



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
PARAIBA SUSTAINABLE RURAL DEVELOPMENT  
APPROVED ON OCTOBER 20, 2017  
TO  
STATE GOVERNMENT OF PARAIBA

AGRICULTURE AND FOOD

LATIN AMERICA AND CARIBBEAN

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## ABBREVIATIONS AND ACRONYMS

ADC	Complete Water Supply Systems	
ADS	Simplified Water Supply Systems	
AESA	Executive Agency for Water Management of the State of Paraíba	<i>Agência Executiva de Gestão das Águas da Paraíba</i>
ANATER	National Agency for Technical Assistance and Rural Extension	<i>Agência Nacional de Assistência Técnica e Extensão Rural</i>
ARIS	Agro-Climatic Risk Information System	<i>Sistema Estadual de Informações sobre Riscos Agrohidroclimáticos-SEIRA</i>
ATER	Technical Assistance and Rural Extension	<i>Assistência Técnica e Extensão Rural</i>
CA	Community Association	<i>Associação Comunitária</i>
CAGEPA	Paraíba Water and Drainage Company	<i>Companhia de Água e Esgoto da Paraíba</i>
CD	Country Director (World Bank)	<i>Diretora de País (Banco Mundial)</i>
CINEP	Paraíba Development Company	<i>Companhia de Desenvolvimento da Paraíba</i>
Cooperar	Paraíba State Cooperar Project	<i>Projeto Cooperar do Estado da Paraíba</i>
Eol	Expression of Interest	<i>Expressão de Interesse</i>
EMPAER	Research, Rural Extension and Land Regularization Company	<i>Empresa de Pesquisa, Extensão Rural e Regularização Fundiária</i>
PAD	Project Appraisal Document	<i>Documento de Avaliação do Projeto</i>
PDO	Project Development Objective	<i>Objetivo de Desenvolvimento do Projeto</i>
PO	Producer Association	<i>Associação de Produtores</i>
SEAFDS	Secretariat of Family Agriculture and Development of the Semiárido	<i>Secretaria da Agricultura Familiar e do Desenvolvimento do Semiárido</i>
SEIRA	State Information System on Agri-hydroclimatic Risks	<i>Sistema Estadual de Informações de Riscos Agrohidroclimáticos</i>
SEIRHMACT	Secretariat of Infrastructure, Water Resources, Environment, and Science and Technology	<i>Secretaria de Estado de Infraestrutura, Recursos Hídricos, Meio Ambiente e Ciência e Tecnologia</i>



## BASIC DATA

### Product Information

Project ID P147158	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 20-Oct-2017	Current Closing Date 15-Dec-2023

### Organizations

Borrower State Government of Paraiba	Responsible Agency
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### Project Development Objective (PDO)

Original PDO

The objective of the Project is to improve access to water, reduce agro-climatic vulnerability and increase access to markets of Paraiba's rural inhabitants.

### Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86390	20-Oct-2017	13-Mar-2019	10-Apr-2019	15-Dec-2023	50.00	7.45	42.55

### Policy Waiver(s)

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

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Introduction

1. The Paraíba Sustainable Rural Development Project (*Paraíba Rural Sustentável*) seeks to improve access to water, reduce agro-climatic vulnerability and increase access to markets of Paraíba's rural inhabitants, using a demand-driven approach. The project consists of four components. Component 1 focuses on institutional strengthening of community associations, municipal councils, producer organizations, technical service providers, and government institutions responsible for the provision of drinking water and sanitation in rural communities. Component 2 involves financing of investments in improved water supply & reduced vulnerability to climate change and establishment of an Agro-Climatic Risk Information System (ARIS). Component 3 provides support to productive alliances. Component 4 is for project management, monitoring and evaluation. Target beneficiaries consist of 44,600 poor rural households in Paraíba state.
2. The Project is being implemented by Cooperar<sup>1</sup> in close cooperation with other implementing entities<sup>2</sup>, community associations (CAs), producer associations (POs) and municipal councils.

### B. Project Status

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<sup>1</sup> Cooperar (formally “project Cooperar”) is a legal entity in the State of Paraíba responsible for the implementation of sustainable rural development policies and projects. See <https://paraiba.pb.gov.br/especiais/projeto-cooperar>.

<sup>2</sup> Article III paragraph 3.01 of the Appendix to Loan Agreement 8639 BR defines these entities as all of the following: AESA, SEIRHMACT and CINEP. However, the Project is also carrying out activities in cooperation with other entities including ANATER, CAPEGA, SEAFDS and EMPAER. Cooperar has entered into technical cooperation agreements with each of these entities, as per paragraph D.1, Section 1 of Schedule 2 of the Loan Agreement.



