

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**INTEGRATED PROJECT FOR WATER SECURITY, ENVIRONMENTAL
SUSTAINABILITY, AND SOCIAL AND PRODUCTIVE DEVELOPMENT OF THE
CANINDÉ-PIAUI RIVER BASIN, STATE OF PIAUI
(SUSTAINABLE AND INCLUSIVE PIAUI (PSI))**

(BR-L1542 AND BR-L1608)

**SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE
FOR INVESTMENT PROJECTS (CCLIP) FOR THE
“SUSTAINABLE DEVELOPMENT AND AGRICULTURE PROGRAM”**

(BR-O0008)

LOAN PROPOSAL

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OPTIONAL LINKS	
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ABBREVIATIONS

CAR	Catastro Ambiental Rural [Rural Environmental Cadastre]
CCLIP	Conditional credit line for investment projects
ESMF	Environmental and Social Management Framework
ESPF	Environmental and Social Policy Framework
ESPS	Environmental and Social Performance Standards
GDP	Gross domestic product
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
INTERPI	Instituto de Terras do Piauí [Piauí Land Institute]
MAPA	Ministry of Agriculture, Livestock, and Supply
PCR	Project completion report
PCU	Program coordination unit
PMR	Progress monitoring report
PSI	Piauí Sustentavel e Inclusivo [Sustainable and Inclusive Piauí]
SAF	Secretaria da Agricultura Familiar do Estado do Piauí [State of Piauí Department of Family Farming]
SAIN	Secretaria de Assuntos Internacionais do Ministério de Economia [International Affairs Department of the Ministry of Economy]
SEMAR	Secretaria do Meio Ambiente e Recursos Hídricos do Estado do Piauí [State of Piauí Department of Environment and Water Resources]
SEPLAN	Secretaria do Planejamento do Estado do Piauí [State of Piauí Department of Planning]
SOFR	Secured Overnight Financing Rate

PROJECT SUMMARY

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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
State of Piauí			Amortization period:	23.5 years
Guarantor:			Disbursement period:	6 years
Federative Republic of Brazil			Grace period:	7 years ^(b)
Executing agency:			Interest rate:	SOFR-based
State of Piauí, through the Department of Planning (SEPLAN)			Credit fee:	(c)
Subexecuting agencies:			Inspection and supervision fee:	(c)
Department of Family Farming (SAF), Department of Environment and Water Resources (SEMAR), and Piauí Land Institute (INTERPI)				
Source	Amount (US\$)	%	Weighted average life:	15.25 years
IDB (Ordinary Capital):	100 million	67.8		
IFAD cofinancing: ^(d)	18 million	12.2	Currency of approval:	United States dollars
Local:	29.5 million	20.0		
Total:	147.5 million	100		
Project at a Glance				
Project objective/description: The general objective of the project is to boost income, improve food and nutritional security, expand access to basic services, and increase climate change adaptation for and by the rural population. The specific objectives are to: (i) expand access to water for human consumption and agricultural production; (ii) improve the environmental conditions of rural families and their surroundings; and (iii) increase the adoption of agricultural technologies, with an emphasis on climate change adaptation and mitigation technologies, and better integrate producers into value chains, prioritizing women, young people, and Afro-descendants.				
The program is the second individual loan operation under the CCLIP for the “Sustainable Development and Agriculture Program” (BR-O0008) approved by the Board of Executive Directors through Resolution DE-127/21.				
Special contractual conditions precedent to the first disbursement of the loan: (i) the program Operating Regulations (optional link 3) will have been approved and have entered into force under terms previously agreed upon with the Bank; and (ii) a project coordination unit (PCU) will have been created under the structure of SEPLAN, and its members appointed (paragraph 3.12).				

Special contractual conditions for execution: (i) the program's bid committee will have been created and staffed under the SEPLAN structure before the start of execution of Component III activities; and (ii) the appropriate legal instrument has been signed and has entered into force between the borrower and the respective município providing the water service before the start of execution of the works for water supply networks with house connections and water meters financed by Component I (paragraph 3.13).

Environmental and social contractual conditions: These conditions are described in Annex B of the environmental and social review summary ([required link 3](#)).

Exceptions to Bank policies: None.

Strategic Alignment			
Challenges: ^(e)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
Crosscutting themes: ^(f)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input type="checkbox"/>

(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

(d) Granted directly to the State of Piauí, pursuant to an IDB-IFAD coordination agreement. Approval by the IFAD Executive Board is expected in September 2022.

(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 This project is the second individual loan operation under the conditional credit line for investment projects (CCLIP) for the “Sustainable Development and Agriculture Program” (BR-O0008), approved by the Board of Executive Directors on 8 December 2021.¹ The objectives of the Multisector Modality II (MM-II) CCLIP are to increase agricultural sector productivity, income, and access to basic services in rural Brazil by: (i) improving the quality of, and expanding producers’ access to, agricultural sector support services; (ii) developing resilient infrastructure; and (iii) improving natural resource management.
- 1.2 The CCLIP, for up to US\$1.200 billion to be allocated over a period of up to 10 years, provides for three allocation channels. One of these is through states or municípios² with borrowing capacity requesting loans for programs that help in achieving the multisector objectives of one or more sectors targeted by the CCLIP. The sectors are: (i) agricultural services; (ii) basic and productive infrastructure; and (iii) environment and natural resources. This is the second individual operation under the agricultural services sector and the first under the basic and productive infrastructure sector. It is also the first to be executed by a subnational entity (state).
- 1.3 **Macroeconomic context in Brazil and COVID-19 pandemic.** The Brazilian economy was hard hit by the pandemic, resulting in 2020 in a 3.9% drop in gross domestic product (GDP), a rise in the fiscal deficit to 10% of GDP, a decline in social indicators, and an entrenchment of regional disparities. The North and Northeast, which are the country’s poorest regions, reported the largest numbers of cases and deaths, as well as the greatest increase in poverty [1]³ [2]. In 2021, the economy recovered, and GDP grew by 4.6%. However, the international context buttressed expectations of higher inflation, higher interest rates, and lower growth, leading to projections of a 1.5% rise in GDP for 2022.
- 1.4 **Challenges for the agricultural sector in Brazil and in the Northeast region.** Despite having expanded in recent decades, the Brazilian agricultural sector faces challenges that could adversely affect its future growth, sustainability, and climate change adaptation. Productivity growth has been uneven, higher in crop (56%) than in livestock (40.3%) farming [3] and with sizeable differences across regions and producers. Moreover, producer access to support services such as technical assistance and credit is similarly uneven. These problems particularly affect the Northeast, where family farming accounts for 79% of the region’s 2.51 million producers and 44% of the total land area of 82.6 million hectares. The Northeast is characterized by low annual rainfall, extreme temperatures, and scenarios projecting accelerated desertification [4]. Agricultural activity is characterized by low productivity and limited adoption of technologies for soil and water conservation and for climate change mitigation and adaptation [5]. In

¹ Resolution DE-127/21 approving the CCLIP.

² The other channels are: (i) the Federative Republic of Brazil, for programs in which federal government agencies serve as executing agencies; and (ii) national or regional development banks that make subloans for specific investments.

³ Search for the number in brackets [#] in the complete bibliography ([optional link 11](#)).

addition, land tenure insecurity in Brazil limits credit access, adoption of technologies, productivity growth, and long-term conservation of natural resources, while also giving rise to frequent local conflicts.

- 1.5 **Background and context for Piauí.** The state of Piauí is the second largest in the Northeast in terms of land area (251,755 km²). In all, 34.2% of its total population (3.2 million) is rural. Despite having doubled its GDP between 2010 and 2019, the state's per-capita GDP is one of the lowest in the country (ranking 26th out of the 27 federative entities). Moreover, Piauí has the fifth worst figures in terms of population living in poverty (43.4%) and extreme poverty (15%) [6]. Poverty is concentrated in the rural areas of the state's semiarid region [7]. Food insecurity affects 58.6% of households and is among the highest in the country [8].
- 1.6 **Problem to be addressed.** The second individual operation under the CCLIP will address the problem of low income and low quality of life of rural households in Piauí. The main determinants of this problem are analyzed below.
- 1.7 **Vulnerability to climate change.** The semiarid climate that characterizes the project area makes this one of the country's regions most vulnerable to climate change [9]. Rainfall is both scarce (450-700 mm per year) and irregular, concentrated between December and April. The main climate threat is drought, which renders the population and its production systems highly vulnerable. In recent decades, droughts have become increasingly severe, frequent, and intense, and projections point to an average temperature increase of 0.5°C to 1.5°C over the coming 30 years [10].
- 1.8 **Low productivity of agricultural production.** Agricultural production accounts for 9.9% of Piauí's GDP [11]. In all, 80% of the state's 245,601 agricultural holdings are family farms, occupying 31% of the land [12] [13] [14]. The production systems are characterized by low productivity and diversification, limited by water scarcity and periodic droughts. Production is primarily used for household consumption; thus, only 18% of production is sold. A 2020 survey of small producers showed that 70% of those surveyed lost production due to droughts [15]. Low income and lack of financing are barriers to investing in technologies that can raise productivity and production and reduce these risks. Although the Northeast accounts for more than half of the country's family farmers and 48% of loan contracts under the National Family Farming Program, it receives only 13% of the loan resources, the average contract amount is less than one third the national mean, and credit is concentrated in operating loans [16]. This is associated with farmers' lack of access to technical assistance to support them in preparing investment proposals. In 2017, only 3.7% of family producers received technical assistance, compared to 8.6% in the Northeast and 23.4% nationwide. The lack of access to technical assistance and financing jeopardizes technology adoption and productive diversification. Only 6% of producers in Piauí use irrigation, compared to 12.7% in the Northeast and 12.2% in Brazil as a whole. A mere 1% of producers in Piauí grow fruits and vegetables (or 11.5% of those who have irrigation). Moreover, the degree of integration of small producers into organizations that support product marketing and provide services is low: only 4.9% are affiliated with cooperatives or producers' associations, compared to 9.8% in the Northeast and 17.1% in Brazil [17]. Rural

communities are also adversely affected by their isolation in the rainy season, which increases marketing costs and hinders access to education and health care services, among others [18].

