

AUDITED PROJECT FINANCIAL STATEMENTS

Project Nº: 1100001486

IFAD Loan Nº: 1000003521 / L-I--788-

Period covered: 01/01/2018 – 31/12/2018

Semi Arid Sustainable Development Project In The State Of Piauí (Viva O SemiÁrido)

Prepared by: RAAC Auditores e Consultores Indipendentes

Received on: 20/06/2019

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**REPORT OF THE INDEPENDENT AUDITORS ON THE ACCOUNTS OF THE
LOAN CONTRACT NO. I-788-BR OF THE PERIOD
FROM JAN-1st-2018 TO DEC-31st-2018.**

**GOVERNMENT OF THE STATE OF PIAUI
SECRETARY OF FAMILY AGRICULTURE - SAEF
Project Management Unit – UGP
Teresina/PI**

OPINION WITH RESERVATIONS

We have examined the Basic Financial Statements of the VIVA O SEMIÁRIDO PROJECT (PVSA), partially financed by the I-788-BR Loan Agreement signed with the International Fund for Agricultural Development (FIDA), which includes Project Sources and Uses Reports, for the period from January 1st, 2018 to December 31st, 2018, prepared in the currencies Real and US Dollar, together with the respective Explanatory Notes, as well as additional financial information, Statements of Expenses (SOE / SS) attached to Requests for withdrawal of funds and we also examined the movement of the Designated and Operating Accounts corresponding to this period.

The Financial Statements were prepared by the Secretariat of Family Agriculture - SEAF, through the Project Management Unit - UGP, based on the "Project Term" for Project Audit and other requirements stipulated in Loan Agreement No. I-788-BR.

OPINION

1. Except for the aspect quoted in the following section entitled "Basis for opinion with reservations", the Basic Financial Statements of the VIVA O SEMIÁRIDO PROJECT - PVSA, together with the respective Explanatory Notes, present fairly, in all material respects, the receipts and payments made during the period from January 1, 2018 to December 31, 2018, on a cash basis, as well as the expenses applied for the purposes set forth in Loan Agreement No. I-788-BR.
2. The expenses incurred by the Secretariat of Family Agriculture (SEAF), through the Project Management Unit (UGP) and the co-executing agencies (Secretariat of Education and Culture - SEDUC, Secretariat of Labor and Entrepreneurship - SETRE and Institute of Technical Assistance and Rural Extension - EMATER), during the period from January 1, 2018 to December 31, 2018, and presented in the Statement of Expenses (SOE), are eligible, as provided in Loan Agreement No. I-788-BR.
3. The movement of the Designated Account No. [REDACTED] maintained at Banco do Brasil SA, Agência [REDACTED] - Brasília adequately reflects, in all material respects, the flow of funds during the period from January 1, 2018 to December

31, 2018, and the funds transferred to Operational Accounts No. [REDACTED] No. [REDACTED] No. [REDACTED] and No. [REDACTED] maintained at agency No. [REDACTED] at Banco do Brasil SA, were used exclusively for the payment of expenses eligible under the Living and Semi-Arid Project - PVSA, as stipulated in Loan Agreement No. I-788-BR.

BASIS FOR OPINION WITH RESERVATIONS

Non-compliance by the Project Management Unit (UGP) with the following clauses:

- a) Article VIII, Clause 8.02, Letter "A", of the General Conditions of Loan Agreement No. I-788-BR, as a result of the non-implementation of a Financial Management System. As a consequence, the Basic Financial Statements of the Project and other complementary financial information, submitted to the audit, were prepared and presented through electronic spreadsheets (in Microsoft Excel format), filled in manually.
- b) Non-compliance with Article VII, Section 7.08, of the General Conditions of Loan Contract No. I-788-BR, for not having contracted insurance for the Wolksvagem brand vehicle [REDACTED] dated 04/10/2018 acquired by EMATER.

Our audit was conducted in accordance with Brazilian and international auditing standards (the latter being relative to those published by the International Federation of Accountants - IFAC). Our responsibilities, in accordance with these standards, are described in the following section entitled "Responsibility of the Independent Auditor." We are independent in relation to the VIVA O SEMIÁRIDO PROJECT - PVSA, the Secretariat of Family Agriculture - SEAF, and the co-executors (Secretariat of Education and Culture - SEDUC, Secretariat of Labor and Entrepreneurship - SETRE and Institute for Technical Assistance and Rural Extension - EMATER), in accordance with the relevant ethical principles set forth in the Professional Code of Professional Accounting and Professional Standards issued by the Board Federal Accounting Standards, and we comply with all other ethical responsibilities in accordance with these standards.

