



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 05-Sep-2018 | Report No: PIDISDSC25526

**BASIC INFORMATION****A. Basic Project Data**

Country Brazil	Project ID P167455	Parent Project ID (if any)	Project Name Ceara Rural Sustainable Development and Competitiveness Phase II (P167455)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jan 14, 2019	Estimated Board Date Jul 18, 2019	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) State of Ceara	Implementing Agency Secretariat of Agrarian Development	

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Proposed Development Objective(s)

The proposed Project Development Objective is to support the Borrower's efforts to enhance the climate resilience and market access of family farmers and increase the access to improved water services of Ceara's rural inhabitants.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	100.00
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Non-World Bank Group Financing

Counterpart Funding	50.00
Borrower	50.00



Environmental Assessment Category

B

Concept Review Decision

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

Yes

Other Decision (as needed)

B. Introduction and Context

Country Context

1. After a decade of rapid growth and social progress up to 2013, Brazil’s economy first stumbled and then fell into deep recession. A decade of sound macro policies and a favorable external environment contributed to fast economic and social progress between 2001 and 2010. However, the deterioration in both factors led to a steady decline in growth after 2010. Growth declined from an average of 4.5 percent per year in 2006–10 to 2.4 percent in 2011–14, followed by contractions of 3.5 percent in 2015 and 2016. While external factors triggered the slowdown, an expansionary policy response led to rapidly rising fiscal disequilibria and, with rising domestic political uncertainty, to a loss of confidence and a sharp drop in investment. The economic recovery remains weak with 1 percent growth in 2017 and 1.2 percent growth projected in 2018.

2. The crisis threatens a decade of development progress. Brazil experienced an unprecedented reduction in poverty and inequality between 2006-2015 when 24.8 million Brazilians escaped poverty between 2006 and 2015 and the Gini coefficient of household incomes fell from 0.59 in 1999 to 0.51 in 2015. Most of this reduction was explained by the creation of formal sector jobs, resulting in a sharp decline in the unemployment rate to a low of 6.8 percent in 2014. However, the economic crisis precipitated a rapid rise in unemployment with job losses of 0.6 million in 2015 and 2.0 million in 2016. As a result, poverty increased in 2015 and 2016. With on-going tepid economic growth poverty is estimated to have leveled off at 20.6 percent in 2017.

3. Restoring fiscal sustainability is the most urgent economic challenge for Brazil. To address unsustainable debt dynamics, in December 2016 the government adopted a constitutional amendment to limit public expenditure growth that, which entails an accumulated adjustment of 5 percentage points of GDP for the period 2019-2026 and would for stabilize debt at around 89 percent of GDP by 2026, to start declining afterwards. Implementing this fiscal adjustment requires alleviating the rigidities affecting public spending and revenue earmarking mechanisms, which turn mandatory over 90 percent of the federal government’s primary spending. It will also require a comprehensive reform of social security to halt the projected increase in the deficit. Other measures such as controlling and possible adoption of controls on the wage bill of the civil service and rationalizing programs to support the private sector may be needed. This large fiscal disequilibrium also affects subnational governments, with limited capacity to cope with growing wage bill and

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pension payments unless reforms are adopted.

4. Brazil will also need to accelerate his productivity growth and infrastructure development. The income of an average Brazilian has only risen by just 0.7 percent per year since the mid-1990s, - one tenth of the rate in China and only one half of the average in OECD countries. This is mainly explained by the lack of total factor productivity (TFP) growth between 1996 and 2015. The productivity problem in Brazil is affected by the lack of a conducive business environment, distortions created by market fragmentation and, multiple business support programs, and a market that is relatively closed to external trade and competition. Also, Brazil posts one of the lowest infrastructure investment levels in infrastructure (2.1 percent of GDP) when 2000-2013) compared to its peers and the quality of this investment is low. Accelerating productivity growth remains a key priority for the country as the demographic transition is over and there will be given limited space for public sector led growth. Reforms could focus on boosting market competition, greater access to external markets and cheaper inputs and technologies and simplification of simplifications to the tax system. Also, higher levels of investment in infrastructure will also be needed to ensure adequate maintenance and expansion of existing infrastructure stock, removing bottlenecks and expanding access to social services. necessary to meet the needs of the population and to increase Brazil's prospects for further economic growth and competitiveness. This calls for improved planning capacity at government level, improving the regulatory environment and leveraging private resources to finance investments.

Sectoral and Institutional Context

5. **The State of Ceara has prioritized investments and programs to restore the economic dynamism and retain past social gains.** In 2015, the government of Ceara (GoC) launched the strategic plan "The Seven Cearás" (Os 7 Cearás, in Portuguese) prioritizing investments under seven development dimensions: (a) Participatory planning and public management for results; (b) Human rights, housing and social inclusion; (c) Business and entrepreneurship, including family agriculture; (d) Water and environmental sustainability, including infrastructure and energy; (e) Education, innovation, science and technology; (f) Health and sanitation; and (g) Public security and urban development. The Pluriannual Plan prepared for the 2016-2019 period also incorporated the State's efforts to improve the efficiency of public service delivery, through four strategic pillars: (1) implementing public management model based on the achievement of the desired results by society, policies and programs; (2) strengthening citizen participation in the construction, implementation, monitoring and evaluation of programs and projects; (3) promoting territorial development, overcoming the challenges and opportunities, based on regional specificities; and (4) enhancing the inter-sectorial implementation of public policies. Most recently, the GoC launched the Long-term Strategic Development Plan – 'Ceará 2050' aiming to layout strategies to accelerate the State's long-term economic growth and to more effectively meet society's expectations for the provision of essential services - health, education, water supply, public security, and employment and income generation.

6. **Agriculture is vital to Ceará State's rural economy.** Even if agriculture accounts for only 4.5 percent of Ceará's GPD (which increases by around 4 times when the whole agribusiness value chain is included, like in the rest of the country), it is the main source of economic activities in rural areas, particularly for small landholders. Agriculture generates 21 percent of employment and is directly related to food and nutritional security. Ceará has 341,000 agricultural households, covering almost 8 million hectares. Nearly 75 percent of agricultural households hold less than 10 ha, representing less than 7 percent of the total area. Even though family agriculture occupies a small area, it accounts for 59.3 percent of the Gross Production Value (GPV), as opposed to 40.7 percent of the large-scale farms.