3. The Project (Loan IBRD-8639) was approved by the World Bank Board of Executive Directors on October 20, 2017 and became effective on April 10, 2019. The loan closing date is December 15, 2023. As of March 10, 2022, the undisbursed balance is US\$43.90 million (87.8 percent of the loan funds).
4. Overall Implementation Progress (IP) was upgraded to Moderately Satisfactory (MS) in January 2021 in recognition of significant improvement in the speed of implementation, particularly in relation to Component 2, despite the continuing impact of the Covid-19 pandemic. As of March 10, 2022, the Project had installed a total of 1,500 domestic cisterns (*cisternas*, household water storage tanks) with bidding in progress for another 3,500. Works are also in progress for 33 fords (water crossings, *passagens molhadas*) and another 118 are ready for bidding. In addition, the Project contracted (with works already on-going) the installation of 24 simplified community water systems (ADS), and a consultancy for the preparation of executive projects for 67 complete community water systems (ADC) is on-going. Improved implementation performance is also reflected in the disbursement pattern: disbursements so far in FY22 (US\$2,812,913) are nearly three times those for entire FY21 (US\$1,096,548) and account for nearly half of total disbursement so far (US\$5,977,311). The project may not be able to use all the available funds by the Closing Date of December 15, 2023. No extension can be assumed at this stage. The Bank will continue to carefully monitor implementation progress and disbursements patterns.
5. Progress Towards Achievement of the Development Objective (PDO) remains Moderately Unsatisfactory (MU) because the project continues to lag behind in four out of the five PDO indicators. The PDO rating will be reassessed following project restructuring.

#### **C. Background and Rationale for Restructuring**



6. In line with the agreements reached in the September 2021 Mid-Term Review mission, and reflected in the request received from the Borrower (with reference No. GG79), this Level Two Restructuring includes the following changes: (i) reallocation of loan resources between disbursement categories, reflecting expected expenditures based on recent experience (see next paragraph), (ii) changes in allocation and composition of counterpart contribution, and (iii) adjustment of the Project Results and Monitoring Framework. In addition, the restructuring includes a change in the title of Subcomponent 2b, which will no longer include subprojects,
7. The Project follows a demand-driven approach where CAs and POs are invited to respond to calls for expression of interest (Eol) for project support to subprojects. The demand from communities for water access subprojects (in particular household-level water storage tanks under Subcomponent 2a) and *passagens molhadas* (under Subcomponent 2b) turned out to be much higher than expected<sup>3</sup>, to the extent that the funds assigned to Component 2 will be insufficient to cover demand. In addition, the actual unit cost of some of these subprojects based on 2020 prices turned out to exceed estimations made during Project appraisal which used 2015 prices.
8. Component 3 of the Project consists of productive alliances which is a new concept in the state of Paraiba. Thus far the Project has carried out a number of market prospect studies as well as a pilot initiative consisting of the development of business plans with eight POs. The experience obtained in this pilot, in particular the complexity involved in organizing alliances, evaluation of business plans, plus the collapse of institutional demand for food items produced by smallholders as a result of the Covid-19 pandemic<sup>4</sup>, has led to the conclusion that the end-of-project goal determined at appraisal and consisting of 170 alliances is unrealistic and will be reduced to 42. A first call for Eol for productive alliances was published on 27 September 2021, resulting in a total of 55 Eols received.

## II. DESCRIPTION OF PROPOSED CHANGES

9. **Reallocation of loan resources between Project Components.** To balance the much higher-than-expected demand for cisterns and fords and the lower-than-expected demand for Productive Alliances, an amount of US\$ 9,834,252 will be reallocated from Component 3 to Component 2 (Table 1). There will be no change in the allocation of resources for Components 1 and 4 of the Project.

**Table 1: Changes in allocation of loan resources by Component and Subcomponent**

<sup>3</sup> The first two calls for Eol resulted in a demand for 12,043 household-level water storage tanks and 300 fords, compared to end-of-project targets of 4,200 and 135, respectively.

<sup>4</sup> Restoration of institutional food demand as the pandemic gradually withdraws depends on federal budgetary decisions and remains uncertain.