- 1.9 **Environmental decline.** Piauí faces long-term deterioration of the Caatinga biome: it is estimated that one third of its surface area, equivalent to nearly 84,000 km², is affected by moderate desertification processes [19]. Degradation of the riparian forests in the project area adversely affects the fauna and flora as well as sedimentation of the riverbeds. According to a survey conducted in 2020, riparian forests are entirely absent in 56% of small farms with a watercourse running through their land [15].
- 1.10 **Land tenure insecurity.** There is a tendency toward land concentration in the Canindé-Piauí basin, where the number of properties over 500 hectares doubled between 2006 and 2017 [17]. According to data provided by the Piauí Land Institute (INTERPI), there are some 1,500 family farmers on the Piauí and Canindé riverbanks who have no land title and are not listed in the Catastro Ambiental Rural [Rural Environmental Cadastre] (CAR), which limits their access to credit and public programs.⁴
- 1.11 **Limited access to drinking water and rural sanitation.** While the proportion of rural households connected to the public water supply network is higher in Piauí than in the Northeast (30.9%) and in Brazil as a whole (29.3%), it remains very low (45%) in comparison to urban households (93%) [20]. A survey in rural communities in the project area showed that average daily consumption per inhabitant (35 liters) is far lower than recommended by the World Health Organization, particularly in poor communities and scattered rural population groups (paragraph 1.12). At the same time, 17.7% of the state's population is connected to the sanitation network, and connection is more widespread in urban areas (25.6%) than in rural ones, where only 2% of the population is connected, compared to 4% in the Northeast and 7% in all of Brazil.
- 1.12 **Gender gaps and inclusion.** There are significant gaps adversely impacting women farmers in the project area in terms of income from agricultural activities, marketing of products, access to services, and land ownership. Only 3.1% of women producers receive technical assistance, compared to 3.7% of men [17]. Women have less access to credit (46.6%) than men (53.6%), as well as less access to land ownership (70.3% compared to 73.3%) [21]. This has consequences on production and income. The use of irrigation is lower among women (5.3%) than men (6.3%). Women sell a smaller proportion of their production (13.8%) than men (19.3%) [17], and their average income per sale is 64% lower than in the case of men [22]. The average annual earnings generated by women's agricultural activities (including home consumption) are less than half (45.6%) those of men, and a larger proportion of rural households headed by women experience serious food insecurity (28.8%) than households headed by men (25.9%). The percentages of poor and extremely poor families are also higher in the case of women producers than in the case of men [17].

⁴ Nationwide electronic public registry, mandatory for all rural properties to show compliance with environmental obligations and deforestation control, created by [Law 12,651/2012](#) and regulated by MMA Normative Instruction 2 of 6 May 2014.

- 1.13 Afro-descendant (quilombola) rural communities in Piauí are at a particular disadvantage. The extreme poverty rate is very high (76.5% of families), and food insecurity, while slightly lower than for family farmers in general (78%), is experienced by 79.6% of households. Only 4% of quilombola communities and 13% of Afro-descendant women have property title to the land on which they live [23]. Moreover, only 2.5% of Afro-descendant family farmers have access to technical assistance. The quilombola communities also have less access to drinking water, and only 21% have cisterns, compared to 42% in the general rural population.
- 1.14 Rural youth⁵ also suffer from a lack of employment opportunities. The unemployment rate is 29.3% [24], and one of every four young people neither studies nor works, compared to 23% nationwide [25]. As a result, there is significant youth migration and aging of the rural population. In the project area, between 2006 and 2017, the number of family farms headed by individuals under 25 fell by 47.6%, while those headed by persons over 65 grew by 44% [26] [17].
- 1.15 **Institutional weaknesses.** Public rural development institutions in Piauí are hamstrung by limitations in technical staff capacity and insufficient material resources. Their capacity, methodologies, and systems are insufficient for adequate program planning, monitoring, and evaluation [26]. Technical assistance and other producer services lack adequate methodologies for women, young people, and traditional communities, and there is insufficient training in issues such as marketing, digital technologies, and climate change adaptation. Furthermore, there is no state policy to promote an innovation environment for family farmers, and information on the limitations faced by technology providers to this sector is scarce. In addition, rural organizations play an important role in the management of community infrastructure, but they are often weak. Water resource management lacks up-to-date hydrological data and the capacity to assess and mitigate the environmental and social impacts of various interventions.
- 1.16 **Intervention strategy.** The program will promote a multisector approach to treating the main problems impacting the rural population. It will include: (i) financing of small-scale works to improve access to drinking water and sanitation for rural households and to improve year-round transportation; (ii) plans for producer groups and organizations aimed at boosting the productivity and resilience of their production, restoring degraded areas, and improving food security and surplus marketing, with an emphasis on the use of climate change adaptation technologies; (iii) land titling and environmental regularization, especially in traditional (quilombola) communities; and (iv) support for strengthening rural development institutions, including technical staff training, adoption of digital technologies, and funding for technical, environmental, and social studies on water resources and their use. The program will focus on family producers, women, young people, and Afro-descendant (quilombola) communities.

⁵ Under Law 12,852/2013, in Brazil, “youth” are deemed to be those 15 to 29 years of age.

- 1.17 **Empirical evidence.** A broad range of studies ([optional link 10](#)) deal, both internationally and in Brazil, with the problems addressed by the project, thus providing a basis for the proposals put forth for this new operation.
- 1.18 **Agricultural extension and business plans.** Innovation and the adoption of more efficient technologies are a key to improving farmers' productivity and income: studies in Africa identified a 65% increase in production in farms that applied new technologies [27]. Other important effects of agricultural extension services are an increase in food security [28] [29] and better adaptation to climate change [30].
- 1.19 A large number of studies have examined economic, social, and environmental impacts of agricultural technical assistance services. As is the case in Piauí, family farmers in various contexts have limited access to extension and technology dissemination services, although they could reap the greatest benefits [31]. Extension services can close this gap and accelerate the dissemination of improved technologies, enabling faster growth of yields and income [32]. Extension services have had significant positive effects on food security [28] [29] and adaptation to climate change [30]. Recent studies in Brazil have shown that rural extension boosted income for rural households [33]. Timely access to market price information raised sale prices by 13% for beneficiary producers and increased their likelihood of selling their products by 12% [34].
- 1.20 **Water and sanitation.** There is ample evidence of the importance of investing in water and sanitation to improve the quality of life of the population as well as health, social and gender inclusion, productivity, environmental sustainability, and economic growth [35] [36]. The social and economic returns on these investments in rural areas are high [37]. Deficient water and sanitation services increase the spread of diseases [36], particularly among children, while access to drinking water and sanitation has been shown to reduce the risk of diarrhea [38] and have long-term effects on height, body mass, years of schooling, future wages, and wealth accumulation [39]. In addition, there is a relation between water and sanitation availability, productivity, and income; it arises from loss of labor productivity as a result of absences due to illness or the need to care for sick children. In rural areas, one of the greatest economic benefits of water availability is the savings in haulage time that could be used for productive activities. Investments to increase productivity, efficiency, and quality of services by an additional 5% with respect to current standards could boost regional growth by 3.5% of GDP over the next 10 years [40].
- 1.21 **Land titling.** Studies show that titling and legal certainty as to land tenure creates incentives to invest, facilitates access to credit, and helps to raise productivity. Titling has been shown to boost agricultural producers' investment, productivity, and income [41]. Studies in Nicaragua and Peru show positive effects on agricultural investment, productivity, income, and even on investment in water, sanitation, and electricity in households [42-47].
- 1.22 **The Bank's experience in the region and lessons learned.** Various Bank-financed projects in the region show that supporting the adoption of technology has significant positive effects on agricultural productivity and income. The evaluation of the Direct Support Program for the Creation of Rural Agrifood

Initiatives (CRIAR) in Bolivia showed that the program-funded adoption of new technologies by small producers boosted productivity by 92%, net agricultural income by 36%, and food security by 20% to 30% [48]. The Support Program for Small Wine Producers in Argentina (PROVIAR), which cofinanced the implementation of business plans, found impacts in terms of an increase in production (7.8%) and productivity (7.9%) [49]. The evaluation of the APAGRO program in Nicaragua showed that support for an increase in livestock assets and production played an important role in improving the availability of, and access to, food for family farmers, and that results were better when technical assistance had been provided [50]. The targeting of women and vulnerable groups showed that this support can also create greater empowerment and reduce inequity.