7. **Agriculture activities and the rural population that depends on them are highly vulnerable to climate conditions.** Roughly 91 percent of the Ceará's territory is in the semiarid region of Brazil, with elevated temperatures, spatial and



temporal variability of rains and high-water scarcity. This reality was worsened by the six consecutive years¹ of drought experienced by the State since 2012, including one year when rainfalls were 46 percent below the historical value, and four years were 23 percent below the historical value. Water availability and agricultural production have been dramatically affected by this climatic trend. About 92 percent of family farmers do not have access to irrigated land and thus depend entirely on rainfall. Grain production contracted 85 percent from 2011 (before the drought) to 2016; livestock production was substantially affected presenting an accumulated retraction of 94 percent (bovines), 88 percent (swine) and 94 percent (poultry) from 2011 to 2016 (see Appendix 1). Climate Change models project significant temperatures increases for 2020-2099 for the interior of Ceará coupled with decrease in rainfalls (for instance, in Iguatu, a locality 250 Km south of Fortaleza, models forecast increase of up to 3.5-4.0 Centigrade with an annual rainfall reduction of 60%. Although climate models are less accurate in forecasting rainfall distribution, an overall increase of extreme events is expected. This would further increase the challenge to climatic resilience of agricultural production in the Northeast of Brazil.

8. **Part of the low productivity and accentuated production losses in the family farming in Ceará is attributed to the low level of in-farm agricultural adaptation and innovation.** Traditional agricultural practices have generated limited productivity growth in the vast areas of rainfed dry non-irrigated farmland in Ceará. As one of Brazil's driest states, Ceará experiences chronic water scarcity, with long and severe droughts that hamper agricultural development and reduce social welfare. Furthermore, water scarcity combined with land degradation has adversely affected agricultural productivity. To cope with adverse climate conditions, agricultural systems need to build in resilience through climate-smart agriculture practices and technologies (CSA). CSA can raise agricultural productivity, reduce rural communities' vulnerability to weather extremes and cushion farmers from the impacts of food price volatility.

9. **The lack of opportunities and farming hardships have contributed to the migration of large numbers of youth to urban areas and rural towns.** Young people often perceive agricultural activities as labor-intensive and unprofitable, opting to migrate to urban centers in search of better opportunities. Over the long terms, this rural exodus impacts the succession of family farmers' businesses. According to the Institute of Research and Economic Strategy of Ceará (IPECE)², rural youth account for around about 20 percent of the state's youth population. They are among the most disadvantaged of groups. Often, they have limited access to educational programs that are geared to their situation and needs - not surprisingly, many rural people drop out of school at an early age. Although this trend is growing in Ceará, no specific policy or program exists to increase rural youth entrepreneurship and employment. Recently, Local Economic Development Agency (*Agência de Desenvolvimento Local – ADEL*), a non-government organization (NGO), piloted the Rural Youth Entrepreneurs Program in Ceará, which seeks to work the entrepreneurial skills of youth, enabling access to knowledge, credit oriented, networks and technologies. The program supported 2,760 young people in 23 municipalities, resulting in the creation of 200 businesses led by supported beneficiaries.

10. **Technical Assistance and Rural Extension (ATER) plays an important role for the development of agriculture, however, the service in Ceará needs to be better coordinated and modernized.** Considering that the farming sector is mostly composed of small and medium-sized producers, most of them under-capitalized and with a low level of education, the support provided by ATER is crucial, as it promotes the diffusion of technologies in the productive units. In Ceará, the share of rural households that received technical assistance regularly or occasionally was higher than that observed in the Northeast region, but lower than that registered in Brazil. In the State, about 5 percent of rural households receive regular technical assistance, 7 percent receive occasional technical assistance, and 88.2 percent (or 335,900) do not receive

¹ During the drought of 2012-2016, nearly 78 percent of the small farmers in Ceará accessed the *Garantia Safra* crop insurance. This scheme was designed by the former Ministry of Agrarian Development (MDA) as an income compensation mechanism for family farmers who plant maize, beans, cassava, cotton and rice in the semi-arid of Brazil. The program disburses a fixed amount (currently R\$ 850) to farmers when the occurrence of a severe drought or excess of rainfall has caused crop losses above 50% of the expected yield.



technical assistance. In SoC, the provision of ATER is provided by public, private and NGOs. EMARTECE, a public agency linked to the Secretariat of Agrarian Development (SDA, in Portuguese), is the leading ATER institution in Ceará, as it is responsible to promote and execute the State's ATER policy. The network of public and private ATER service has proved uncoordinated and insufficient to meet the demand of family farmers and rural settlers in the State. Recently, the Governor announced a proposal to recruit new technicians to EMATERCE to increase the coverage of ATER across the State. However, there is an urgent need to strengthen the institution to build strategic and operational capacity, as well as redefine its role and complementarity vis-a-vis the existing private ATER providers in Ceará.

11. The scarcity and uneven distribution of rainfall also impacts the reliability of access to basic water services, such as potable and continued water supply and sanitation in rural areas. Over the years, the GoC has intensely invested in water supply infrastructure, given the critical availability of water resources in the State as a whole. The investments have increased water distribution services and improved access to sanitation; however, the availability of these services is uneven in urban and rural areas. The State is composed of 184 municipalities with 9 million inhabitants, 74 percent of whom live in urban areas and 26 percent (2.3 million inhabitants) in rural areas. In 2014³, potable water supply access in the State reached 95 percent of the urban population and only 35 percent of the rural population. Similarly, basic sanitation services reach 46 percent of the population in urban areas and only 1.5 percent in rural areas. State planning for water resources considers that there is a challenge to reach universal access in rural areas which would need activities for improving planning; infrastructure and management; and coordination of water resources management (WRM) and sanitation and solid waste (SSW) sectors to guarantee the sustainability of water sources and the reliability of water supply.⁴

12. Given these opportunities and challenges, the GoC has established a long-term policy agenda to support the poverty reduction and economic development in rural areas. Historically, the SoC faces a high incidence of poverty in rural areas, with limited access to services. Poor rural households were highly dependent on agricultural wages and labor markets. Starting in the 1980s, the Federal government launched interventions⁵ to bridge the development gap between rural and urban areas and relied on the States for the implementation of the programs. In line with this strategy, in 2002, the GoC prepared its first Bank-financed operation, the Rural Poverty Reduction Project – *São José I* (P050875 - \$37.5M), whose objective was to strengthen the State's capacity to implement and complement Federal programs to improve the rural poor's access to basic social and economic infrastructure and services. Using a Community-Driven Development (CDD) approach, the project financed basic infrastructure subprojects (electricity, water supply and productive activities) and enhanced local governance to increase citizen participation and transparency in decision-making, by strengthening community associations and municipal councils. In 2006, an Additional Financing for the Rural Poverty Reduction Project – *São José II* (P100791 - \$37.5M) was approved to scale up the positive results from the previous operation (over 1,400 community subprojects were financed, benefiting 370,000 people, as per ICR assessment).