We believe that the audit evidence obtained is sufficient and appropriate to substantiate our opinion with reservations.

EMPHASES

1. Preparation and Presentation of the Basic Financial Statements of the Project

The basis for preparing and presenting the Project Financial Statements is the annual financial reporting guidelines and auditing of activities financed by FIDA and other requirements stipulated in Loan Agreement No. I-788-BR. The Project

Financial Statements were prepared to assist the Secretariat of Family Agriculture - SEAF, through the Project Management Unit - UGP, to demonstrate compliance with the applicable guidelines and contractual clauses of Loan Agreement No. I-788-BR. Consequently, the Project Financial Statements may not be suitable for other purposes.

2. Adoption of Cash Regime

The policy of the State Department of Rural Development - SDR, through the Project Management Unit - UGP, is to prepare the Financial Statements of the VIVA O SEMIÁRIDO PROJECT - PVSA, based on cash payments and receipts. Under this procedure, revenues are recognized when received, not when earned, and expenses are recognized when paid and not when incurred.

3. Preparation of the Financial Statements with the use of electronic spreadsheets

The Basic Financial Statements of the Project were prepared through the use of electronic spreadsheets (Microsoft Excel), since a computerized system for the financial management of the VIVA O SEMIÁRIDO PROJECT (PVSA) was not implemented as required by Loan Agreement No. I-788 -BR.

4. Breakdown of Paripassu

The Government of the State of Piauí has not complied with the contractual commitment, in category II, in which it establishes the distribution in the proportion of 77% of FIDA and 33% of Government Counterpart. In the year, the proportion was 79% FIDA and 21% Counterpart, causing financial imbalance of Paripassu.

5. Missions Reports

All correspondence between the Project and FIDA, including the reports issued following the visits of the Missions held in May and September 2018, were reviewed. All comments made by the Oversight Mission in its reports dated 05/24/2018 and 09/20/2018, the following points were also discussed, which are still pending:

5.1. Supervision Mission for the period from May 14 to 25, 2018

- I - The permanent absence of an accounting system;
- II - The absence of clear flows of responsibility from the PVSA team;
- III- Cadastral database, where it contains the information about the groups of beneficiaries (gender, race / ethnicity, youth, etc.) and the benefits offered.

5.2. Supervision Mission for the period from 17 to 21st of September of 2018

- I - Accounting system still in the test phase and homologation;
- II - The lack of clear flows of responsibility of the PVSA team;
- III - The preparation of a clear organization chart of the PVSA containing a stream of team responsibility, including line of responsibility to key partnerships and actions.

ANOTHER TOPIC

The amounts corresponding to the period ended December 31, 2017 were audited by us and, in accordance with current auditing standards and at the time of issuance of the report, dated 05/28/2018, presented reservations regarding the Statement of Sources and Uses of the Project - IFR (in R \$) with respect to the divergences not reconciled in their final balances, in the amount of R\$ 205,360.76, when compared to the sum of the bank statement balances of the Designated and Operational accounts of the Project.

RESPONSIBILITY OF THE ADMINISTRATION ON THE FINANCIAL STATEMENTS OF THE PROJECT

The Secretariat of Family Agriculture - SEAF, through the Project Management Unit - UGP, is responsible for the preparation and adequate presentation of the Financial Statements of the VIVA O SEMIÁRIDO PROJECT - PVSA in accordance with the financial reporting guidelines of the International Fund for Agricultural Development - FIDA and other requirements stipulated in Loan Agreement No. I-788-BR and for the internal controls that the Project management has determined to be necessary to enable the preparation of Financial Statements free of material misstatement, whether caused by fraud or error..