- 1.23 Preparation of the operation benefited from lessons learned from projects in the Northeast financed by the Bank ([1633/OC-BR](#), [5440/OC-BR](#), [4723/OC-BR](#), [4732/OC-BR](#), [ATN/LC-17432-BR](#)) and by other international organizations.⁶ These experiences show: (i) that strengthening producer organizations was an effective mechanism for improving small producers' access to technology, technical assistance, and marketing of products and inputs; and (ii) the need for an integrated approach to improving the income and quality of life of rural communities, including technical assistance, productive investments, and water and sanitation infrastructure.
- 1.24 Regarding the supply of rural water and sanitation, the Bank considered the experience in community management in the rural areas of various Latin American countries [51], which in the case of the Brazilian Northeast (including Piauí) has taken the form of management through multicommunity associations [52] [53].
- 1.25 Based on lessons learned from operations in Brazil and other countries in the region, the program Operating Regulations to be prepared will include, among other items, the eligibility criteria for rural water and sanitation works under Component I and for productive adaptation, business, and environmental recovery plans financed under Component II, as well as a list of ineligible expenses.
- 1.26 **Complementarity with other IDB Group operations.** This operation will complement the Program to Support Agricultural Development in the Northeast (loan [5440/OC-BR](#)), which was the first operation approved under the CCLIP. Executed by the Ministry of Agriculture, Livestock, and Supply (MAPA), it may support business plans through producers' organizations as well as land titling and environmental regularization in agrarian reform settlements not envisaged by the Sustainable and Inclusive Piauí (PSI) program. This operation will also complement the Sustainable Rural Development Program in the Caatinga ([ATN/LC-17432-BR](#)), which may support training for technical service providers and producers in low-carbon technologies, which are its focus of action. Both operations are active in some of the municípios located in the intervention area of the PSI program.

⁶ Worth noting in Piauí are the Semi-arid Sustainable Development Project and the Pillars of Growth and Social Inclusion Project, financed by IFAD and the World Bank, respectively.

- 1.27 **Coordination with other donors.** The operation will be cofinanced by the International Fund for Agricultural Development (IFAD). In addition, the Bank will coordinate actions with the Dom Helder Câmara Project Phase II, financed by IFAD and executed by MAPA, and with the Pillars of Growth and Social Inclusion Program, executed by the Government of Piauí and financed by the World Bank. For the former, the executing agency of this operation will share information with the MAPA Superintendency in Piauí to supplement and avoid overlapping actions in the beneficiary communities. For the latter, it will engage in direct coordination since the program is under its purview.
- 1.28 **Strategic alignment.** The proposed operation is consistent with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and is aligned with the challenges of: (i) social inclusion and equality, since it contributes to increasing the income of beneficiaries (family farmers, women, Afro-descendant communities); (ii) productivity and innovation, by helping to boost agricultural productivity; and (iii) economic integration, by supporting producer organizations toward improving trading in domestic and international markets. It is also aligned with the crosscutting themes of: (i) gender equity and diversity, by contributing to food security, empowerment, and leadership of women producers and Afro-descendant communities; and (ii) climate change and environmental sustainability, by financing the adoption of climate change adaptation and mitigation technologies and promoting the recovery and conservation of native vegetation. According to the [joint methodology of the multilateral development banks on climate finance](#), it is estimated that 80.49% of the Bank's resources are invested to support increased climate change adaptation. These resources contribute to the Bank's target for climate-change financing (30% of the volume of approvals). The operation also contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: "farmers with improved access to agricultural services and investments," "households with improved access to water and sanitation," "agencies with strengthened digital technology and managerial capacity," and "emissions avoided (annual tons of CO₂ equivalent)." This second individual operation under the CCLIP is aligned with the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973) in its strategic objectives to "promote greater economic competitiveness" and "integrate the less developed regions." In addition, the operation is aligned with the strategy's crosscutting themes of gender and diversity, and of sustainability and climate change. The operation is part of the Multiyear Program 2021-2022 of the Country Office in Brazil and is included in the 2022 Operational Program Report (document GN-3087). It is also consistent with the guidelines of the following sector framework documents: Agriculture (document GN-2709-10), through investments aimed at sustainably increasing productivity; Food Security (document GN-2825-8), through services that will assist in improving food availability; Climate Change (document GN-2835-8), by supporting the adoption of climate change adaptation and mitigation technologies and production models. It is consistent with the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19) and also with the Gender and Diversity Sector Framework (document GN-2800-8), in the areas of women's economic and productive opportunities and promoting equitable access to services and land ownership rights for women farmers. The operation is also consistent with the following strategic goals of Vision 2025

(document AB-3266): reactivate the productive sector, by financing production plans aimed at boosting agricultural production and access to markets; promote social progress, by facilitating access to rural water and sanitation services and supporting production by small farmers, women, and Afro-descendant (quilombola) communities; and strengthen good governance and institutions, by supporting the digitalization of technical assistance services to producers.

- 1.29 **Compliance with the Public Utilities Policy (document GN-2716-6).** The program meets the policy's conditions for financial sustainability and economic evaluation and is consistent with its principles. The actions to be financed meet the criteria for: (i) social sustainability, by contributing to improved access to the services and providing mechanisms for community consultation on important service issues; (ii) financial sustainability, by providing cost-efficient services that are simple and have low operation and maintenance costs, as well as management models that have worked effectively in rural areas; and (iii) environmental sustainability, by creating no significant environmental impacts and promoting the efficient use of water ([optional link 9](#)).

B. Objectives, components, and cost

- 1.30 **Objectives of the second individual operation under the CCLIP.** The general objective of the project is to boost income, improve food and nutritional security, expand access to basic services, and increase climate change adaptation for and by the rural population. The specific objectives are to: (i) expand access to water for human consumption and agricultural production; (ii) improve the environmental conditions of rural families and their surroundings; and (iii) increase the adoption of agricultural technologies, with an emphasis on climate change adaptation and mitigation technologies, and better integrate producers into value chains, prioritizing women, young people, and Afro-descendants.
- 1.31 **Component I. Water security and rural sanitation (IDB US\$40,222,700; IFAD US\$7,237,700; local US\$11,865,100).** This component will finance: (i) small-scale works in rural communities to improve the supply of drinking water, including individual cisterns to collect and store rainwater for human consumption, water supply networks with house connections, and community fountains (*chafarizes*); (ii) simplified individual basic sanitation systems; and (iii) crossovers for intermittent watercourses to reduce transportation disruptions during the rainy season. These works will need to comply with eligibility criteria (paragraph 2.4).
- 1.32 **Component II. Climate change adaptation and inclusive social and environmental recovery (IDB US\$48,265,100 (including direct investment in gender: US\$17,591,500, diversity: US\$19,869,800); IFAD US\$8,690,100; local US\$14,238,800).** This component will finance four types of interventions: (i) productive adaptation plans; (ii) business plans; (iii) environmental recovery plans; and (iv) land titling and environmental regularization. The plans will benefit producer organizations, with a focus on women, young people, and traditional communities, especially Afro-descendant communities, who will participate in formulating and implementing them. Land titling and environmental regularization will be performed primarily in Afro-descendant communities. The productive adaptation plans will benefit producer groups, will include investments principally

- in inputs, tools, equipment, technical support, and related small-scale works, and will focus on strengthening food security. The business plans will benefit cooperative organizations and will include principally specialized technical assistance and investments to improve product production, storage, processing, and marketing conditions. The productive adaptation plans and business plans will contribute to climate change adaptation and/or mitigation, strengthen producer organizations, be economically and financially viable, and satisfy the environmental and social criteria established in the environmental and social management framework (ESMF). The environmental recovery plans will finance technical assistance and investments for community groups of producers with a view to recovering the vegetation cover in degraded areas of the Canindé-Piauí basin. The component will also finance investments in land titling and environmental regularization for the gathering of information, georeferencing, Rural Environmental Cadastre (CAR) registration, and issuance of property titles.
- 1.33 The key requirements for the productive adaptation plans, business plans, and environmental recovery plans, including eligibility and prioritization criteria, investments that may or may not be financed, maximum amounts per plan and per beneficiary, minimum percentage counterpart contribution by the beneficiaries, and so forth, are set out in the program Operating Regulations. These requirements were determined based on a sample of plans developed during preparation and on the experience of operations that finance interventions of the same type in Piauí and other states in the Northeast. To increase income for women, Afro-descendants, and young people, a minimum of 25% of all funds for productive adaptation plans will be devoted to women-majority and women-led associations and cooperatives, a minimum of 15% will be devoted to Afro-descendant communities, and a minimum of 5% will be devoted to youth-only groups. In addition, the prioritization criteria for productive adaptation plans and business plans will be determined with a view to favoring mixed groups with a larger proportion of women, young people, and Afro-descendant producers. Each plan will finance a maximum of US\$4,000 per beneficiary and US\$400,000 per plan, in the case of productive adaptation plans, and US\$600,000 per plan, in the case of business plans. The environmental recovery plans will finance a maximum of US\$1,500 per beneficiary and US\$33,000 per plan.
- 1.34 **Component III. Institution-strengthening (IDB US\$4,800,000; IFAD US\$864,000; local US\$1,416,000).** The objective of this component is to improve the capacity of the key rural development institutions. It will finance three types of actions: (i) strengthening plans that will include training, consulting services, equipment, vehicles, and information systems to improve management of the key public rural development institutions as well as to strengthen community organizations for the operation and maintenance of water supply and sanitation works; (ii) studies to improve knowledge about relevant technical, environmental, and social issues in the Canindé-Piauí basin, and technical, economic, environmental and social feasibility studies and engineering designs to regularize water supply in the basin; and (iii) pilot diagnostic assessments and experiences that contribute to the development of a state policy of support for innovation in rural areas.