COMPONENTS/SUBCOMPONENTS	Original amount	Adjustment	New amount
Component and Subcomponent			
<b>1 - Institutional Strengthening</b>	<b>2,612,447</b>		<b>2,612,447</b>
1a - Carrying out a communication campaign	415,610		415,610
1b - Strengthening the institutional capacity of Community Associations and Municipal Councils	609,474		609,474
1c - Strengthening the institutional capacity of Producer Organizations	893,318		893,318
1d - Training of service providers and establishment of a service provider database	37,050		37,050
1e - Institutional strengthening of SEIRHMACT	507,547		507,547
1f - Institutional strengthening of CINEP	149,448		149,448
<b>2 - Water Access and Agro-climatic Vulnerability Reduction</b>	<b>25,799,222</b>	<b>9,834,252</b>	<b>35,633,474</b>
2a - Pre-Investment studies and investments in water supply	19,692,506	6,825,944	26,518,450
2b – Investments and subprojects in agro-climatic vulnerability reduction	5,172,792	3,008,308	8,181,100
2c - Establishment of an Agro-Climatic Risk Information System (ARIS)	933,923		933,923
<b>3 - Productive Alliances</b>	<b>14,510,458</b>	<b>-9,834,252</b>	<b>4,676,206</b>
3a - Pre-investment studies and ATER	1,449,350		1,449,350
3b - Matching grants for productive alliance subprojects	13,061,108	-9,834,252	3,226,856
<b>4 - Project Management, Monitoring and Evaluation</b>	<b>6,952,873</b>		<b>6,952,873</b>
4a - Project coordination and management	5,505,495		5,505,495
4b - Monitoring and evaluation	638,300		638,300
4c - Project fiduciary administration, internal controls and audits	61,889		61,889
4d - Safeguards management	48,709		48,709
4e - Independent evaluation of business plans of productive alliances	386,750		386,750
4f - Citizen’s engagement mechanism	37,375		37,375
4g - Project studies	274,355		274,355
<b>Front-end Fee</b>	<b>125,000</b>		<b>125,000</b>
<b>TOTAL</b>	<b>50,000,000</b>		<b>50,000,000</b>

10. **Change in Subcomponent title.** Given that (i) the Borrower’s decision to no longer make use of subprojects for activities carried out under Subcomponent 2b, and (ii) an amount of US\$150,980.49 has already been disbursed towards activities under that subcomponent, the title of Subcomponent 2b will be adjusted to “Investments and subprojects in agroclimatic vulnerability reduction” (instead of “Provisions of matching grants to the CAs for carrying out the agroclimatic vulnerability reduction subprojects”). All future investments under Subcomponent 2b will be charged to Disbursement Category 1.

11. **Changes in allocation of counterpart contribution.** Similar to the reallocation of loan resources, there will also be a shift in the allocation of counterpart resources, involving a reduction in counterpart contributions to Component 3 in the amount of US\$4,214,680 (following the reduction in scope of this Component) and a concomitant increase in counterpart contributions to Subcomponent 2. When combined with the reallocation of Bank resources, these changes would increase the Bank’s share for Component 2 from 58 percent to 61 percent, while leaving its share in Component 3 unchanged at 70 percent. Details are provided in Table 2.

12. **Changes in composition of counterpart contribution.** While the total counterpart contribution to the Project will remain unchanged at US\$30 million, the Borrower’s total contribution to the Project will increase from US\$22,881,232 to US\$27,867,062, with a corresponding reduction in beneficiaries’ contributions from US\$7,118,768 to US\$2,132,938 (Table 2). The latter is mainly the result of a reduction in the scope of Component 3 of the Project (productive alliances).



13. **Changes in the Results Framework.** The Project Appraisal Document (PAD) contains 21 indicators, of which 5 are Project Development Objective (PDO) indicators and 16 are Intermediate Results indicators. The restructuring does not modify the PDO indicators defined in the PAD. Regarding intermediate indicators for Component 3 (productive alliances), the restructuring reduces their number to 5, by eliminating two indicators that are difficult to measure (“Producer organizations that meet commercialization agreement or business plan specifications” and “Buyers who fulfill their obligations under the commercialization agreement or business plan”) and replace these by a new indicator that can be measured more easily (“Percentage of producer organizations in operation 12 months after the project’s investment”). For Component 4, the restructuring drops one indicator (“Baseline and follow up data for investments and subprojects collected systematically”) given its subjective nature. In addition, definitions of some indicators will be adjusted to improve clarity and facilitate measurement.
14. **Intermediate** and end-of-project targets will be adjusted for selected indicators, to reflect (i) the increased emphasis on subprojects for water supply and rural access, and (ii) implementation delays caused by the nearly 1.5 years effectiveness delay, and by mobility restrictions and other health-related measures imposed to respond to the COVID-19 pandemic.
15. **Safeguards.** The Project’s safeguards performance has been consistently satisfactory from the beginning of implementation. No new environmental and social safeguard policies will be triggered. There are no changes in safeguards assessment or mitigation measures.
16. **Financial Management.** The project’s financial management performance has also been consistently rated satisfactory. All audit reports have been received and are considered acceptable to the World Bank. There are no overdue audit reports.
17. **Procurement.** The current procurement performance is moderately satisfactory given continued progress in the use of STEP (Systematic Tracking of Exchanges in Procurement) and continuing efforts by the project to further streamline procurement processes. The revised procurement plan is acceptable to the World Bank.

