growth while ensuring social inclusiveness and environmental sustainability.
5. On the economic front, given its favorable climate and large availability of arable lands, the State is taking advantage of its agribusiness potential to increase its GDP in the context of the worldwide increase in demand for agricultural commodities. As a result, the State development agenda focuses on strengthening regional producers’ production capacity while also fostering local economic initiatives (including, inter alia, tourism), and preparing accompanying measures to improve the efficiency of public services delivery considering the relative remoteness of the State and its territories. Improving transport and logistics in an integrated fashion from local to feeder roads to the main transport corridors is key in the State development agenda in order to boost its economic development by fostering integration of the State economic agents into national and international markets. In that perspective, the new federal trunk transport corridors planned or under construction, which have the potential to reduce costly road long distance haulage, are exceptional opportunities the Government hopes to seize by articulating its transport investments with those federal investments.

6. On the social and environmental fronts, the Government development agenda aims at ensuring that the State growth is regionally well-balanced, socially inclusive and environmentally sustainable. Tocantins is on Brazil’s agricultural frontier. Rural areas of the State are characterized by scattered small land owners and remote (and sometimes vulnerable) populations and communities. Mindful of the risks to sustainable development of uncontrolled growth of its territories, the State development agenda aims at fostering economic opportunities by building social capital through decentralization and empowerment of rural populations, capacity building and incentives to local economic initiatives, and strengthened education while implementing cutting edge environmental protection policies. Likewise, improving transport access of those populations to employment opportunities, markets and services, better health care and education are instrumental to support this development agenda.

III. Project Development Objectives

The proposed Project Development Objective is to foster improved effectiveness of road transport and enhanced efficiency of selected public services, in support of the State of Tocantins’ 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.

IV. Project Description

Component Name

Improving effectiveness of rural transport (Estimated cost US$304 million of which US$240 million will be financed by the Bank loan)
Enhanced efficiency of public services (Estimated cost US$62.25 million of which US$51.25 million financed by the Bank loan)
Project Management (Estimated cost US$8 million of which US$8 million financed by the Bank loan)

V. Financing (in USD Million)

<table>
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<th>For Loans/Credits/Others</th>
<th>Amount</th>
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<tr>
<td>Borrower</td>
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<td>International Bank for Reconstruction and Development</td>
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<tr>
<td>Total</td>
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VI. Implementation

16. The State of Tocantins will be the Borrower, represented by its Secretariat of Planning and Public Management Modernization (SEPLAM), and the Federative Republic of Brazil will be the Guarantor. The Project will be executed under the responsibility of the SEPLAM and managed by a Project Management Unit (Unidade de Gerenciamento de Projeto, UGP) with the following implementation responsibilities: centralizing, coordinating and monitoring all project activities, including procurement planning and implementation, as well as safeguards management, scheduling, monitoring and reporting, disbursement and internal controls, maintenance of project accounts and preparation of project management reports, and quality control. The UGP is based on the successful model used under the previous operation (P060573) and includes an operational management unit (Grupo Operacional de Projeto, GOP) functioning as a steering committee composed of representatives from each beneficiary under SEPLAM leadership, and an administrative unit (Grupo Administrativo do Projeto, GAP). Since its creation in early 2011, the UGP/GAP has been staffed with specialists having adequate experience with Bank projects and progressively and successfully managed the final 10 months of the previous operation while ensuring appropriate preparation of the proposed operation.

17. The Project components will benefit the following secretariats: (i) Planning Secretariat (SEPLAM) for modernization of the State administration, (ii) Agriculture Secretariat (SEAGRO) and the State Rural Development Agency (Ruraltins) for fostering local and regional development, (iii) Environment and Sustainable Development Secretariat (SEMADES) and the State Environmental Agency (Naturatins), for improved environmental management, (iv) Education Secretariat (SEEDUC) for improved education, and (v) Infrastructure Secretariat (SEINFRA) for improved effectiveness of rural transport. External support from consultants for the preparation, management, implementation and supervision of the Project may be required for each of the beneficiaries.

18. The relationship between these beneficiaries and SEPLAM will be formalized through cooperation agreements that define the obligations of each entity to carry out the Project activities under their responsibility. These implementation arrangements and reporting requirements are detailed in Annex 3 and 5 of PAD.

VII. Safeguard Policies (including public consultation)

<table>
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<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
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<td>Environmental Assessment OP/BP 4.01</td>
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</table>
Natural Habitats OP/BP 4.04
Forests OP/BP 4.36
Pest Management OP 4.09
Physical Cultural Resources OP/BP 4.11
Indigenous Peoples OP/BP 4.10
Involuntary Resettlement OP/BP 4.12
Safety of Dams OP/BP 4.37
Projects on International Waterways OP/BP 7.50
Projects in Disputed Areas OP/BP 7.60

VIII. Contact point

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