13. Over the course of a decade, poverty and extreme poverty were significantly reduced (Table 1), so the State upgraded the CDD approach by adding element of competitiveness to the rural development efforts. In 2010, the Federal Government approved the Ceara Rural Sustainable Development and Competitiveness Project – *São José III* (P121167 - \$100M), to be implemented in two phases and designed with a defined exit strategy. The project focuses on structuring a “pipeline” of increasingly entrepreneurial, market-driven, productive and creditworthy small-farm producers. The project also scaled-up and systematized the water supply and basic sanitation investments for rural

³ IPECE. Anuário Estatístico do Ceará, 2015. 13.2.1 – Water supply, Sanitation and Solid waste.

⁴ “Ceará 2050. Juntos pensando o futuro.” Status of the Water Resources in the State.

⁵ The main policies were created to improve electricity connectivity (*Luz para Todos*), water supply (*Água para Todos*), microfinancing access (National Family Agriculture Program - PRONAF), and land tenure and agrarian reform (INCRA).



communities. Altogether, São José I, II, and III projects, have benefited over 600,000 rural families, and financed 3,513 investments for water access and 9,861 sanitation systems.

14. **Implementation of the São José III project was challenged by the adverse impacts of the economic crisis and prolonged drought period faced by the State.** Many socioeconomic indicators have improved in the last decade through a series of development programs; however, those achievements have been affected by the economic recession starting in 2014, and a considerable share of the population remains uncovered with basic public services. For example, 28 percent of households lack water supply through the general distribution network and only 44.8 percent of households have adequate sanitation services. Furthermore, 34 the rural population lives in poverty while 14 percent extreme poverty. In this context, it is fundamental to develop actions to reduce the agro-climatic vulnerability of rural communities in Ceará, to guarantee their food security and income generation while adopting sustainable water management practices.

15. **The proposed operation will continue to support relevant aspects of the State's strategic plan.** It will prioritize support for the State's continued efforts to close the remaining service coverage gaps and improve service quality. The revisited interventions must be better aligned with new realities and territorial characteristics. Regarding the organization of communities, a fundamental factor in the search for greater breadth and efficiency, thus a continuous work of stimulus and orientation directed to its organization is necessary. Special attention will be directed to organizations that are formalized, since as a rule there is a low capacity for them to comply with legal, statutory and regimental requirements, a factor that hinders the capture and realization of investments, leading to a recurring situation of legal shortcomings. Given this situation, tools and diagnostics should be used to identify the local fragilities and thus be able to focus the Borrower's actions on the most fragile aspects of the territory, seeking to improve the services offered.

Relationship to CPF

16. **The proposed project is well aligned with the government's vision and conforms with all the Focus Areas of the of the World Bank Group's Brazil Country Partnership Framework FY18-FY23 (CPF)** (Report #113259-BR) discussed by the Executive Directors on July 13, 2017. Under Focus Area 1: Fiscal consolidation and government effectiveness, the project aims to support a sustainable institutional reform and fiscal adjustment of EMATERCE to improve its strategic framework and efficiency in delivering technical assistance and extension services for rural producers. Under Focus Area 2: Private sector investment and productivity growth, the project aims to reduce financial market distortions to improve resources allocation and producers credit access by empowering their organizations to meet market requirement and reducing risks and costs associated to their businesses. Lastly, under Focus Area 3: Inclusive and sustainable development aims to promote socio economic development of small rural producers and vulnerable groups through the implementation of investments that contribute to improved climate vulnerability and business management of small family agricultural production, including women, youth, indigenous peoples, and traditional communities.

17. **The Project design is also well aligned with the World Bank Group twin goals of poverty reduction and increasing shared prosperity.** The project has a dual focus: (i) on poverty reduction, through investments in water supply and sanitation in rural communities to improve the living conditions, promote social inclusion, improve quality of life and reduce the vulnerability of the poor populations in the targeted areas; and (ii) on shared prosperity, through investments on climate-smart agriculture and productive market-driven interventions. As part of project preparation, the Bank team will provide support to the PIU to conduct a poverty and social impact assessment to further refine the causal linkages between interventions to be supported by this operation and impacts on the poor and the vulnerable, including by gender.

18. **Finally, the project follows the Maximizing Finance for Development (MFD) framework.** The project will address market failures preventing small farmers from accessing established value-chains, by using an inclusive business model to



improve linkages among them and firms (buyers or investors) of all sizes, and where producers and off-takers maximize mutual gains. The project will support selected producer organizations and their members by enhancing their skills and providing information that will leave them better prepared to interact with established market players. The project will also improve incentives and reduce private sector transaction costs and risks by investing in public infrastructure (water connectivity, renewable energy, goods and works to modernize farmers' businesses, etc), adjusting the relevant legal framework (taxation for cooperatives and business fees) based on clear private sector needs, strengthening food safety systems (commercial certifications, animal and phytosanitary licensing), and improving coordination among value-chain actors. It will also reduce private sector investment risk and supports farmers and agribusinesses access to finance.

C. Proposed Development Objective(s)

19. The proposed Project Development Objective is to enhance the climate resilience⁶ and market access⁷ of family farmers and increase the access to improved water services⁸ of rural population in Ceara State.

Key Results (From PCN)

20. The achievement of the project development objective would be measured through the following proposed indicators:

- a. Increase in the value (or volume?) of gross sales of benefitting farms (percentage);
- b. Increase in the value of gross sales of benefitting agribusinesses (percentage);
- c. Farmers adopting improved CSA technology (number) [core indicator];
- d. People provided with access to improved water sources (number) [core indicator];
- e. People provided with access to improved sanitation services (number) [core indicator], and
- f. Amount or share of sewage water reused for irrigation.

D. Concept Description

21. The proposed follow-up operation is an Investment Project Financing (IPF) of US\$100.0 million to be implemented over a five-year period. The total project cost is estimated to be US\$150.0 million, including US\$50.0 million of counterpart funding from the State of Ceará and beneficiaries. The project will be designed on the basis of the experience of the ongoing project, the São José III project (P121167), incorporating design adjustments, innovative approaches and strengthening the integration among Project components. The proposed Project will foster synergies between the technical components and/or with existing interventions on the ground.