### III. CHANGES IN DISBURSEMENT CATEGORIES AND REALLOCATION OF FUNDS

18. The reallocation of loan resources has two elements: (i) a redistribution of US\$9,834,252 from Disbursement Category 3 to Disbursement Category 1, i.e., US\$6,825,944 to accommodate the excess demand of cisterns (household-level water storage tanks) and US\$3,008,308 to accommodate the excess demand and increased costs of investments in rural access (fords); and (ii) a redistribution of US\$5,021,811.51<sup>5</sup> from Disbursement Category 2 to Disbursement Category 1 to accommodate the change in the Borrower’s strategy for Subcomponent 2b, whereby implementation will no longer involve subprojects.
19. **In conclusion, the proposed restructuring will better align project investments to beneficiaries’ priorities and increase implementation speed.** The Borrower has demonstrated strong commitment to the Project whose performance has significantly improved over the past 1.5 years. The proposed restructuring will help speeding up implementation, improve disbursement performance (reflected in revised disbursement estimates) and maximize the likelihood of attaining the PDO.

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<sup>5</sup> This amount equals the entire original allocation of Disbursement Category 2 minus the already disbursed amount of US\$ 150,980.49 under this Category.





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Paraiba Sustainable Rural Development (P147158)

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Table 2: Changes in Project Cost and Financing

Project Components	Project cost		State of Paraiba		Beneficiaries		Total Counterpart		IBRD		% IBRD Financing	
	Original	New	Original	New	Original	New	Original	New	Original	New	Original	New
Institutional Strengthening	4,019,148	4,019,148	1,406,701	1,406,701	0	0	1,406,701	1,406,701	2,612,447	2,612,447	65%	65%
Water Access and Vulnerability Reduction	44,362,590	58,411,522	17,043,368	22,028,048	1,520,000	750,000	18,563,368	22,778,048	25,799,222	35,633,474	58%	61%
Productive Alliances	20,729,226	6,680,294	620,000	621,150	5,598,768	1,382,938	6,218,768	2,004,088	14,510,458	4,676,206	70%	70%
Management, Monitoring, Evaluation	10,764,036	10,764,036	3,811,163	3,811,163	0	0	3,811,163	3,811,163	6,952,873	6,952,873	65%	65%
Total Project Costs	79,875,000	79,875,000	22,881,232	27,867,062	7,118,768	2,132,938	30,000,000	30,000,000	49,875,000	49,875,000	62%	62%
Front end fees	125,000	125,000							125,000	125,000	100%	100%
Total financing required	80,000,000	80,000,000	22,881,232	27,867,062	7,118,768	2,132,938	30,000,000	30,000,000	50,000,000	50,000,000		



#### IV. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
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)
Institutional Strengthening	4.02	No Change	Institutional Strengthening	4.02
Water Access and Agro-Climatic Vulnerability Reduction	44.36	Revised	Water Access and Agro-Climatic Vulnerability Reduction	58.41
Productive Alliances	20.73	Revised	Productive Alliances	6.68
Project Management, Monitoring and Evaluation	10.76	No Change	Project Management, Monitoring and Evaluation	10.76
Front End Fee	0.13	No Change	Front End Fee	0.13
<b>TOTAL</b>	<b>80.00</b>			<b>80.00</b>

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IBRD-86390-001   Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: CW,GO,NCS,CS,TR,OP exc. cats 2,3			
31,641,100.00	3,645,170.12	46,497,163.51	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: CW,GO,NCS,CS Agro-Climatic Subp			
5,172,792.00	150,980.49	150,980.49	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: CW,GO,NCS,CS Prod Alliances Subp			
13,061,108.00	0.00	3,226,856.00	100.00	100.00
iLap Category Sequence No: 5	Current Expenditure Category: PREMIUM FOR CAPS/COLLARS			