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance that the Financial Statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable safety is a high level of security, but not a guarantee that the audit conducted in accordance with Brazilian and international auditing standards always detects any relevant relevant distortions. Distortions may be due to fraud or error and are considered relevant when, individually or together, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the referred Financial Statements. As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

- We identify and evaluate the risks of material misstatement in the Basic

Financial Statements, whether caused by fraud or error, we plan and perform audit procedures in response to such risks, and obtain audit evidence that is appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve circumvention of internal controls, collusion, falsification, omission or intentional misrepresentation;

- We obtain an understanding of the internal controls relevant to the audit, for the purpose of planning audit procedures appropriate to the circumstances, but not, for the purpose of expressing opinion on the effectiveness of internal controls;
- We evaluate the overall presentation, structure and content of the Project Financial Statements, including the disclosures, and whether the Project Financial Statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

We communicate with the Project Management Unit (UGP) responsible for the VIVA O SEMIÁRIDO PROJECT (PVSA) regarding, among other things, the planned scope, the time of the audit and significant audit findings, including any significant internal controls that we have identified during our work.

Salvador / BA, June 14, 2019.


RAAC AUDITORES E CONSULTORES INDEPENDENTES

C.R.C. BA nº 0636 Reg. CVM. nº 6.700 de 16/01/1997

ALICE SENA RIBEIRO BRANDÃO - CONTADORA C.R.C. BA. nº 10.856 C.P.F. nº 070.627.105-04



CONSELHO REGIONAL DE CONTABILIDADE - BA

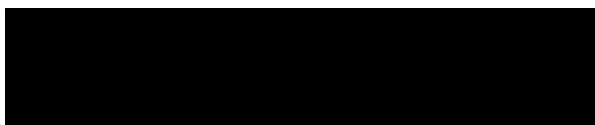
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O **CONSELHO REGIONAL DE CONTABILIDADE - BA** CERTIFICA que o profissional identificado no presente documento encontra-se em situação **REGULAR** neste Regional, **apto** ao exercício da atividade contábil nesta data, de acordo com as suas prerrogativas profissionais, conforme estabelecido no art. 25 e 26 do Decreto-Lei n.º 9.295/46.

Informamos que a presente certidão não quita nem invalida quaisquer débitos ou infrações que, posteriormente, venham a ser apurados contra o titular deste registro, bem como não atesta a regularidade dos trabalhos técnicos elaborados pelo profissional da Contabilidade.



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CONSELHO REGIONAL DE CONTABILIDADE DO PIAUÍ

**COMPROVANTE DE COMUNICAÇÃO DO EXERCÍCIO
PROFISSIONAL EM OUTRA JURISDIÇÃO**

O CONSELHO REGIONAL DE CONTABILIDADE DO PIAUÍ certifica que o(a) profissional identificado no presente documento possui Comunicação do Exercício Profissional nesta jurisdição.

IDENTIFICAÇÃO DO REGISTRO

NOME.....:	ALICE SENA RIBEIRO BRANDAO
REGISTRO.....:	[REDACTED]
CATEGORIA...:	CONTADOR
CPF.....:	[REDACTED]
SITUAÇÃO.....:	ATIVO

A falsificação deste documento constitui-se em crime previsto no Código Penal Brasileiro, sujeito o(a) autor(a) à respectiva ação penal.

Emissão: PIAUÍ, 06/06/2019 as 14:44:12

Código de Controle [REDACTED]

A aceitação deste comprovante está condicionada à verificação de sua autenticidade no site do Conselho Federal de Contabilidade, no endereço
<http://www3.cfc.org.br/spw/secundario/>

2. FINANCIAL STATEMENTS OF THE PROJECT

**2.1 REPORT IFR - SOURCES AND USES OF THE PROJECT FOR THE
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018,
EXPRESSED IN REAL.**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARY OF RURAL DEVELOPMENT - SDR
DIRECTORATE FOR COMBATING RURAL POVERTY - DCPR
VIVA O SEMIÁRIDO PROJECT - AC. FIDA LOAN 1-788 BR