22. Although a formal results assessment for the São José III project (closing date April 30, 2019) has not yet been carried out, important identified lessons can guide the preparation of the proposed follow-up operation. The main lessons to guide the design of the proposed operation are as follow:

⁶ Climate resilience is here defined as the farmers' capacity to: (1) absorb stresses and maintain function of their production systems in the face of external risks imposed by climate change and (2) adapt, reorganize, and evolve into more desirable configurations that improve the sustainability of the system, leaving it better prepared for future climate change impacts.

⁷ Market access is here defined as the farmers' capacity to offer products and services that meet the quality standards of the market – whether local, regional, national or international -- at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them.

⁸ Water services is here defined as water supply for human and productive consumptions and basic sanitation infrastructure and management.



- a. **Differentiated lines of support for agricultural producers.** The expectation under previous interventions that all smallholders who receive “productive” support (matching grants and technical assistance) will realize increased sales and incomes has proven at best uneven. A large proportion of smallholders have too little land and insufficient water to successfully integrate into more demanding value chains, and they tend to be highly vulnerable to climate variability. Moreover, the management capacity of producer organizations varies significantly. The proposed Project will offer at least two lines of financing lines: (i) a competitive window for producer groups that have the potential to compete in demanding markets; and (ii) a window to support increased resilience for smallholders in communities. The combination with water interventions will be highly desirable.
- b. **Water reuse pilot.** Identifying alternative sources of water for production in an extremely dry region has proven challenging. The ongoing Project supported a successful small pilot of reusing sewage water at family level to irrigate for agricultural production. The proposed Project will scale up that small pilot. The purification of sewage water to make it suitable for irrigation, has indeed proven successful in dry environment such as Israel, which experience was visited during a study tour recently;
- c. **Quality of technical and financial evaluation of business plans.** Capacity for preparation and ex-ante evaluation of business proposals is not easily found in public institutions. In addition, the provision of productive support is prone to elite capture. These risks can be mitigated by hiring an external entity, under terms of reference and qualifications acceptable to the Bank, to provide an independent assessment of each business plan proposal prior to approving financing. Such assessment will be used by a multidisciplinary committee to approve or reject proposals;
- d. **Business training and assistance to beneficiaries.** The capacity of producer organizations to participate in bidding and selective processes, manage grant resources and subproject implementation varies greatly within the State. Moreover, building capacities for business management among project beneficiaries—particularly women and youth, who often have less experience and understanding of institutions and markets—is a key element for organizational consolidation and growth. The Project will address this need at three levels by: (i) providing general training and awareness raising to potential beneficiaries and service providers; (ii) helping interested producer organizations to put together business initiatives, negotiate with business partners, and gradually learn by doing; and (iii) providing continued and customized assistance and training to participating organizations throughout implementation. Customization will consider gender, age and ethnicity of beneficiaries;
- e. **Sectoral Coordination.** The primary focus of productive investments for market access (Component 1) is to assist producer organizations and their members through technical assistance and financial provision to increase their competitiveness and market access. To achieve those goals, several activities and procedures are required, such as: capacity building, environmental licensing, sanitary permits, certifications, and land ownership. However, essential sectoral institutions, such as the State Technical Assistance and Rural Extension Company (EMATERCE), the State Superintendence of the Environment (SEMACE), the State Agency for Agricultural Sanitary and Phytosanitary Services (ADAGRI) and the State Institute for Agrarian Development (IDACE) have had little or no attributions and responsibilities in the implementation of the ongoing project (P121167). The Project will assess the institutional capacity of relevant State agencies and design an appropriate institutional arrangement to incorporate key agencies in Project implementation;



- f. **Water availability for agricultural production.** The ongoing project had limited linkages between Component 1 (productive investments for market access) and Component 2 (water services investments). This was partly due to the targeting pursued under each component (farmer groups/associations under Component 1 and rural communities and individuals under Component 2) but is also because access to water was always prioritized for human consumption, as per State Government policy. Attempting to meet water demand for both target groups in the same community could be envisaged where there is sufficient water (for example by reusing sewage water for irrigation, as done in the water use pilot);
- g. **Sustainability of water supply investments.** Under the ongoing São José III Project, the design of water investments was initially carried out by community associations (legacy from previous projects) and then by a consultant firm. However, despite verification of the quality of the engineering studies, several water sources have collapsed due to the extended drought period of 2012-2017. Considering this experience, the proposed Project will be particularly careful in the review of the feasibility analysis and engineering design of future investments, to be more accurate regarding water availability before works execution.
- h. **Prioritization criteria for basic sanitation investments.** The São José III Project financed the implementation of 8,050 sanitary kits⁹ (implementation of an additional 2,197 kits is still ongoing) with the goal of assisting 41,500 inhabitants. Beneficiaries evaluation indicated that 62 percent reported problems related to faulty construction and incorrect use by the families. The proposed Project will strengthen supervision of the works to guarantee the good quality of the construction, along with behavior change and O&M capacity building support;

23. Building up from the lessons presented above, the Project's interventions include the following three components:

Component 1 – Agriculture Economic Inclusion (USD 60 million)

24. The objective of this component is to enable producer organizations (POs) to overcome challenges faced by family farmers in accessing dynamic markets in a sustainable matter. A well-functioning producer organization is key to achieve this objective. Through their own organizations, producers mitigate the impact of small farm size (pulverization) and improve product quality, quantity, and traceability as required by the high-end value chains. Moreover, given the climate variability and water scarcity, the component would pay special attention to increase the climate resilience of farmers' production systems, by promoting technologies and agricultural and resource management practices that have demonstrated highest effects on-farm suitability and effectiveness in semi-arid rural areas.

25. The component will support eligible POs to identify their production and commercialization fragilities and opportunities, potential buyers and prepare robust business plan proposals. For that, the component will finance technical assistance in production, management and marketing (such as good agricultural practices, climate smart agriculture, modern and improved technologies, on-farm water management, post-harvest handling, and financial literacy) for members of the POs to enhance their production and managerial capacities and mitigate risks for potential buyers, which is essential to sustain business partnerships. The component also will co-finance, through matching grants, the implementation of business plans subprojects, which may include: (i) minor on-farm infrastructure; (ii) energy, soil, and water conservation measures; (iii) provision and utilization of inputs, equipment and tools; (iv) technical assistance services; and (v) off-farm infrastructure for storage, processing and packaging. Working capital for inputs will also be financed to help smallholders overcome initial financial barriers when deal with commercial banks.