	0.00	0.00	0.00
iLap Category Sequence No: FEF		Current Expenditure Category: FRONT END FEE	
	125,000.00	125,000.00	125,000.00
<b>Total</b>	<b>50,000,000.00</b>	<b>3,921,150.61</b>	<b>50,000,000.00</b>

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

<b>Year</b>	<b>Current</b>	<b>Proposed</b>
2017	3,000,000.00	0.00
2018	6,999,999.96	0.00
2019	9,000,000.00	1,426,202.31
2020	11,000,000.04	766,648.04
2021	11,000,000.04	1,096,547.89
2022	6,999,999.96	22,517,500.00
2023	2,000,000.04	24,193,101.76



**Results framework**

**COUNTRY: Brazil**

**Paraiba Sustainable Rural Development**

**Project Development Objectives(s)**

The objective of the Project is to improve access to water, reduce agro-climatic vulnerability and increase access to markets of Paraiba's rural inhabitants.

**Project Development Objective Indicators by Objectives/ Outcomes**

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<b>Improve access to water, reduce agro-climatic vulnerability and increase access to markets.</b>							
Number of people in rural areas provided with access to improved water sources under the project (Number)		38,000.00	38,000.00	38,000.00	50,000.00	65,000.00	90,000.00
<b>Action: This indicator has been Revised</b>							
Clients who have adopted an improved agr. technology promoted by the project (CRI, Number)		0.00	0.00	0.00	0.00	6,000.00	12,000.00
<b>Action: This indicator has been Revised</b>							
Clients who adopted an improved agr. technology promoted by project ? female (Number)		0.00	2,000.00	0.00	0.00	0.00	4,000.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
<i>Action: This indicator has been Revised</i>							
Percentage increase in the average gross value of sales of producers organized under productive alliances (Percentage)		0.00	0.00	0.00	0.00	20.00	20.00
<i>Action: This indicator has been Revised</i>							
Agro-Climatic Risk Information System in operation (Yes/No)		No	No	No	No	Yes	Yes
<i>Action: This indicator has been Revised</i>							

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
<b>Institutional Strengthening</b>									
Investments and subprojects with established institutional arrangements for operations and maintenance		0.00	0.00	0.00	30.00	50.00			70.00



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
(percentage) (Percentage)									
<b>Action: This indicator has been Revised</b>									
State management model for rural sanitation designed, tested and implemented (Yes/No)		No	No	No	No	Yes			Yes
<b>Action: This indicator has been Revised</b>									
<b>Water Access and Agro-Climatic Vulnerability Reduction</b>									
Number of water access investments and vulnerability reduction subprojects implemented, by type (Number)		0.00	0.00	0.00	300.00	750.00			1,193.00
<b>Action: This indicator has been Revised</b>									
Number of families benefited by water access investments and vulnerability reduction subprojects (Number)		0.00	0.00	0.00	5,000.00	18,000.00			31,291.00
<b>Action: This indicator has been Revised</b>									





Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
Agro-Climatic Risk Information System designed (Yes/No)		No	No	No	No	Yes			Yes
<b>Action: This indicator has been Revised</b>									
<b>Productive Alliances</b>									
Number of productive alliance subprojects implemented, by type (Number)		0.00	0.00	0.00	0.00	21.00			42.00
<b>Action: This indicator has been Revised</b>									
Number of producers benefited with productive alliance subprojects (Number)		0.00	0.00	0.00	0.00	520.00			1,050.00
<b>Action: This indicator has been Revised</b>									
Number of female producers benefited with productive alliance subprojects (Number)		0.00	0.00	0.00	0.00	156.00			315.00
<b>Action: This indicator has been Revised</b>									
Number of potential buyers/investors identified by the state		0.00	0.00	0.00	10.00	35.00			60.00



Indicator Name	PBC	Baseline	Intermediate Targets						End Target
			1	2	3	4	5	6	
business promotion agency (CINEP) (Number)									
<b>Action: This indicator has been Revised</b>									
Percentage of producer organizations in operation 12 months after the project investment (Percentage)		0.00	0.00	70.00					70.00
<b>Action: This indicator has been Revised</b>									
<b>Project Management, Monitoring and Evaluation</b>									
Baseline and follow up data for investments and subprojects collected systematically (Yes/No)		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Action: This indicator has been Marked for Deletion</b>									
Percentage of grievances registered related to delivery of project benefits that are addressed (Percentage)		0.00	80.00	100.00	100.00	100.00			100.00
<b>Action: This indicator has been Revised</b>									
Grievances related to delivery of project		0.00	0.00	10.00	20.00	30.00	40.00	50.00	60.00





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