STATEMENT OF THE REPORT FOR SOURCES AND PROJECT USES
PERIOD: 01.01.2018 A 12.31.2018

DESCRIPTION	REALIZED (R) (R \$)		PLANNED (P) (R \$)		(In reais) VARIATION (R.P) (R \$)		EMP BALANCE (R \$)
	EXERCISE	AC. PROJECT	EXERCISE	ACCUMULATED	EXERCISE	ACCUMULATED	
A - OPENING BALANCE / PREVIOUS EXPENDITURE	10.179.892,99						
UGP ACCOUNT	1.273.281,48						
SEFAZ ACCOUNT	8.511.572,28						
SRDUC ACCOUNT	113.943,94						
SRFRE ACCOUNT	306,70						
EMATER ACCOUNT	279.866,96						
SUB-TOTAL (OPERATIVE)	10.178.971,36						
SUB-TOTAL (DESIGNATED)	921,63						
TOTAL A	10.179.892,99						
B - SOURCES							
FIDA	13.611.857,14	48.188.457,96	33.324.169,98	125.398.879,80	-19.712.812,84	-82.210.421,64	16.106.541,02
STATE	4.654.275,33	9.372.910,69	11.799.986,27	42.897.388,37	-7.145.710,94	-33.324.475,68	6.020.283,92
COUNTERPART STATE 100%	2.526.852,69	11.808.898,29	5.678.000,00	0,00	-3.251.947,31	11.508.898,29	0,00
YIELD	161.580,41	1.688.897,74	0,00	0,00	161.580,41	1.688.897,74	0,00
ENTITY	1.950.329,22	3.930.658,65	2.950.000,00	11.576.866,00	-999.870,78	-7.646.007,35	0,00
TOTAL B	23.304.194,79	69.689.823,33	53.752.156,25	179.872.981,87	-30.447.961,46	-109.983.108,64	22.126.825,00
C - TOTAL AVAILABLE (A + B)	33.484.087,78						
D - USE OF FUNDS							
I - EQUIPMENT AND VEHICLES	725.719,23	2.231.451,49	1.914.896,00	9.220.867,80	-1.189.176,77	-6.989.416,31	598.380,51
II - TRAINING	3.813.913,27	7.628.166,34	5.051.025,00	21.209.371,00	-1.237.111,73	-13.581.204,66	1.018.514,51
III - AGREEMENTS AND CONTRACTS	0,00	171.660,00	1.669.000,00	5.775.670,00	-1.669.000,00	-5.604.010,00	2.026.525,51
IV.a - INVESTMENT FUNDS, IN MICRO COMPANIES	16.629.985,13	34.136.304,12	32.450.000,00	111.253.333,00	-15.820.014,87	-77.117.028,88	0,00
IV.b - INVESTMENT FUNDS, IN AGRO-PROCESSING	2.873.306,94	2.873.306,94	0,00	30.513.333,00	2.873.306,94	-7.640.026,06	2.047.579,54
V.a - RECURRENT COSTS / BALT / GRAT.DOS ADLS	1.720.597,30	3.213.644,42	1.401.626,25	3.032.682,77	318.971,05	180.961,65	13.331.748,81
V.b - OPERATIONAL COSTS	966.376,23	3.373.736,14	2.230.519,20	8.241.666,40	-1.265.342,97	-4.867.830,26	3.104.076,05
VII - DESP. COUNTERPART STATE 100% (Staff Proj / Others)	1.874.618,41	12.797.871,15	9.025.089,00	30.428.068,00	-3.160.470,59	-2.371.663,15	0,00
TOTAL D	30.404.716,51	66.428.940,60	53.752.155,45	179.872.981,87	-23.347.433,54	-113.246.891,37	22.126.825,00
E - FINAL DEBTURE BALANCE (E = C-D)							
UGP ACCOUNT (SDR)	799.218,73						
SEFAZ ACCOUNT	2.147.622,84						
SRDUC ACCOUNT	29.727,81						
SRFRE ACCOUNT	780,12						
EMATER ACCOUNT	100.019,02						
SUB-TOTAL (OPERATIVE)	3.077.368,52						
SUB-TOTAL ACCOUNT (DESIGNATED)	1.149,66						
TOTAL AND END OF BANK EXTRACTS	3.078.518,18						

Teresina, January 10, 2019

Marcos Júnior Avelino da Silva
FINANCIAL ADMINISTRATIVE DIRECTOR DE SDA

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Secretaria de Estado da Agricultura Familiar – SEAF
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Patricia Vasconcelos Lima
SDR SECRETARY

**2.2 REPORT IFR - SOURCES AND USES OF THE PROJECT FOR THE
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018,
EXPRESSED IN NORTH AMERICAN DOLLAR..**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARY OF RURAL DEVELOPMENT - SDR
DIRECTORATE FOR COMBATING RURAL POVERTY - DCPR
VIVA O SEMIÁRIDO PROJECT - AC, FIDA LOAN 1-788 BR