⁹ Sanitary kits (*kits sanitários*) are composed of a toilet, shower, hand-washing sink, washing tank and septic tank.



26. The investment cycle to finance subprojects identified in business plan will be revised to address bottlenecks identified in the previous Project (P121167), such as the heterogenous production and managerial capacity among POs; poor preparation and appraisal of the business plan proposals and/or delays with approvals and procurement processes carried out by PIU; weak technical assistance for market access; lack of strategy for credit access (collateral and guarantee funds). The cycle will be reformulated to improve the entry level of business plan proposals. Capacity varies greatly among these organizations, so the project will incorporate a standardized professionalism and credit worthiness score assessments of potential POs into the cycle process to better allocate technical assistance support and matching grant funds among selected POs. Moreover, the component will involve financial institutions and potential buyers from the beginning to improve the link between producer organizations and key market players.

27. Given the growing youth unemployment, ageing farmers and declining crop yields under traditional farming systems, the component will also increase the support to the youth, as young people can be a vital force for innovation in family farming. The project will finance training in entrepreneurship and innovation to improve the perception of agriculture as a promising business proposition and raise awareness about careers in agriculture. Also, the project will finance technical assistance to assist young people to formulate business plan proposal that include innovative approaches.

Component 2 – Water Services (USD 52.5 million)

28. The objective of this component is to support the State's efforts to universalize access to water services, by investing in increase the access of water services to prioritized rural communities. Water services include infrastructure investments in: (i) water supply for human consumption and, when feasible, for agricultural production, (ii) reuse of grey water and wastewater from desalinization processes, and (iii) rural sanitation (mostly onsite sanitation solutions). The component also aims to promote the sustainable and reliable management of financed assets, bringing in innovative approaches and technologies and improving coordination for policy making and planning between the Agrarian Development, Cities, and Water Resources Secretariats. During preparation, priority will also be given to identify potential synergies of this Project with the Bank-to-be-financed, Ceará Water Security and Governance Project (P165055) (under preparation), that focuses in supplying water to urban areas in a specific region of the State.

29. The component will enhance the territorial focus and prioritization criteria by considering aspects such as: (i) percentage of vulnerable population; (ii) lack of access to reliable water sources or systems; (iii) deficient supply of water, in quantity and/or quality; (iv) number of people to be potentially covered; (v) availability of water resources and/or proximity to alternative sources of water; (vi) not to have benefited by São José III Project or other projects with the same purpose, except for extending coverage; (vii) communities with greater proportion of households headed by women; (viii) explicit commitment to operate and maintain the infrastructure with support from SISAR; and (ix) investment costs within agreed ceilings per family and type of investment. A multicriteria selection process will be developed as part of Project preparation.

30. Based on lessons learned of the Project São José III, this component will also replicate and scale up the good experiences with reuse and use of solar panels for water supply systems; and improve the approach to sanitation investments focusing also on behavior change activities. Activities to support the scale up of the RWSS information system (SIASAR) pilot will also be considered.

31. This component will be coordinated by SDA, with close collaboration by CAGECE and SOHIDRA (for evaluating engineer designs and supervising works implementation); SISAR (for carrying out mobilization/social activities and



implementing the operation and maintenance scheme); EMATERCE (for supporting reuse activities) and Secretary of Cities (for SIASAR scaling up).

Component 3 – Institutional Strengthening and Project Management (USD 37.5 million)

32. The objective of the component is to strengthen the organizational, management, knowledge and operational capacity of key implementing institutions, as well as overall Project Management. The Project will continue to be managed by the PIU, mapped to the State Secretariat of Agrarian Development (SDA), established for the São José III Project. The existing institutional arrangement will be reassessed and adjusted during preparation to meet the implementation needs of the proposed operation. The component will also focus on consolidating the coordination of sectorial agencies, relevant to the implementation of the State's programs and policies supported under the Project. Given the strategic role of SDA, EMATERCE and SISAR for the implementation of Components 1 and 2, the Project will support key activities to strengthen these agencies' strategic and operational capacity. Other institutions may also benefit from this component. During preparation, an assessment will be carried out to identify potential needs.

33. More specifically, the component has pre-identified the following key agencies to be supported by the Project:
- a. **SDA.** The project will support the consolidation of the SDA's management system, as well as information on the economic and structural activities in rural areas. As such, an information portal should be available for citizens and various levels of stakeholders. The portal should be based on the transparency law, and transparent information about project beneficiaries should be easily available.
 - b. **EMATERCE.** As Component 1 will increase the emphasis on technical assistance and training for productive investments, the component will support the restructuring process of EMATERCE. EMATERCE will be supported for the improvement of its structure and technical management given is the official entity to provide technical assistance in the state of Ceará. The definition of programs (and respective guidelines), projects and actions will contribute to: a) align the strategy of action of the institution with the strategy proposed by the project; b) review the management structure and workforce; c) establish technical guidelines for programs that respond to different regional and territorial needs; d) identify staff training needs; e) Initial preparation of the new technical framework, instrumentalising them for the development of project activities and other public policies; f) establishment of management systems and monitoring and evaluation for programs and projects, as a permanent strategy for the management of the institution. It is expected that the investments in the restructuring of EMATERCE will allow it to define its focus of action, as a development promoter in the rural and fishing areas of the state.
 - c. **SISAR.** The Project will support strengthening SISAR's capacity for giving support to communities in managing, operating and maintaining community lead water systems. This will include, inter alia, the preparation of training material, capacity building events, acquisition of goods, and developing specific studies. The Project will also support the piloting of a management scheme for sludge management in coordination with SISAR and CAGECE.

34. The component will also support the overall project management/coordination and implementation of all three components, including the following aspects: (i) inter-institutional coordination, (ii) activity monitoring, evaluation and impact assessment; (iii) fiduciary administration, internal controls and audits; (iv) environmental and social safeguards management and implementation; (v) a citizen's engagement mechanism, (vi) project-related studies and pilots, and (vii) communication and outreach strategy.