- 1.35 **Administration and management (IDB US\$6,712,200; IFAD US\$1,208,200; local US\$1,980,100).** The program will finance equipment and consulting services for program administration and management, monitoring and evaluation, knowledge management, and audits.

C. Key results indicators

- 1.36 **Area of intervention.** This area spans 120,000 square kilometers in 138 municípios belonging to 7 development territories⁷ listed as a priority by the Government of Piauí due to their high poverty rates and low municipal Human Development Indexes (HDIs), including the entire basin of the Piauí and Canindé rivers ([optional link 4](#)).
- 1.37 **Direct beneficiaries.** Approximately 60,000 families (210,000 individuals) in rural communities will be direct beneficiaries of this operation. They will be prioritized by virtue of residing in municípios with a lower HDI, experiencing greater deficiencies in water and sanitation service, having more limitations on agricultural productivity and lower access to technical assistance services, and experiencing environmental degradation processes. They will include some 28,000 families with better access to drinking water, 6,500 families with better sanitation conditions, 10,200 plan (productive adaptation plan and business plan) beneficiaries with access to technical assistance and investments to boost productivity and production resilience, 6,200 families that will receive property title to their land, 2,500 producers who will recover and conserve the riparian vegetation, and 25,000 families that will benefit from lower transportation costs and fewer transportation disruptions in the rainy season. Women, young people, and families in traditional communities, particularly the quilombola, will be prioritized. Women-led households are expected to account for at least 50% of the beneficiaries of productive adaptation plans and of water and sanitation works. At the same time, families in quilombola communities are expected to account for: 52% of the beneficiaries of productive adaptation plans, 50% of the beneficiaries of sanitation works, and close to 20% of the beneficiaries of water works.
- 1.38 **Expected outcomes.** In the long term, the program envisages: (i) a 91% increase in the income of family farmers; (ii) a reduction in the multidimensional poverty rate from 39% to 29%; (iii) an increase in the percentage of women who have a minimum dietary diversity from 50% to 67%; and (iv) a reduction of close to 7,100 tons in greenhouse gas emissions. The expected impacts, outcomes, and outputs are described in Annex II. The planned actions will help to mitigate the adverse economic effects of the COVID-19 pandemic by strengthening the main productive chains of the agrifood systems in rural areas.
- 1.39 **Economic viability.** The economic analysis consisted of estimating the benefits of the program through a cost-benefit analysis for most of the financed activities and works, and a cost-effectiveness analysis for the rural sanitation works and land titling activities. The benefits considered in the cost-benefit analysis were: (i) consumption surpluses, generated by improved access and reduced costs associated with water consumption under Component I as a result of the installation of technologies for water collection, storage, and reuse; (ii) increased

⁷ Planning units in the state of Piauí. There are a total of 11 development territories.

agricultural income of producers, stemming from heightened productivity, higher value of products, and/or integration into value chains and access to markets under Component II (productive adaptation plans and business plans); (iii) differential increase in carbon capture, due to a slower deforestation pace; and (iv) increased family income, due to access to services (education, health), permanent employment opportunities, lower cost of inputs, and lower product marketing costs and losses resulting from improved physical accessibility through crossovers. The results of the cost-benefit analysis, using efficiency prices and a 20-year horizon, confirm that the program is economically viable, with a net present value of US\$7.7 million and an internal rate of return of 13.66%. The cost-effectiveness analysis of the two subcomponents compares a reasonable alternative to that of the program for: (i) implementing an individual sanitation solution at the household level; and (ii) issuing titles (individual and collective) for 6,200 families, spanning an area of 266,000 hectares. The results suggest that the program makes it possible to: (i) implement a sanitation system at a similar cost per household to a comparable program's cost in Bolivia; and (ii) issue a final title at a similar cost per hectare to the average for family farms in Brazil.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The Bank loan for this second operation under the CCLIP is for US\$100 million, to be financed from the Bank's Ordinary Capital resources through two investment finance instruments: (i) multiple works loan to finance Component I (US\$40.2 million); and (ii) specific investment loan to finance Components II and III (US\$53.1 million) and administration and management expenses (US\$6.7 million). The choice of a multiple works loan as the instrument for Component I is justified in that it will finance works that are physically similar but independent of each other and whose feasibility does not depend on the execution of a particular number of projects. In this regard, the Bank analyzed a representative sample that satisfies the eligibility criteria for projects to be financed under Component I (paragraph 2.4). Components II and III will finance specific investments. IFAD will provide cofinancing for US\$18 million, which will be turned over directly to the State of Piauí; accordingly, the Bank will neither receive nor administer these funds. Execution of the IFAD resources will be governed by the Bank's policies, and the Bank will be responsible for the technical, fiduciary, environmental, and social supervision, including the review of disbursement requests and procurement-related documents, as well as for environmental and social considerations, among others. To this end, the Bank and IFAD will enter into a coordination agreement that will set out the Bank's technical and operational responsibilities. The Bank will charge IFAD a service fee, which will be distributed among the Bank's departments that provide support in preparing, executing, and monitoring the program. In addition, this agreement will contribute to ensuring smooth cooperation between the Bank and IFAD. Given the progress of negotiations on the coordination agreement, no potential risks of the cofinancing failing to materialize have been identified, and the IFAD loan is expected to be approved by its Board of Directors in September 2022.

Table 1. Estimated program costs (US\$000s)*

Components	IDB	IFAD	Local⁸	Total	(%)
Component I. Water security and rural sanitation	40,222.7	7,237.7	11,865.1	59,325.5	40.2
1.1. Supply of water for human consumption	24,983.5	4,494.7	7,369.5	36,847.7	25.0
1.2. Rural sanitation	12,490.7	2,248.3	3,684.8	18,423.8	12.5
1.3. Rural transportation	2,748.5	494.7	810.8	4,054.0	2.7
Component II. Climate change adaptation	48,265.1	8,690.1	14,238.8	71,194.0	48.3
2.1. Productive adaptation plans and business plans	41,482.6	7,469.3	12,238.0	61,189.9	41.5
2.2. Environmental recovery plans	3,979.0	716.2	1,173.8	5,869.0	4.0
2.3. Land titling and environmental regularization	2,803.5	504.6	827.0	4,135.1	2.8
Component III. Institution-strengthening	4,800.0	864.0	1,416.0	7,080.0	4.8
3.1 Strengthening plans	2,054.2	369.8	606.0	3,030.0	2.1
3.2. Support for innovation	847.5	152.5	250.0	1,250.0	0.8
3.3. Studies and projects in the Canindé-Piauí basin	1,898.3	341.7	560.0	2,800.0	1.9
Administration, monitoring, evaluation, and audit	6,712.2	1,208.2	1,980.1	9,900.5	6.7
Total	100,000.0	18,000.0	29,500.0	147,500.0	100.0

* The costs per principal activity or subcomponent are indicative.

- 2.2 The disbursement period will be six years, according to the characteristics of the activities envisaged in the proposal approved by the federal government⁹ (Table 2). The period for material start of the works will be five years from the effective date of the contract, since the works involved are small and simple both technically and in terms of managing environmental and social considerations, thus enabling them to be completed during the execution period.

Table 2. Tentative disbursement schedule (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	6.1	15.9	25.4	27.4	19.0	6.2	100.0
IFAD	1.1	2.8	4.6	4.9	3.4	1.2	18.0
Local	1.8	4.7	7.5	8.1	5.6	1.8	29.5
Total	9.0	23.4	37.5	40.4	28.0	9.2	147.5
% per year	6.1	15.9	25.4	27.4	19.0	6.2	100.0

- 2.3 **Representative sample.** The representative sample of works (equivalent to 31% of the total amount under Component I financed by the multiple works loan instrument) includes: (i) 1,019 cisterns for an equal number of families in

⁸ Corresponds to an estimated local counterpart contribution of US\$25 million in relation to the loan contract to be signed between the Bank and the State of Piauí and an estimated local counterpart contribution of US\$4.5 million under the loan contract to be signed between IFAD and the State of Piauí.

⁹ Consultation letter approved by the External Financing Commission (COFIEX) of the Ministry of Economy through Resolution 21 of 29 July 2020.

35 communities; (ii) 122 water supply networks with house connections and water meters for 3,761 families in 122 communities; (iii) 22 public fountains (*chafarizes*) in an equal number of communities for 600 families; (iv) 3,254 simplified individual sanitation systems in 179 communities; and (v) 4 crossovers to facilitate passage across intermittent watercourses. These works have technical engineering designs, environmental and social assessments, and economic viability assessments in place. The sample was identified considering the types of interventions to be replicated in the program area and their representativeness in terms of municípios and types of beneficiary rural communities, including: (i) approximately 9,170 individual cisterns for storage and human consumption of water; (ii) 500 water supply networks with house connections and water meters; (iii) 30 public fountains; (iv) 6,520 simplified individual sanitation systems; and (iv) 60 crossovers. The sample covered 179 communities and 61 municípios (20% of the program's communities and 44% of its municípios).