STATEMENT OF THE REPORT RE-SOURCES AND PROJECT USES
PERIOD: 01.01.2018 A 12.31.2018

DESCRIPTION	REALIZED (R) (USD)		PLANNED (P) (USD)		USD		EMP BALANCE (R\$)
	EXERCISE	AL. PROJECT	EXERCISE	ACCUMULATED	VARIATION (R-P) (USD)	ACCUMULATED	
A - OPENING BALANCE / PREVIOUS EXPENDITURE	2.027.611,63						
UGP ACCOUNT	328.656,62						
SEFAZ ACCOUNT	2.196.988,33						
SEDFUC ACCOUNT	20.410,90						
SETRE ACCOUNT	70,18						
EMATER ACCOUNT	72.238,63						
SUB-TOTAL (OPERATIVE)	2.627.375,74						
SUB-TOTAL (DESIGNATED)	237,89						
TOTAL A	2.627.611,63						
B - SOURCES							
FIDA	3.513.333,63	13.109.377,05	10.285.237,65	47.486.030,09	6.771.804,02	30.376.583,94	4.157.385,7
STATE	1.201.351,33	2.685.272,50	3.641.971,07	14.301.115,18	2.440.619,74	11.615.842,68	1.553.942,4
COUNTERPART STATE 100%	739.443,18	3.979.297,25	1.752.469,14	1.762.469,14	897.047,98	2.226.828,29	0,0
YIELD	41.705,78	804.721,55	0,00	0,00	41.705,78	804.721,55	0,0
ENTITY	303.414,70	1.107.095,12	910.493,83	3.855.806,46	407.079,13	2.748.710,34	0,0
TOTAL B	6.018.227,60	21.486.764,75	16.590.171,69	62.389.323,77	-10.574.944,09	-40.909.557,02	5.711.327,5
C - TOTAL AVAILABLE (A + B)	8.645.839,23						
D - USE OF FUNDS							
I - EQUIPMENT AND VEHICLES	187.321,06	834.203,28	591.199,75	3.144.886,54	401.878,69	2.400.463,36	154.452,1
II - TRAINING	984.438,92	2.369.775,97	1.559.439,64	6.934.785,27	375.000,72	4.564.989,30	262.895,7
III - AGREEMENTS AND CONTRACTS	0,00	62.643,69	515.282,49	1.780.110,50	515.282,49	1.737.866,91	523.082,5
IV.a - INVESTMENT FUNDS IN MICRO COMPANIES	4.292.499,26	9.624.142,59	10.013.402,51	37.960.389,73	5.720.907,23	28.135.247,14	0,0
IV.b - INVESTMENT FUNDS IN AGRO PROCESSING	741.651,68	741.651,68	0,00	3.885.731,64	741.651,68	3.144.079,96	628.516,7
V.a - RECURRENT COSTS / SAL / GRAT.DOS ADLS	444.116,80	898.186,05	432.734,25	952.074,33	11.382,55	84.808,27	3.441.161,7
V.b - OPERATIONAL COSTS	249.490,54	1.003.086,27	688.244,40	2.894.889,35	438.153,80	3.893.402,30	801.217,2
VII - DCPR COUNTERP.STATE 100% (stuff Proj) / Others	948.484,43	4.320.890,13	2.789.468,65	4.811.594,42	1.845.984,22	510.854,29	0,0
TOTAL D	7.847.998,69	19.674.360,27	16.590.171,69	62.389.323,78	-8.743.178,00	-42.720.961,51	5.711.327,5
E - FINAL DEBTURE BALANCE (E = C-D)							
UGP ACCOUNT (SDR)	206.292,48						
SEFAZ ACCOUNT	554.339,69						
SEDFUC ACCOUNT	7.673,27						
SETRE ACCOUNT	201,36						
EMATER ACCOUNT	25.816,69						
SUB-TOTAL (OPERATIVE)	794.323,98						
SUB-TOTAL ACCOUNT (DESIGNATED)	298,75						
TOTAL AND END OF BANK EXTRACTS	794.620,34						

Teresina, January 10, 2019

Marcelo Júnior Avellino da Silva
FINANCIAL ADMINISTRATIVE DIRECTOR OF PVSA

Patrícia Vasconcelos Lima
SDR SECRETARY

**2.3 DEMONSTRATIVE OF INVESTMENTS IN THE PROJECT FOR THE
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018,
EXPRESSED IN REAL.**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARIAT OF RURAL DEVELOPMENT - SDR
DIRECTORATE OF PRODUCTIVE INCLUSION - DIP
VIVA O SEMIÁRIDO PROJECT - PVSA - AC. LOAN FIDA I-788 BR