Other design aspects

35. **Beneficiaries.** Key beneficiaries are family farms households, organized in community associations (CA), and smallholder producers, associated in a variety of producer organizations (PO). The project intends to empower them through their organizations in order to identify, prioritize and manage vulnerability reduction and productive subprojects, respectively. Capacity varies greatly among these organizations, so the project would deploy a well-targeted communications campaign and a variety of training and technical assistance activities designed to build capacity and reduce information asymmetries. Secondary beneficiaries include: (i) private agribusiness enterprises and government entities who may enter into partnerships with producers under alliances; and (ii) the entities that may participate in and manage state-wide services promoted by the project. Special efforts will be made to ensure youth, quilombola and Indigenous groups are adequately informed of project procedures and benefits in order to promote their participation. No identifiable group would be negatively affected by project activities.

36. **Social assessment.** For this proposed project, a full assessment of the environmental and social impacts and benefits of project activities will be carried out before appraisal. The Environmental and Social Management Framework (ESMF) will give special consideration to impacts and benefits for vulnerable social groups. The assessment of social impacts and benefits will incorporate a gender-sensitive lens to the extent possible and will propose, to the extent needed, specific actions to close identified gender gaps as well as indicators to monitor actions designed to address or narrow these gaps. Potential adverse impacts related to involuntary resettlement will be addressed through the preparation of a Resettlement Policy Framework (RPF). Likewise, the potential adverse impacts related to indigenous peoples and traditional and *quilombola* communities will be addressed through the preparation of an Indigenous Peoples Policy Framework (IPPF).

37. **Gender Strategy.** The social assessment to be carried out by the borrower for the preparation of the ESMF will assess gender issues and to the extent possible include specific actions to close identified gender gaps, as well as indicators to monitor actions. As households headed by single women with children are overrepresented among the most socially vulnerable groups of the state and the country population, this gender-sensitive analysis may point out how the project can bring further benefits for this vulnerable group. The nature of the proposed project allows and supports the design of specific measures that strengthen the role of and benefits to women in the water services and productive investments. This includes both their role as dedicated and reliable members of their communities and producer organizations. The project preparation team will assess their specific needs and design respective activities to address their challenges. Cooperation will be sought with governmental agencies and local associations of women. Monitoring arrangements will ensure that gender specific outcomes are captured, and project activities could potentially be adjusted to further strengthen gender aspects.

38. **Climate co-benefits, Greenhouse Gas Emission Analysis and Disaster Risk Screening.** Project activities address the identified climate risks and vulnerabilities. Since subprojects under Component 1 will be demand driven and competitive, a precise assessment of the expected co-benefits will not be possible. However, the task team will estimate the percentage of the overall financing, which can be attributed to climate co-benefits. Activities under Component 2 also contribute to climate adaptation through water reuse and water access investments in areas vulnerable to droughts. In addition, the task team will measure the net project carbon balance with the Ex-Ante Carbon-balance Tool (EX-ACT) developed by FAO, to measure, if the project will be a net carbon sink through emission reduction and carbon sequestration. Finally, the task team will undertake the Climate and Disaster Risk Screening.

39. **Citizen Engagement (CE).** Consultations with key stakeholders, beneficiaries, and affected people will be carried out by the borrower during preparation. These consultations are carried out with the participation of councils that bring



together representatives of civil society, nongovernmental organizations, academics and mainly local community leaders, including representatives of indigenous peoples and *quilombolas* and traditional communities. These consultations will address the findings of the social and environmental assessment and evaluate the identification of impacts and benefits derived from project activities as well as the proposed measures to avoid, minimize, and/or mitigate adverse impacts. Consultations will be recorded, and the feedback received will be incorporated in the final versions of the project's ESMF and RPF. The state of Ceará already relies on a robust strategy of the systematic citizen's engagement mechanisms established under São José III Project (P121167). Concerns and feedbacks registered through those mechanisms will be regularly monitored and discussed, at the Project Implementation Unit (PIU) level, to identify project shortcomings, strengthen technical aspects, and facilitate implementation.

40. **Grievance Redress Mechanism (GRM).** The existing implementing agency, SDA/PIU has already in place several channels for receiving and redressing complaints. These channels include a website, and telephone lines. On top of this, SDA has an Ombudsman Office (with a dedicated free phone line, website, and e-mail address). The project's GRM would rely as much as possible on these structures, processes, and procedures that are already in place in the implementing agency. The institutional capacity assessment will consider the adequacy and efficiency of SDA's GRM. Measures may be proposed to improve it and would be described in the project's ESMF. The RPF may also define specific processes, procedures, and channels to be locally operated to attend to the demands of project-affected persons.

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SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

41. The proposed project is in the State of Ceará, which is divided into 14 macro-planning regions and 184 municipalities, of which 183 will likely be targeted by the Project. At the local level, the basic project planning unit will be the rural community, including rural agrarian reform settlements and Afro-American Quilombola Communities. The specific communities and subprojects where the Project will be implemented will only be defined during project implementation through the adoption of eligibility and prioritization criteria. The following eligibility criteria will be used to target the most vulnerable communities: community income, access to sanitation, access to formal and informal markets, areas susceptible to desertification, availability of agricultural lands and natural resources for sustainable use and synergies with other government investment programs.

42. The State of Ceará has unique environmental and socio-cultural characteristics and some of them are found only in this territory. The State is covered by the Caatinga biome, which is exclusive to Brazil and characterized by a semi-arid climate (rainy season restricted to 3 or 4 months of the year) and high biodiversity. The strong seasonality of this biome is reflected in a rich biological diversity with many endemic species which are extremely adapted to the climate and soils types. During rainy periods, dry vegetation cover is replaced by trees with crowns composed of foliage and flowers which characterize the beginning of the reproductive cycle for many species; this is a condition of **resilience** that makes this biome unique on the planet.

43. About 93% of the State is characterized by a semi-arid climate with annual average rainfall of less than 800 mm, characterized by irregular rainfall especially in the Caatinga region called the "*sertaneja depression*", providing more extreme environmental conditions and demanding adaptations of biodiversity to these natural characteristics of the Caatinga Biome. Such climatic conditions associated with the lack of vegetation cover significantly increase the vulnerability of this environment making it increasingly susceptible to the erosive processes that cause desertification.



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44. The State is composed of eleven (11) river basins, including perennial and intermittent rivers. Between 2012 and 2107, the State faced six consecutive years of drought resulting in serious losses in terms of agricultural production and access to water. The Jaguaribe river is one of the main water resources of Ceará due to its extension, flow and accumulation capacity.