- 2.4 **Eligibility criteria for the works.** To be eligible, the works to be financed under Component I must: (i) be rural water supply works (cisterns, water supply networks with house connections and water meters, and public fountains/*chafarizes*), sanitation works (individual simplified systems), and crossovers; (ii) demonstrate socioeconomic viability, in accordance with the cost-benefit and cost-effectiveness analysis methodologies accepted by the Bank, applied to the analysis of the works in the sample; and (iii) satisfy the applicable social and environmental requirements of the ESMF. Additionally, for water supply networks with house connections and water meters: (i) a cooperation agreement will be signed between the relevant município and the Sistema Integrado de Saneamento Rural [Integrated Rural Sanitation System] (SISAR) to formally establish the obligations associated with the operation and management of the collective water system. For crossovers, a legal instrument will be signed between the borrower and the município, whereby the município assumes responsibility for maintenance of the infrastructure.
- 2.5 **Eligibility of the program under the CCLIP.** This project is the second individual loan operation under the CCLIP for the "Sustainable Development and Agriculture Program" (BR-O0008), approved by the Board of Executive Directors on 8 December 2021. It meets the requirements established in the CCLIP Policy (document GN-2246-13) and Operational Guidelines (document OP-1622-3), since: (i) a comprehensive assessment of the institutional capacity of SEPLAN, the State of Piauí Department of Family Farming (SAF), SEMAR, and INTERPI found that these institutions have the capacity needed to execute the program, as well as areas for improvement; (ii) the operation's objective contributes to the achievement of the multisector objectives of the CCLIP, since it promotes the adoption of agricultural technologies through the integration of producers into value chains; (iii) the operation is included in the agricultural services and basic infrastructure sectors under the CCLIP; and (iv) it includes the actions to be undertaken in the areas for improvement identified in the institutional capacity assessment. With regard to the CCLIP: (i) its objectives are among the priorities set out in the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973); and (ii) the International Affairs Department of the Ministry of Economy (SAIN) has the authority to fulfill the role of CCLIP liaison institution in

view of its institutional mandate to coordinate, monitor, and evaluate internationally financed operations.¹⁰

- 2.6 **Fiscal analysis.** The State of Piauí's current Repayment Capacity Classification is "B". Prior to authorizing the signing of the respective loan contract, the Federative Republic of Brazil will again analyze the fiscal status of the State prior to granting its final approval.

B. Environmental and social safeguard risks

- 2.7 In accordance with the Bank's Environment and Social Policy Framework (ESPF) and based on the existing information, the Sustainable and Inclusive Piauí (PSI) program is classified as a category "B" operation, as neither the direct nor the cumulative impacts of the works and activities will result in significant or long-term adverse environmental and social effects, or in adverse impacts on critical habitats or vulnerable groups. The activities to improve productivity and income for producer groups will not include critical habitat areas. In addition, this program may not carry out activities that result in a significant transformation or degradation of natural habitats. Furthermore, no adverse impacts are expected on vulnerable groups (Afro-descendant communities, agrarian reform settlers, indigenous peoples, artisanal fishermen, and others in the program area). This classification was confirmed through the studies prepared during the due diligence process, taking into account the type of works to be performed. To address the ESPF requirements and the Environmental and Social Performance Standards (ESPS), the executing agency: (i) will implement an Environmental and Social Management System for the program; (ii) prepared and disseminated a preliminary strategic environmental and social assessment of the entire program; (iii) determined the guidelines for an adequate environmental and social performance of the project's future works through an ESMF, taking into account that while the program includes a specific investment component, these investments have not yet been determined, making a management framework applicable; and (iv) conducted a meaningful public consultation process for the entire program, taking into account the level of progress on the studies and management plans, in accordance with ESPS 1, 5, 6, 7, 8, 9, and 10. The consultation proved meaningful, there is project acceptance, and the concerns voiced during the consultation related to issues that will be addressed by the program: lack of water resources and the need for societal participation during the program execution period with a view to obtaining better outcomes. The consultation report and environmental and social documents have been prepared and are available on the Bank's website.
- 2.8 The natural disaster and climate change risk is rated moderate. The disaster and climate change narrative concluded that this program does not require a comprehensive risk analysis (Step 4 of the Disaster and Climate Change Risk Assessment Methodology), since there are no significant information gaps, the risk management measures have been identified, and the drought and flood

¹⁰ The SAIN also acts as liaison agency for the following CCLIPs: Pro-Segurança (BR-O0011), approved on 18 November 2020; the Social Spending Modernization Program in Brazil (BR-O0009), approved on 16 December 2020; and Brazil Plus Digital (BR-O0010), approved on 7 April 2021.

management plans to be financed as part of the operation will be exhaustively documented and addressed, making it possible to ensure a tolerable level of risk.

C. Fiduciary risks

- 2.9 It was found that if the beneficiary organizations, which will manage funds for implementing productive adaptation plans, business plans, and environmental recovery plans, are unable to provide a timely and adequate accounting of the transferred resources, execution may be delayed. To mitigate this risk, the program Operating Regulations will clearly establish an accountability mechanism, a model agreement will be prepared for signature by the organizations, clearly setting out the responsibilities and arrangements to be used, and the technical assistance services will provide support to the organizations to ensure an adequate accounting of resources.

D. Other risks and key issues

- 2.10 The following additional risks were identified in the preparation stage:
- a. **Economic and financial execution environment.** A medium-high risk was identified that budget cuts could hamper program activities if the negative effects of COVID-19 are prolonged and the international and domestic context deteriorates. To mitigate this risk, the Bank will maintain continuous dialogue and monitoring with federal government counterparts to reduce the impact on the program.
 - b. **Political environment.** A medium-high risk was identified that changes in the authorities, resulting primarily from electoral processes, could alter the executing agency's priorities and lead to changes in its organizational structure and technical staff, thereby delaying execution. To mitigate this risk, the Bank will maintain an ongoing dialogue to inform new authorities of the features and benefits of the program, and training will be provided to technical personnel on any key fiduciary and project management issues that are identified as necessary.
 - c. **Executing agencies.** A medium-high risk was identified that technical weaknesses at the executing agency could create delays and result in a lower quality of outputs. To mitigate this risk: (i) a program coordination unit (PCU) will be created under the Department of Planning (SEPLAN) and will be responsible for overall program management and coordination; and (ii) a bid committee will be created under SEPLAN and will be responsible for key procurement processes.
 - d. **Public management and governance.** A medium-high risk was identified that the lack of clearly defined institutional responsibilities for operating and maintaining the water and sanitation works could adversely affect their adequate operation and maintenance. To mitigate this risk: (i) cooperation agreements will be signed with each município in which works of this type are to be carried out; and (ii) training and technical assistance will be provided to the community organizations and beneficiary families to ensure adequate management, operation, and maintenance of the investments financed by the program.

- 2.11 **Sustainability of the investments.** The productive adaptation plans and business plans to be financed by the program will include the provision of technical assistance to enable producer organizations to strengthen their administrative and management capacities; and they will develop maintenance plans for the investments. The individual water supply (cisterns) and sanitation works will include technical support to strengthen the capacity of families to adequately operate and maintain them; in the case of collective water systems, technical and material support will be provided for community management under a model that has had success in Piauí and other states in the Northeast. The crossovers have low maintenance costs and will fall under the responsibility of the municípios in which they are located; to this end, the SAF will sign an agreement with each such município prior to construction, setting out the applicable responsibilities.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the State of Piauí, and the Federative Republic of Brazil will act as guarantor of the borrower's financial obligations. The executing agency will be the borrower, through SEPLAN, under which a program coordination unit (PCU) will be created. In the implementation of program actions, the SAF, the Department of Environment and Water Resources (SEMAR), and INTERPI will act as subexecuting agencies within the scope of their legal authority.
- 3.2 The executing agency has experience with Bank-financed projects, as in the case of the Fiscal Management Modernization Project for the State of Piauí - PROFISCO II (4460/OC-BR), currently in execution. In addition, it has recently executed projects financed by other international institutions, notably including the Pillars of Growth and Social Inclusion Program, financed through a US\$120 million loan from the World Bank, and the Semi-arid Sustainable Development Project, financed through a US\$20 million loan from the IFAD. As part of the preparation, the Bank conducted an institutional capacity assessment of the executing agency (SEPLAN) and subexecuting agencies (SAF, SEMAR, and INTERPI), identifying areas with opportunities for improvement. The results indicate that both SEPLAN and the subexecuting agencies have experience executing programs financed by international organizations but will need to strengthen their capacity for adequate management of the program in the technical, procurement, financial, environmental, and social areas. To this end, a PCU will be created within SEPLAN, along with technical teams to execute program actions in the SAF, SEMAR, and INTERPI.
- 3.3 **Program execution, administration, and coordination mechanisms.** SEPLAN, acting through the PCU, will be responsible for overall management and coordination of the program, and will ensure performance under the loan contract and the program Operating Regulations. Among its other tasks, it will: (i) maintain formal communication with the Bank; (ii) submit disbursement requests and justify expenditures to the Bank; (iii) commission the external audit; (iv) coordinate the monitoring and evaluation activities; (v) deliver the procurement plan, annual work plan, multiyear execution plan, and progress

monitoring reports (PMRs) to the Bank; and (vi) coordinate the execution of activities with the subexecuting agencies and monitor budget execution and receipt of the inputs required for the financial records and for an adequate rendering of accounts to the Bank. The PCU team will at a minimum include: (i) a general coordinator; (ii) a financial specialist; (iii) two procurement specialists; (iv) an environmental specialist; (v) a social specialist; (vi) a civil engineer; and (vii) a monitoring and evaluation specialist.