PROJECT INVESTMENT DEMONSTRATION
PERIOD: 01.01.2018 a 12.31.2018

EXPENSES HEADINGS	ACCUMULATED IN PREVIOUS YEARS			IN THE EXERCISE - POA 2018			(In reais) ACCUMULATED UNTIL 12.31.2018		
	FIDA	STATE	TOTAL	FIDA	STATE	TOTAL	FIDA	STATE	TOTAL
I. EQUIPMENT									
a) Vehicles / Equipment	1.290.873,49	214.858,77	1.505.732,26	528.596,54	197.122,69	725.719,23	1.819.470,03	411.981,46	2.231.451,49
TOTAL I	1.290.873,49	214.858,77	1.505.732,26	528.596,54	197.122,69	725.719,23	1.819.470,03	411.981,46	2.231.451,49
II. TRAINING									
a) Courses / Workshop	3.029.825,38	518.834,29	3.548.659,67	3.020.883,37	706.783,70	3.727.667,07	6.050.708,75	1.225.617,99	7.276.326,74
b) Disclosure Materials.	0,00	265.593,40	265.593,40	0,00	86.246,20	86.246,20	0,00	351.839,60	351.839,60
TOTAL II	3.029.825,38	784.427,69	3.814.253,07	3.020.883,37	793.029,90	3.813.913,27	6.050.708,75	1.577.457,59	7.628.166,34
III. AGREEMENTS / CONTRACTS									
a) Technical Assistance	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b) Audits and Studies	121.400,00	30.460,00	151.860,00	0,00	0,00	0,00	121.400,00	30.460,00	151.860,00
c) Contracts with Public Inst.	15.840,00	3.960,00	19.800,00	0,00	0,00	0,00	15.840,00	3.960,00	19.800,00
TOTAL III	137.240,00	34.420,00	171.660,00	0,00	0,00	0,00	137.240,00	34.420,00	171.660,00
IV. FINANCING									
a) Micro Enterprise Inv. Fund	12.926.483,67	4.543.835,32	17.506.318,99	12.481.979,18	4.148.005,95	16.629.985,13	25.408.462,85	8.691.841,27	34.136.304,12
b) Agro-Process Inv. Fund.	0,00	0,00	0,00	2.156.702,68	716.604,26	2.873.306,94	2.156.702,68	716.604,26	2.873.306,94
TOTAL IV	12.926.483,67	4.543.835,32	17.506.318,99	14.638.681,86	4.864.610,21	19.503.292,07	27.601.165,53	9.408.445,53	37.009.611,06
V. RECURRING COSTS									
a) Execut. e ADL	1.493.047,12	0,00	1.493.047,12	1.720.597,30	0,00	1.720.597,30	3.213.644,42	0,00	3.213.644,42
b) Operating Expenses	1.240.424,19	1.166.735,72	2.407.159,91	407.424,80	559.151,43	966.576,23	1.647.848,99	1.725.887,15	3.373.736,14
TOTAL V	2.733.471,31	1.166.735,72	3.900.207,03	2.128.022,10	559.151,43	2.687.173,53	4.861.493,41	1.725.887,15	6.587.380,56
VII. DESP. 100% STATE	0,00	9.123.052,74	9.123.052,74	222.117,16	3.452.501,25	3.674.618,41	222.117,16	12.575.553,99	12.797.671,15
TOTAL VII	0,00	9.123.052,74	9.123.052,74	222.117,16	3.452.501,25	3.674.618,41	222.117,16	12.575.553,99	12.797.671,15
TOTAL	20.153.893,85	15.867.330,24	36.021.224,09	20.538.301,03	9.866.415,48	30.404.716,51	40.692.194,88	25.733.745,72	66.425.940,60

Teresina, January 10, 2019

Marcos Júnior Avelino da Silva
FINANCIAL ADMINISTRATIVE DIRECTOR OF PVSA

Patricia Vasconcelos Lima
SDR SECRETARY

**2.4 DEMONSTRATIVE OF INVESTMENTS IN THE PROJECT FOR THE
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018,
EXPRESSED IN NORTH AMERICAN DOLLAR.**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARIAT OF RURAL DEVELOPMENT - SDR
DIRECTORATE OF PRODUCTIVE INCLUSION - DIP
VIVA O SEMIÁRIDO PROJECT - PVSA - AC. LOAN FIDA 1-788 BR