45. The erosive processes and anthropic activities in this semi-arid region have been contributing to serious changes in the environment, which are increasingly compromising the quality and carrying capacity of the environment, mainly due to the irreversibility of environmental impacts resulting from anthropic activities. Land degradation in the Caatinga biome has significantly increased the area of the so-called “drought polygon” in the process of desertification throughout northeastern Brazil, including Ceará state, where 13 municipalities are facing significant desertification and about 50% of the municipalities have extensive areas susceptible to severe desertification. Among the causes that contribute to this phenomenon of soil impoverishment are: (i) lack or inadequate soil management (or use of agricultural techniques without technical planning) and use of agricultural practices of low environmental sustainability; (ii) anthropic occupation in areas of risk; (iii) deforestation of areas legally considered as permanent preservation (APPs) and ecological corridors; (iv) removal of the Caatinga vegetation cover without licensing and forest management plans; (v) lack of commitment for establishing and maintaining a Legal Reserve in rural farm lands, as foreseen by the national forest code; (vi) use of fire without technical monitoring and authorization of the environmental agency; (vii) reduction of the pollinating and/or dispersing biodiversity of seeds responsible for plant restoration; and (viii) insipid investments in recovery of degraded areas.

B. Borrower’s Institutional Capacity for Safeguard Policies

46. The Borrower’s institutional capacity for safeguard policies is considered adequate. Over the last 15 years, the implementation agency (SDA) has already developed and implemented three Bank-financed operations with their respective Environmental and Social Frameworks (ESMF), including social documents such as an Indigenous Peoples Policy Framework and an Involuntary Resettlement Policy Framework. The first two operations focused on investments to rural poverty reduction (basic infrastructure and enhanced local governance by strengthening community associations and municipal councils) and the third one (the on-going Ceara Rural Sustainable Development and Competitiveness Project - P121167) focuses on structuring a “pipeline” of increasingly entrepreneurial, market-driven, productive and creditworthy small-farm producers, as well as water supply and basic sanitation investments for rural communities. The procedures for environmental screening will be incorporated in the project’s Operational Manual, which will also include procedures for the evaluation, approval, and monitoring of subprojects seeking to be financed under the investment components (i.e. productive subprojects - Component 01- and sanitation subprojects -Component 02). Training of key staff from the implementing agency has been provided for under these Bank operations to increase their capacity to implement safeguard policies.

C. Environmental and Social Safeguards Specialists on the Team

Bernadete Lange, Senior Environmental Specialist
Juliana Paiva, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	YES	Based on the assessment of potential impacts, a Category B designation is proposed for the project. Despite the low risk and the positive or neutral project impacts anticipated, some



small-scale investments supported under Components 1 and 2 could potentially have adverse environmental impacts. Those small-scale investments relate to: (i) the adoption of sustainable agricultural, livestock and aquaculture practices; (ii) the promotion of value added products through agro-processing and support to meet legal environmental and sanitary requirements for market access; and (iii) improvements in water services in rural areas i.e. small-scale water supply infrastructure for human consumption and, when feasible, for agricultural production, and small-scale rural sanitation. The environmental risks and impacts of any misdirected support for these investments could include: soil erosion; water pollution (i.e., discharge of untreated wastes from agro-processing, sediments) and deforestation in small areas where water supply and sanitation schemes would be constructed. In any case, environmental impacts are expected to be localized and preventable through responsive mitigation measures. Environmental screening and evaluation procedures, as well as proposed mitigation measures, would be built into the management of the financial mechanisms to be adopted to implement subprojects under Components 1 and 2. More specifically, Component 1 will finance investment within the following subproject typologies (preliminary list based on current Phase I and preliminary discussions on Phase II): (i) value added promotion and value chain development, including support to technical assistance and to the construction or reform of small and medium scale agro-processing units (mainly cashew nuts, fruits, honey, milk, cheese and fish); support to meet legal environmental and sanitary requirements for market access (mainly in agro-processing and livestock production); (ii) support to more sustainable agricultural production systems including both crops (fruits, coconut, manioc, cashew nuts) and livestock production (small-scale chicken and milk production from goat, sheep and cattle); support to minor on-farm infrastructure associated with the aforementioned production systems; energy and water conservation measures, as well as soil conservation and management; and provision and utilization of inputs, equipment and tools; and (iii) in areas under livestock production mentioned above, support to the implementation of Silvopastoral Management Plans (82 Plans), which are being prepared under the existing Bank operation in areas of Caatinga (xeric shrublands and thorn forests) currently under pasture and grazing management. These management plans foresee the adoption of various sustainable practices and technologies that will address land degradation and foster climate adaptation and mitigation while increasing productivity, including the following: improved pasture, grazing and manure management; improving feed use; breeding adaptive species; addressing



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land conversion and slash-and-burn (land management); sustainable Caatinga forest management and use practices; and integrated crop-livestock management. Component 2 will finance investments within the following typologies: small scale (community level) water supply for human consumption and, when feasible, for agricultural production, (ii) reuse of grey water and wastewater from desalinization processes, and (iii) rural sanitation (mostly onsite sanitation solutions).

The project's ESMF will include the assessment of cumulative impacts of the small-scale interventions on: water use (which are expected to be positive); implementation of 82 agro-silvo-pastoral management plans (expected to be positive); pesticide use; and other indicators of sustainability, with appropriate monitoring measure.

Performance Standards for Private Sector Activities OP/BP 4.03 No

Natural Habitats OP/BP 4.04 YES

The project would not support or lead to the conversion or degradation of natural habitats. In fact, it would help rehabilitate and restore degraded Caatinga lands in areas under livestock management, through the promotion of conservation and sustainable management of Caatinga xeric shrublands and thorn forests, hence preserving and restoring local biodiversity. The project would also promote more sustainable agriculture and land management practices, including the rehabilitation of degraded soils and more rational use of natural resources. Despite the positive impacts foreseen through the implementation of these activities, the ESMF would include clear guidance regarding direct and indirect impacts on natural habitats, including those related to the implementation of small water-supply services, which may affect (cross) e.g. Areas of Permanent Preservation (APP). The project will also have provisions to regenerate and reforest water-producing systems (mainly Caatinga riparian vegetation), benefiting also local biodiversity preservation and restoration. Special attention should be given to areas where desertification process was already identified by the State.