- 3.4 The SAF will be responsible for Component I (water security and rural transportation). Responsibility for Component II will be shared by the SAF (productive adaptation plans and business plans), SEMAR (environmental recovery plans), and INTERPI (land titling and environmental regularization). SEPLAN will be responsible for the execution of Component III (institution-strengthening), with the support of the subexecuting agencies in their respective areas of action. To carry out program execution, the SAF, SEMAR, and INTERPI will form technical teams to enable adequate technical management and support for fiduciary, environmental, and social management by the PCU. These teams will prepare and deliver to the PCU in a timely manner the financial planning documents for the activities falling under their responsibility (including the financial plan and multiyear execution plan), as well as the PMRs and other documents needed by the PCU to consolidate the information and prepare the disbursement requests and justification of expenditures to be submitted to the Bank, and will collaborate with the PCU in conducting program evaluations and audits. Lastly, the Instituto de Assistência Técnica e Extensão Rural do Piauí [Piauí Technical Assistance and Rural Extension Institute] (EMATER) will supervise any private technical services to be engaged to support the execution of plans financed by Component II.
- 3.5 In addition, a coordination committee, consisting of representatives of the PCU and the SAF, SEMAR, and INTERPI operating teams, will be established and tasked with operational responsibilities. It will meet to coordinate program communication and dissemination activities, plan joint action in the communities, review progress in executing the annual work plan, evaluate and respond to questions from beneficiaries, review environmental and social considerations involved in the various works, and identify any problem that could delay execution, among other considerations.
- 3.6 **Productive adaptation plans, business plans, and environmental recovery plans.** These plans will be implemented by the beneficiary organizations. To this end, the SAF will sign agreements with each beneficiary of productive adaptation plans and business plans, while SEMAR will sign agreements with the beneficiaries of environmental recovery plans. The agreements will establish the respective obligations and responsibilities related to the execution of the plans, as well as the conditions for disbursements to the organizations, percentages, and means of verification. Private technical assistance services will be engaged to support the respective organizations with respect to both technical and administrative issues.
- 3.7 **Water and sanitation works.** Construction of the water supply and sanitation works will be procured by the SAF. The beneficiary families will be responsible for operating and maintaining the individual systems, to which end the program

will provide technical assistance and training. Based on the legal framework for basic sanitation in Brazil and in Piauí, as well as on the successful experience in rural areas of Piauí and other states of the country's Northeast, operation and maintenance of the collective water supply systems will be carried out through community management by multicomunity associations. To this end, the municípios providing the service will sign cooperation agreements with the multicomunity associations active in the respective município.

- 3.8 **Program Operating Regulations.** The execution arrangements will be described in detail in the program Operating Regulations ([optional link 3](#)), which will be approved in accordance with a draft previously agreed upon with the Bank. The program Operating Regulations will specify, among other things, the: (i) coordination arrangements; (ii) financial management procedures, including disbursement procedures; (iii) accountability and execution supervision and monitoring mechanisms; (iv) procedures for the procurement of works, goods, and consulting services; (v) requirements for submittal and eligibility of each of the works to be financed under Component I; (vi) works execution, operation, and maintenance arrangements; (vii) criteria to be satisfied by the productive adaptation plans, business plans, and environmental recovery plans, including beneficiary eligibility criteria, prioritization criteria, maximum amounts to be financed under each plan and per beneficiary, and ineligible investments; (viii) environmental and social considerations; and (ix) integrity issues.
- 3.9 **Disbursement management.** Loan disbursements will be made in U.S. dollars in the form of advances of funds. Requests for advances should meet the liquidity needs of the program for a period of up to six months, as documented in the financial plan. For each advance (with the exception of the first), justification must be provided for at least 60% of the cumulative balance of funds previously advanced and unaccounted for (see Annex III).
- 3.10 **Procurement of works and services.** Procurement financed in whole or in part from the loan proceeds will adhere to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), as well as with the provisions of the loan contract and the procurement plan ([required link 4](#)). Procurement processes may be supervised ex ante or ex post, depending on the provisions of the procurement plan. Procurement executed using the country system will be supervised through that system. No direct contracting is envisaged under the program.
- 3.11 **External audits.** The program's financial statements will be audited annually by an external auditing firm acceptable to the Bank. The borrower will submit the audited financial statements to the Bank no later than 120 days after the close of each fiscal year. The final audited financial statements will be submitted no later than 120 days from the date of the final program disbursement.
- 3.12 **The following will be special contractual conditions precedent to the first disbursement of the loan:** (i) the program Operating Regulations ([optional link 3](#)) will have been approved and have entered into force under terms previously agreed upon with the Bank; and (ii) a project coordination unit will have been created under the structure of SEPLAN, and its members

- appointed.** The first condition is necessary to ensure adequate program execution, since the Bank's experience in the region shows that gaining approval for the program Operating Regulations before the first disbursement contributes to the internal organization of the executing agency for successful execution of the operation. The second condition is considered essential to assure the Bank that the executing agency will have an adequate team in place to start program execution.
- 3.13 The following will be special contractual conditions for execution: (i) the program's bid committee will have been created and staffed under the SEPLAN structure before the start of execution of Component III activities; and (ii) the appropriate legal instrument has been signed and has entered into force between the borrower and the respective municipio providing the water service before the start of execution of the works for water supply networks with house connections and water meters financed by Component I.
- 3.14 **Retroactive financing and recognition of expenses.** The Bank may retroactively finance as a charge against the loan proceeds up to US\$3 million (3% of the proposed loan amount) and recognize as a charge against the local contribution up to US\$1.5 million (5.5% of the estimated amount of the local contribution) in eligible expenses incurred by the borrower prior to the loan approval date for consulting services (for studies and diagnostic assessments, and as needed by the PCU and subexecuting agency teams), equipment, and works included in the representative sample. The expenditures will abide by requirements substantially similar to those specified in the loan contract. They will have been incurred on or after 28 February 2022 (the Project Profile approval date), but under no circumstances more than 18 months before the date on which the loan was approved.
- 3.15 **Maintenance.** In the first quarter of each year, during the original disbursement period or its extensions, the executing agency, through the PCU, will submit an annual maintenance plan to the Bank, along with a report on the status of the equipment and works financed by the program.
- B. Summary of arrangements for monitoring results**
- 3.16 The program has a monitoring and evaluation plan ([required link 2](#)) that specifies the following: (i) the indicator measurement methodology; (ii) the impact evaluation methodology; (iii) the data requirements; and (iv) the responsible entities and estimated budget.
- 3.17 **Monitoring.** No later than 60 days after the end of each six-month period during the original disbursement period or extensions thereof, the borrower, through the PCU, will send the Bank a report on the progress of activities, which will include the information needed to complete the PMR based on the Results Matrix indicators. The executing agency, through the PCU, will put in place management systems containing the information needed to monitor and track the PMR.
- 3.18 **Evaluation.** The program's midterm evaluation will be delivered to the Bank by the borrower when 36 months have elapsed since the loan contract entry into effect, or within 90 days following the date on which 50% of the loan proceeds

have been disbursed, whichever occurs first.¹¹ The program's final evaluation will be delivered to the Bank within 90 days following the expiration date of the original disbursement period, as extended. These evaluations will be performed following the Bank's Project Completion Report (PCR) guidelines. The borrower will be responsible for implementation of the activities indicated in the monitoring and evaluation plan ([required link 2](#)). The final evaluation report will include the results of the program impact assessment, which will use the quasi-experimental method of differences-in-differences with a sample of 650 agricultural households distributed across 25 municípios in the area of intervention. The impact assessment will be financed through loan proceeds allocated for the program's administration and management.

- 3.19 In compliance with the principles and guidelines for preparation of the PCR, and considering that these operations are complementary, follow a single vertical logic, and have a single results matrix, only one PCR will be prepared, when both operations have achieved operational closing (fully justified operational closing).

¹¹ The Bank and the borrower may agree to replace this evaluation with a midterm mission.

Development Effectiveness Matrix		
Summary BR-L1542; BR-L1608		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to water and sanitation (#) -Farmers with improved access to agricultural services and investments (#) -Emissions avoided (annual tons CO2 equivalent) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	Reduce infrastructure gaps; promote greater competitiveness; integrate less developed regions
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution		Evaluable
3.1 Program Diagnosis		9.5
3.2 Proposed Interventions or Solutions		2.5
3.3 Results Matrix Quality		3.5
4. Ex ante Economic Analysis		3.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		9.0
4.2 Identified and Quantified Benefits and Costs		1.5
4.3 Reasonable Assumptions		3.0
4.4 Sensitivity Analysis		2.5
4.5 Consistency with results matrix		2.0
5. Monitoring and Evaluation		0.0
5.1 Monitoring Mechanisms		10.0
5.2 Evaluation Plan		4.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Accounting and Reporting. Procurement: Information System, Price Comparison, National Public Bidding.
Non-Fiduciary	Yes	Monitoring and Evaluation National System, Environmental Assessment National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

The project is the second individual loan operation under the CCLIP "Agriculture and Sustainable Development Program" (BR-O0008) approved by the Board of Executive Directors through Resolution DE-127/21. The general objectives of the project are to improve income, food security, access to basic services and adaptation to Climate Change (CC) of the rural population. The specific objectives are: (i) improve access to water for human consumption and agricultural production; (ii) improve the environmental conditions of rural families and their surroundings; and (iii) increase the adoption of agricultural technologies, with emphasis on CC adaptation and mitigation, and improve the integration of producers, especially women, youth, and Afro-descendants, into value chains.

The diagnosis is adequate and identifies the main problems with evidence. The proposed solutions respond to the diagnosed problems. The results matrix defines the specific objectives and their associated result indicators. In some cases the indicators are of outputs and not outcomes.

