



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
SUPPORTING SMART URBAN WATER MANAGEMENT IN THE RECIFE METROPOLITAN REGION (RETF)  
APPROVED ON FEBRUARY 25, 2021  
TO  
COMPANHIA PERNAMBUCANA DE SANEAMENTO (COMPESA)

WATER

LATIN AMERICA AND CARIBBEAN

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## ABBREVIATIONS AND ACRONYMS

BETF	Bank-Executed Trust-Fund
COMPESA	Companhia Pernambucana de Saneamento
COVID-19	Coronavirus Disease 2019
GA	Grant Agreement
PIM	Project Implementation Manual
RETF	Recipient Executed Trust-Fund
UK	United Kingdom
WB	World Bank



## BASIC DATA

### Product Information

Project ID P173621	Financing Instrument Investment Project Financing
Environmental and Social Risk Classification (ESRC) Moderate	
Approval Date 25-Feb-2021	Current Closing Date 30-Sep-2022

### Organizations

Borrower Companhia Pernambucana de Saneamento (COMPESA)	Responsible Agency Companhia Pernambucana de Saneamento (COMPESA)
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### Financing (in USD Million)

## SUMMARY

Total Project Cost	0
Total Financing	0
Financing Gap	0

## DETAILS

### Project Development Objective (PDO)

Original PDO

Improve the non-revenue water management program and support the modernization of water supply and sanitation service delivery in the Recife Metropolitan Region, through the piloting of innovative smart water approaches.



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

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-B5246	25-Feb-2021	26-Feb-2021	20-Apr-2021	30-Sep-2022	1.30	0	1.30

**Policy Waiver(s)**

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

No

**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

**A. Project Status**

- COVID-19 hit Latin America and the Caribbean hard and as its economic driving force; and Brazil has been bearing the full brunt of the impacts. The effects of the pandemic have reverberated throughout the country and the *Supporting Smart Urban Water Management in the Recife Metropolitan Region* Recipient-Executed Trust-Fund (RETF) was not impervious to its impacts. Its preparation and implementation suffered unexpected delays as the World Bank (WB), the Companhia Pernambucana de Saneamento (COMPESA, "Recipient"), and other key actors were forced to transition to remote work to ensure the health and safety of their staff.
- The preparation of the RETF experienced delays in activity initiation due to: (i) a reduction in the level of engagement by COMPESA at the outset of the pandemic while other priorities took precedent (responses to COVID-19); and (ii) challenges associated with adapting to the remote work modality. Specifically, the launch of its corresponding activities was delayed, notably given the need to prepare the Appraisal Package remotely. In this particular case, the due diligence process resulted in the inclusion of several effectiveness conditions into the Grant Agreement (GA), such as COMPESA's Project Implementation Manual, which extended the preparation process further.
- Despite this unprecedented situation, the parties came together in a concerted effort to sign the GA for the RETF, which became effective on April 20, 2021.
- Up to date, no bidding processes have been launched and there has been no disbursement of Grant proceeds.

**B. Rationale for restructuring**

- The *Supporting Smart Urban Water Management in the Recife Metropolitan Region* RETF is financed by the United Kingdom Prosperity Fund under its Future Cities Program. The latter provides support to alleviate high levels of urban poverty,



encouraging sustainable development and improving economic growth and prosperity. The said Program intends to carry out targeted interventions in 19 selected cities across 10 countries to address barriers to prosperity and trade.

6. The context of a pandemic and the consequent economic impact generated, led the Government of the United Kingdom (UK) to reduce the budget for its Official Development Assistance, which finances the Future City Program. Accordingly, on June 24, 2021 the UK informed COMPESA of the situation and communicated the need for an anticipated closure of all activities of the Program by the end of 2021, as well as the reduction of its scope. COMPESA has done an intensive work of re-prioritization and re-planning of activities, considering the delivery capacity and the optimization of the available resources; however, given the limited implementation timeline and the reduced scope, COMPESA decided to request a cancellation of the RETF as presented in the letter “Carta de Solicitação de Cancelamento do Acordo de Doação TF0B5246” dated June 30, 2021.
7. The said Program also includes a Bank-Executed Trust-Fund (BETF – P173624) which will continue implementation until March 2022 based on the re-prioritization and re-planning of activities agreed with Compesa and the UK aiming to assist Compesa moving towards improving its non-revenue water management program and supporting the modernization of water supply and sanitation service delivery in the Recife Metropolitan Region.
8. As requested by the Recipient, the GA between COMPESA and the WB, dated February 26, 2021, will have an early closure to July 31, 2021 and the grant proceeds will be cancelled. All RETF activities will be cancelled.
9. COMPESA has developed and disclosed in its website proper Labor Management Procedures and Stakeholder Engagement Plan. All environmental and social commitments in the Environmental and Social Commitment Pan were being completed on time. A Grievance Redress Mechanism system is available and widely disseminated. No grievances related with project activities have been filed.

## II. DESCRIPTION OF PROPOSED CHANGES

This proposed restructuring will entail the following changes:

10. **Loan Closing Date:** will anticipate the closing date from September 30, 2022 to July 31, 2021.
11. **Proposed cancellation:** Cancellation of an amount of the Grant equal to one million three hundred thousand United States Dollars (USD 1,300,000).
12. **Reallocation between disbursement categories:** Current allocation to Category 1 of one million three hundred thousand United States Dollars (USD 1,300,000) will change to zero United States Dollars (USD 0.00).
13. **Disbursement estimates:** Projected Date of Disbursement Deadline will change to 31 July, 2021.
14. **Implementation schedule:** As reflected in the changes aforementioned.



**III. SUMMARY OF CHANGES**

	<b>Changed</b>	<b>Not Changed</b>
Loan Closing Date(s)	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Additional Financing Proposed		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**



**LOAN CLOSING DATE(S)**

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-B5246	Effective	30-Sep-2022		31-Jul-2021	31-Jul-2021

**CANCELLATIONS**

TF	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
TF-B5246-001	Effective	USD	1,300,000.00	1,300,000.00	08-Jul-2021	0.00	BORROWER'S REQUEST FOR COUNTRY REASONS

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
TF-B5246-001	Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: GO,CW,NCS,CS,OP,TR				
	1,300,000.00	0.00	0.00		0
<b>Total</b>	<b>1,300,000.00</b>	<b>0.00</b>	<b>0.00</b>		

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates  
Yes

**Expected Disbursements (In US\$)**

Fiscal Year	Annual	Cumulative
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## The World Bank

Supporting Smart Urban Water Management in the Recife Metropolitan Region (RETF) (P173621)

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2021	0.00	0.00
2022	0.00	0.00
2023	0.00	0.00

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**Note to Task Teams:** End of system generated content, document is editable from here.