Forests OP/BP 4.36 YES

It is not expected that project implementation will have negative impacts on forest resources i.e. on Caatinga xeric shrublands and thorn forests located in the project area. Based on the on-going subproject activities supported under the current Bank operation in these type of shrub and forest lands (which are also foreseen under the new operation), the project would generate positive environmental impacts by promoting the rehabilitation and conservation of degraded Caatinga lands, as well as by contribute to the restoration and maintenance of ecological functions in those areas. The subproject selection procedures would be consistent with the national Forest Code. Despite the positive impacts



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foreseen through the implementation of these activities, the ESMF would include clear guidance regarding direct and indirect impacts on native forests. Moreover, based on the current operation and on preliminary discussions with the Borrower regarding the new operation, subprojects with the potential for conversion or degradation of natural forest or other natural habitats that are likely to have significant adverse environmental impacts which are sensitive, diverse or unprecedented would be ineligible. The project would also exclude activities that require commercial forest harvesting, wood extraction or firewood use in the production chain. Activities resulting in deforestation and loss of native vegetation cover will not be allowed.

Pest Management OP 4.09

YES

The project would not finance the procurement of any pesticides or other chemical amendments that would trigger the OP 4.09. Nevertheless, minor amounts of pesticides would probably continue to be used in the short term by a small portion of targeted small-scale farms. During the upcoming preparation mission (October 2018), the task team will discuss and seek an agreement for project support to technical assistance for the adoption of organic agriculture and integrated pest management (IPM) approaches, hence supporting farmer-driven, ecologically based pest control practices that seeks to reduce reliance on synthetic chemical pesticides. These approaches would also be designed to increase farm productivity (yields) while simultaneously reducing input costs and human health risk, as well as adverse environmental impacts through the virtual elimination of pesticide use. Notwithstanding these approaches, the ESMF would include a section on pest management following the guidance of OP 4.09 for the safe handling, storage, use, and disposal of pesticides, as well as guidelines for IPM. The ESMF will also reflect the inclusion in the design and budgeting of the project activities related to training and equipment.

Physical Cultural Resources OP/BP 4.11

YES

It is not expected that project implementation would have any negative impact on known physical cultural resources (PCR). The task team will make sure that proposed subprojects with expected direct and negative impact on known archeological, paleontological, historical or other culturally significant sites will not be eligible. Brazil has a well-developed legislative and normative framework, which is under Federal oversight by the National Institute for Protection of Historical and Archeological Sites (IPHAN). Ceará also has the State Agency, Regional IPHAN (*4a Superintendência Estadual do IPHAN*) and the State Secretariat of Culture, tasked with the identification, restoration and protection of PCR in the State. The “chance findings” procedures would be included in the ESMF and



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Project Operational Manual for guidance during project implementation.

Indigenous Peoples OP/BP 4.10

YES

It is not expected that project implementation would have any negative impact on Indigenous Peoples. The activities of the Project will contribute to engaging indigenous peoples and increase their access to project benefits and other public services. The Project can also help to improve the production capacity of indigenous groups that are privileged. Finally, as activities will mainly contribute to overcoming the scarcity of drinking water. In this sense the main risks that must be handled refer to the appropriate process of social consultation, assessment and engaged in a process of free, prior and informed consultations with indigenous peoples.

There are about 22,000 indigenous peoples recognized or claiming recognition in the State of Ceará. Data from 2015 (PNAD/IBGE) show that 60% of the indigenous population lived below the poverty line at that time. Most of the Indigenous Lands in Ceará have not yet been fully regularized. Insufficient and/or unsecure land tenure, precarious access to public services and fragile institutional organization, low productivity due to insufficient technical assistance and rudimentary technologies and natural resources management and water scarcity have been identified as major constraints on indigenous people's livelihoods.

As site-specific project investments cannot be defined at the preparation stage, the client is preparing an **Indigenous Peoples Policy Framework (IPPF)**. The IPPF will include a social evaluation and will be consulted with indigenous peoples, taking advantage of the long-standing engagement with indigenous peoples achieved during the implementation of the previous project.

Involuntary Resettlement OP/BP 4.12

YES

It is not expected that project implementation would have any physical resettlement or economic displacement. Nonetheless, some investments in productive infrastructures to strengthen productive chains, water supply systems and natural disaster risk management may require land acquisition and, potentially, might cause adverse effects of physical and economic displacement, although small in scope and locally confined.

As site-specific project investments cannot be defined at the preparation stage, the client is preparing a **Resettlement Policy Framework** for the project.

Safety of Dams OP/BP 4.37

YES

It is not expected that the investments in potable water supply subprojects will depend on the storage capacity and operation of existing dams. Considering: (i) the high provision of water resources infrastructure installed in the state over the past years, including the World Bank financing, and (ii) the current standard of excellence in water resources



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management, with good practices already incorporated into the state water resources institutions (SRH and COGERH) routine procedures; the OP 4.37 Safety of Dams is triggered as a precautionary measure, not to limit any possibility of using existing water sources. However, no new dam construction will be financed by this proposed operation. Project investments in small-scale rural water supply systems will depend mainly on wells and, to a less extent, on existing small/local reservoirs (dams with less than 5 meters high). OP 4.37 Safety of Dams is also triggered in view of possible project financing of subprojects involving the construction or rehabilitation of small-scale fish ponds. The dams for this type of subproject are expected to be less than 5 meters in height. During the upcoming preparation mission (October 2018), the task team will agree on appropriate safety measures with the Borrower, will ensure the involvement of qualified engineers, and will confirm that the environmental assessment (EA) for the project has determined that there would be no risk or negligible risk of significant adverse impacts due to potential failure of the structure to local communities and assets, including assets to be financed as part of the proposed project. Based on such determination potential adverse impacts would be addressed through OP/BP 4.01 Environmental Assessment and measures will be included in the ESMF.

Projects on International Waterways
OP/BP 7.50

No

This policy is not triggered since the Project activities will not affect any international waterways as defined under the policy.

Projects in Disputed Areas OP/BP 7.60

No

This policy is not triggered as the Project will not work in any disputed areas as defined under the policy.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

47. January 15, 2019.



Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

48. The following preparation plan is proposed:
- a. Target date for preparation mission: 15-26 October 2018, where the Bank will provide guidance to the borrower to conduct the safeguard-related studies.
 - b. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: December 2018.
 - c. Time frame for launching and completing the safeguard-related studies that may be needed: from October 2018 to January 2019.
 - d. The Borrower would prepare a Resettlement Policy Framework and an Indigenous Peoples Policy Framework. Preliminary versions of these documents will be sent to the Bank for review before public disclosure. Consultations will be carried-out. Feedback received from the process of public consultations will be incorporated – as appropriated – to the final versions of the ESMF, RPF and IPPF before submission to the Board.

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