The economic analysis consists of estimating the benefits of the program through a Cost Benefit Analysis (CBA) for most of the financed activities and works, and a Cost Effectiveness Analysis (ACE) for rural sanitation works and titling activities of lands. The benefits included in the CBA are: (i) surplus consumption generated by improved access and lower costs associated with water consumption; (ii) increase in agricultural income; (iii) differential increase in carbon sequestration generated by the decrease in the rate of deforestation; and (vi) increases in family income due to the improvement in physical accessibility through the fords.

The monitoring and evaluation plan identifies the methodology that will be used to attribute the changes in the indicators of interest to the project interventions, including an impact evaluation with non-experimental methods.

RESULTS MATRIX

(See [Extended Matrix](#))

General program objective:	Boost income, improve food and nutritional security, expand access to basic services, and increase climate change adaptation for and by the rural population.
Specific objectives:	<ul style="list-style-type: none"> (i) expand access to water for human consumption and agricultural production; (ii) improve the environmental conditions of rural families and their surroundings; (iii) increase the adoption of agricultural technologies, with an emphasis on climate change adaptation and mitigation technologies, and better integrate producers into value chains, prioritizing women, young people, and Afro-descendants.

EXPECTED IMPACTS

Indicators	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
I1. Annual productive income of family farmers	R\$ / year / producer	6,205	2021	11,855	2028	Impact assessment	Comment 1/ Reference: Semi-arid Sustainable Development Project (PVSA) evaluation (IFAD, 2022). The baseline is the value for the control group in 2021, while the target is the value for the treatment group in 2021. References I2 and I3: monitoring and evaluation plan MDD-W is an institutional IFAD indicator. I1.a pro-gender indicator I1.b pro-ethnicity indicator I3 pro-gender indicator
I1a. Annual productive income of women family farmers	R\$ / year / producer	2,774	2021	7,128	2028		
I1b. Annual productive income of farmers in traditional, particularly quilombola, communities	R\$ / year / producer	4,376	2021	6,474	2028		
I2. Multidimensional Poverty Index (MPI) (adjusted headcount)	MPI (%)	39	2021	29	2028		
I3. Percentage of women who report a minimum dietary diversity (MDD-W)	MDD-W index (%)	50	2022	67	2028		

Indicators	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
I4. Number of tons of greenhouse gas emissions (CO ₂ e) avoided and/or sequestered	CO ₂ tons	0	2020	7,128	2028	MapBiomass ; FAO's ex-ante carbon balance tool (EX-ACT)	Reference: See monitoring and evaluation plan Institutional IFAD indicator Corporate Results Framework (CRF) 2020-2023, level 2, indicator 2.19

EXPECTED RESULTS

Expected results	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
Specific objective 1. Expand access to water for human consumption and agricultural production							
R1.1 Percentage of family farmers who use irrigation	%	20.8	2021	25.7	2028	Impact assessment	See comment 1/
R1.2 Time devoted to collecting water per household	Hours / person / month	3	2022	1	2028		Reference: - Baseline = average as measured for a sample of 50 households surveyed on water use (April 2022). - Target R1.2 is an expectation based on the system type proposed for the program and on the experience with similar systems in Ceará. R1.3a pro-ethnicity indicator
R1.3 Amount of water consumed per household	Liters / household / day	134	2022	280	2028		
R1.3a Amount of water consumed per household in traditional, particularly quilombola, communities.	Liters / household / day	190	2022	280	2028		
R1.4 Households with improved access to drinking water and sanitation	Households	0	2022	23,740	2028	Project system monitoring	Improved access in rural households is defined as minimum daily consumption of 280 liters, as observed in Ceará's Sistema Integrado de Saneamento Rural [Integrated Rural Sanitation System (SISAR). CRF 2020-2023, level 2, indicator 2.4

Expected results	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
R1.5 Delinquency rate on payment of fees under community water supply systems	%	3.8	2022	3.8	2028	Piauí SISAR	Reference: The community water supply systems with house connections will form part of Piauí's SISAR. - Delinquency rate: Annual average, measured monthly based on users who failed to pay their monthly fee. - Baseline and target: The values express the annual average for Piauí SISAR users in 2017-2021. The assumption is that this average should be kept at least at the same level.
Specific objective 2. Improve the environmental conditions of rural households and their surroundings							
R2.1 Area with forest cover in the Piauí and Canindé basins	Hectares	10,138,079	2020	10,013,961	2028	MapBiomias	Reference: The baseline is the area with forest cover in 2020 in the municípios encompassed by the program, according to MapBiomias. The target is the result of applying the rate of deforestation over the last seven years (1.23%) and subtracting the area (559.5 hectares) in which the forest cover will be restored thanks to the program. For more details, see the monitoring and evaluation plan (required link 2).
R2.2 Farmers reporting that the body of water's riparian forest is entirely absent	%	20	2021	11	2028	Impact assessment	See comment 1/
R2.3 Surface area of rural properties registered in the Rural Environmental Cadastre (CAR)	Hectares	0	2022	55,000	2028	Number of registration receipts (SEMAR)	Reference: Estimate of settlements in the intervention area (IBGE / SICAR)
Specific objective 3. Increase the adoption of agricultural technologies, with an emphasis on climate change adaptation and mitigation technologies, and better integrate producers, especially women, young people, and Afro-descendants, into value chains							
R3.1 Percentage of family farmers who have adopted at least one sustainable agroecological practice	%	36.8	2021	50.5	2028	Impact assessment	See comment 1/ Sustainable agroecological practices: includes use of organic compost, etc. Executive positions: president, vice president, secretary, or treasurer in cooperatives or associations. The source for the percentage of women in such positions is: Virtual Results Survey of Rural Organization Managers
R3.1a Percentage of women family farmers	%	35.1	2021	50.0	2028		
R3.1b Percentage of family farmers in traditional, particularly quilombola, communities	%	50.0	2021	73.7	2028		
R3.2 Percentage of family farmers involved in productive or cooperative associations	%	27.7	2021	73.4	2028		

Expected results	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
R3.3 Percentage of family farmers who sell their production in the markets	%	72.3	2021	86.7	2028		supported by the Semi-arid Sustainable Development Project (November 2021). The impact assessment survey will use the same list of organizations to ensure comparability.
R3.4 Percentage of women who hold executive positions in rural organizations	%	31.2	2021	50.0	2028		R3.1a pro-gender indicator R3.1b pro-ethnicity indicator R3.4 pro-gender indicator
R3.5 Number of young people with new jobs / job opportunities	Young people	0	2021	1,846	2028	Project system monitoring	IFAD institutional indicator Young people: between 15 and 29 years of age
R3.6 Farmers with improved access to agricultural investments and services	Farmer	0	2022	10,280	2028		CRF 2020-2023, level 2, indicator 2.11
R3.7 Number of families that receive support aimed at improving their nutrition	Family	0	2022	10,280	2028		IFAD institutional indicator
R3.8 Institutions with reinforced capacity in terms of management and digital technology	Institution	0	2022	4	2028		The capacity of each institution (SAF, SEMAR, INTERPI, SEPLAN) is considered reinforced when the respective officials have been trained in, and make effective use of, the monitoring and evaluation systems (see Subcomponent 3.1). CRF 2020-2023, level 2, indicator 2.26
R3.9 Proportion of landowners in the project area who feel secure in their property rights	%	63.2	2018	84.8	2026	Impact evaluation	Baseline: According to the International Property Rights Index for individuals in rural areas in Brazil without documentation of ownership (PRIndex, 2018) Target: The same source, for rural property owners with official title documentation.

Country: Brazil

Division: RND

Operation number:
BR-L1542

Year: 05/03/2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: SEPLAN – State of Piauí Department of Planning.

Project name: Integrated Project for Water Security, Environmental Sustainability, and Social and Productive Development of the Canindé-Piauí River Basin, State of Piauí (Sustainable and Inclusive Piauí (PSI))

I. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

1. Use of country systems in the operation (any system or subsystem that is subsequently approved could be applicable to the operation, subject to the terms of the Bank's validation).

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Cofinancing	IFAD will provide cofinancing in the amount of US\$18 million in the form of a loan to the State of Piauí. The Bank and IFAD will sign a coordination agreement establishing the coordination arrangements between the two institutions. The Bank will have responsibility for fiduciary supervision of the activities carried out under the cofinanced program.
<input checked="" type="checkbox"/>	Particular features of fiduciary execution	SEPLAN will be responsible for project management through a PCU to be created as part of its structure. The SAF, SEMAR, and INTERPI will implement actions within the scope of their respective legal authority. Technical teams will be formed to coordinate the activities to be carried out in whole or in part by these institutions.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The results of the institutional capacity assessment platform indicate that SEPLAN will need to strengthen its project management capacity, particularly in the technical, procurement, financial, and social and environmental safeguard areas.
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4. Fiduciary risks and mitigation actions

Risk taxonomy	Risk	Risk level	Mitigation
Economic and financial	If the fiscal situation worsens due to the economic effects of COVID-19 and a deteriorating international and domestic context, resource allocation to the program may be insufficient and execution could be delayed.	Medium-high	The Bank will maintain continuous dialogue and monitoring with the Piauí government counterparts
Economic and financial	If the beneficiary organizations (cooperatives and associations) are unable to provide the SAF with a timely and adequate accounting of the transferred resources, execution could be delayed.	High	Clearly establish a coordination and accountability mechanism in the program Operating Regulations, provide technical support to the organizations for an adequate rendering of accounts, and prepare a model agreement to be signed by the SAF and the organizations, clearly setting out the responsibilities and arrangements to be used.

5. Policies and guidelines applicable to the operation: Documents GN-2349-15 and GN-2350-15.

6. Exceptions to the policies and guidelines: Not applicable.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement:
Exchange rate: For purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be as indicated in paragraph (b)(i) of the said article. For purposes of determining the equivalence of expenses incurred in local currency to be charged against the local contribution or of expenditure reimbursements to be charged against the loan proceeds, the agreed exchange rate will be the buy rate set by the Central Bank of Brazil on the day prior to the effective date on which the reimbursement request or justification of expenditures for the local counterpart is submitted to the Bank.
Type of audit: During program execution, audited financial statements will be submitted annually to the Bank no later than 120 days after each fiscal year-end. The external audit will be performed by an external firm acceptable to the Bank. The final audited financial statements will be submitted no later than 120 days from the date of the final disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The procurement of works, goods, and nonconsulting services executed in accordance with the Bank's procurement policies (document GN-2349-15) and subject to international competitive bidding will use the Bank's standard bidding documents. Similarly, consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15), using the standard request for proposals issued by the Bank. In the case of construction of cisterns under Component I, the method already established for this modality may be used in the form of public calls for bids, in accordance with the provisions for national competitive bidding (document GN-2349-15, paragraphs 3.4 and 3.5).								
<input checked="" type="checkbox"/>	Advance procurement Retroactive financing	The Bank may retroactively finance as a charge against the loan proceeds up to US\$3 million (3% of the proposed loan amount), and recognize as a charge against the local contribution up to US\$1.5 million (5.5% of the estimated local contribution), in eligible expenses incurred by the borrower prior to the loan approval date for consulting services (studies and diagnostic assessments), nonconsulting services related to the PCU support team and technical teams of the coexecuting agencies, equipment, and works included in the representative sample. The expenditures will abide by conditions substantially similar to those specified in the loan contract. They will have been incurred on or after 28 February 2022, but under no circumstances more than 18 months before the date on which the loan was approved.								
<input checked="" type="checkbox"/>	Procurement supervision	Supervision will be performed on an ex post basis, except in cases where ex ante supervision is justified. Procurement processed through the country system will be supervised through that system. The supervision method ((i) ex ante, (ii) ex post, or (iii) country system) to be used will be determined separately for each selection process. Ex post reviews will be performed in accordance with the project supervision plan, which may be altered during execution. The threshold amounts for ex post review are as follows: <table><tr><th>Executing agency</th><th>Works</th><th>Goods/Services</th><th>Consulting services</th></tr><tr><td>SEPLAN</td><td>US\$10 million</td><td>US\$5 million</td><td>US\$ 1 million</td></tr></table>	Executing agency	Works	Goods/Services	Consulting services	SEPLAN	US\$10 million	US\$5 million	US\$ 1 million
Executing agency	Works	Goods/Services	Consulting services							
SEPLAN	US\$10 million	US\$5 million	US\$ 1 million							

Main procurement items

Procurement description	Selection method	New procedures/ Tools	Estimated date	Estimated amount (US\$ thousands)
Nonconsulting services				
Technical support services for community organizations to prepare and assist in executing their respective projects.	National competitive bidding (NCB) with prequalification	N/A	2023-III	4,500

Procurement description	Selection method	New procedures/ Tools	Estimated date	Estimated amount (US\$ thousands)
Technical support for preparation, execution, and monitoring for three years for producers belonging to the selected community organizations.	National competitive bidding (NCB)	N/A	2023-IV	1,240
Firms				
Technical and social and environmental studies to develop the Canindé-Piauí basin, including hydrogeological, hydraulic, biological, social, and environmental studies.	Quality- and cost-based selection (QCBS)	N/A	2023-II	1,600
Individuals				
Individual consultants to provide support to the PCU and regional subexecuting agencies	Individual consultant selection (by open invitation)	N/A	2023-II	1,170

The 18-month procurement plan may be accessed [here](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

☒	Programming and budget	SEPLAN, in coordination with the Secretaria da Fazenda do Estado do Piauí [State of Piauí Department of Finance] (SEFAZ/PI), prepares the State budget. The PCU, in coordination with SEPLAN, will prepare the program's annual programming and budget. The proposed annual budget to be allocated to the program will be incorporated into the state's Annual Budget Law. This law will need to provide for the funds required for timely execution of both the loan proceeds and the local counterpart resources.
☒	Cash and disbursement management	<p>Disbursements will be made in U.S. dollars, primarily in the form of advances of funds. The method of reimbursing the executing agency for payments may also be used by agreement with the Bank. The value of the advances will be determined by a projection of financial execution for up to 180 days.</p> <p>Since (1) the mechanism for program execution involves the participation of two state departments (SAF and SEMAR) as well as a state institute (INTERPI), adding a layer of institutional coordination that could delay execution and account rendering under the program, and (2) the participation of organizations (cooperatives and associations) in the execution of Component I also adds a layer of coordination with the SAF, which could similarly impede a timely rendering of accounts with respect to the loan proceeds, the suggested course of action, based on paragraph 3.3(i) of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12), is to establish a minimum account rendering percentage equal to 60% of the cumulative balance of advances yet to be justified. The loan proceeds disbursed by the Bank will be deposited in a bank account in dollars, to be administered by SEFAZ/PI and used solely to receive and manage loan proceeds. In addition, a bank account in reais will be opened solely for the loan proceeds and will be used to convert funds received in dollars, based on the program's financial flow requirements, with a view to minimizing losses due to exchange rate differences. The exchange rate to be used will be the effective rate on the date of conversion from approval currency to local currency (first-in first-out exchange rate).</p> <p>SEPLAN, SAF, INTERPI, and SEMAR, acting through the Integrated State Financial Administration System (SIAFE), will operate the account in reais opened for the program through the "clearance of limit on use" method. The limit will be cleared by SEFAZ, subject to prior consultation with SEPLAN, to ensure that the cleared payments correspond to eligible program expenditures. SEPLAN will be responsible for monitoring and rendering accounts to the Bank regarding the use of resources.</p> <p>The SAF will transfer resources to the organizations (cooperatives and associations) by entering into agreements that will establish the triggers for disbursements and their means of verification. The program Operating Regulations will set out the mechanisms for coordination and rendering of accounts by the organizations to the SAF, as well as by the SAF to SEPLAN.</p>

<input checked="" type="checkbox"/>	Accountability, information systems, and reporting	In the State of Piauí, public entities work with the SIAFE, which was financed with resources from PROFISCO I. The ERGOU module, developed within SIAFE with proceeds from PROFISCO II (BR-L1498), enables the issuance of reports on externally financed projects in the operation's currency (dollar). ERGOU has 16 modules and is one of the most advanced such modules in Brazil (third generation). The SIAFE satisfies Bank requirements regarding controls, reports, and financial statements and will be used for program execution.
<input checked="" type="checkbox"/>	Internal control and internal audit	SEPLAN, as is the case with the other agencies and entities in the State's executive branch, has an internal control team that reports to the Controladoria Geral do Estado do Piauí [Office of the Comptroller General of Piauí] (CGE/PI) on technical and regulatory matters, and to the State's departments on administrative matters. As occurred with other projects funded by international institutions, the SEPLAN internal control team and the CGE-PI will analyze all procurement and payment processes associated with the program in accordance with the lenders' rules and national legislation.
<input checked="" type="checkbox"/>	External control and financial reporting	External control will be performed by a Bank-eligible independent auditing firm, since the Tribunal de Contas do Estado do Piauí [Piauí Court of Auditors] (TCE/PI), the State's apex oversight entity, does not have in place a memorandum of understanding with the Bank for the performance of external audits on projects. The program's fiscal year runs from 1 January to 31 December of each year. During program execution, audited financial statements as of 31 December will be submitted annually, no later than 120 days after each fiscal year-end. Final audited financial statements will be submitted no later than 120 days after the date of the last disbursement or its extensions.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The operation requires ex post financial supervision of disbursements, the inputs for which will come mainly from audited financial reports and from any reports that may result from the control performed by the internal control team and the CGE-PI. Under the responsibility of the financial specialist, desk reviews will also be conducted on an ongoing basis, through the analysis of disbursement requests from the executing agency. In addition, virtual or face-to-face fiduciary supervision meetings will be held annually.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Brazil. Loan ____/OC-BR to the State of Piauí. Integrated Project for Water Security, Environmental Sustainability, and Social and Productive Development of the Canindé-Piauí River Basin, State of Piauí (Sustainable and Inclusive Piauí (PSI)). Second Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) for the “Sustainable Development and Agriculture Program” (BR-O0008)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the State of Piauí, as borrower, and with the Federative Republic of Brazil, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Integrated Project for Water Security, Environmental Sustainability, and Social and Productive Development of the Canindé-Piauí River Basin, State of Piauí (Sustainable and Inclusive Piauí (PSI)), which constitutes the second individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for the “Sustainable Development and Agriculture Program” (BR-O0008), approved by Resolution DE-127/21 on December 8th of 2021. Such financing will be for the amount of up to US\$100,000,000, from the resources of the Bank’s Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

2. To authorize the President of the Bank, or such representative as he shall designate, to distribute the administrative fees received by the Bank among the relevant departments for which additional workload is generated by the Coordination Agreement to be signed between the Bank and the International Fund for Agricultural Development (IFAD) in the context of the program as referred to in paragraph 1 of this Resolution.

(Adopted on _____ 2022)