PROJECT INVESTMENT DEMONSTRATION
PERIOD: 01.01.2018 a 12.31.2018

EXPENSES HEADINGS	ACCUMULATED IN PREVIOUS YEARS			IN THE EXERCISE - POA 2018			(In US Dollar) ACCUMULATED UNTIL 12.31.2018		
	FIDA	STATE	TOTAL	FIDA	STATE	TOTAL	FIDA	STATE	TOTAL
I. EQUIPMENT									
a) Vehicles / Equipment	400.121,30	66.760,82	466.882,11	136.440,18	50.880,88	187.321,06	536.561,48	117.641,70	654.203,17
TOTAL I	400.121,30	66.760,82	466.882,11	136.440,18	50.880,88	187.321,06	536.561,48	117.641,70	654.203,17
II. TRAINING									
a) Courses / Workshop	1.106.612,06	232.023,13	1.338.635,19	779.743,78	182.433,46	962.177,24	1.886.355,84	414.456,59	2.300.812,43
b) Disclosure Materials.	0,00	46.701,85	46.701,85	0,00	22.261,68	22.261,68	0,00	68.963,53	68.963,53
TOTAL II	1.106.612,06	278.724,98	1.385.337,04	779.743,78	204.695,14	984.438,92	1.886.355,84	483.420,12	2.369.775,96
III. AGREEMENTS / CONTRACTS									
a) Technical Assistance	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b) Audits and Studies	45.215,24	11.352,04	56.567,28	0,00	0,00	0,00	45.215,24	11.352,04	56.567,28
c) Contracts with Public Inst.	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
TOTAL III	50.076,37	12.567,32	62.643,69	0,00	0,00	0,00	50.076,37	12.567,32	62.643,69
IV. FINANCING									
a) Micro Enterprise Inv. Fund	3.947.380,04	1.384.267,29	5.331.647,33	3.221.821,07	1.070.674,19	4.292.495,26	7.169.201,11	2.454.941,48	9.624.142,59
b) Agro-Process Inv. Fund.	0,00	0,00	0,00	556.683,36	184.968,32	741.651,68	556.683,36	184.968,32	741.651,68
TOTAL IV	3.947.380,04	1.384.267,29	5.331.647,33	3.778.504,43	1.255.642,51	5.034.146,94	7.725.884,47	2.639.909,80	10.365.794,27
V. RECURRING COSTS									
a) Execut.e ADL	454.049,26	0,00	454.049,26	444.116,80	0,00	444.116,80	898.166,06	0,00	898.166,06
b) Operating Expenses	387.251,24	366.345,18	753.596,11	105.163,60	144.326,94	249.490,54	492.414,84	510.672,12	1.003.086,65
TOTAL V	841.300,49	366.345,18	1.207.645,67	549.280,40	144.326,94	693.607,34	1.390.580,89	510.672,12	1.901.253,01
VII. DESP.100% STATE	0,00	3.372.205,70	3.372.205,70	57.332,39	891.152,04	948.484,43	57.332,39	4.263.357,74	4.320.690,13
TOTAL VII	0,00	3.372.205,70	3.372.205,70	57.332,39	891.152,04	948.484,43	57.332,39	4.263.357,74	4.320.690,13
TOTAL	6.345.490,26	5.480.871,29	11.826.361,55	5.301.301,18	2.546.697,51	7.847.998,69	11.646.791,44	8.027.568,80	19.674.360,24

Teresina, January 10, 2019

Marcos Júnior Avelino da Silva
FINANCIAL ADMINISTRATIVE DIRECTOR OF PVSA

Patricia Vasconcelos Lima
SDR SECRETARY

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**2.12 STATEMENT OF ALLOCATED, DISBURSED AND LOAN BALANCES
BY EXPENDITURE RULING FOR THE PERIOD FROM JANUARY 1, 2018
TO DECEMBER 31, 2018, EXPRESS SDR, NORTH AMERICAN DOLLAR
AND REAIS.**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARIAT OF RURAL DEVELOPMENT - SDR
DIRECTORATE OF PRODUCTIVE INCLUSION - DIP
VIVA O SEMIÁRIDO PROJECT - PVSA - AC. LOAN RDA 1788 BR

DEMONSTRATION OF ALLOCATED, DISBURSED AND LOAN BALANCES AND COUNTERPARTS BY EXPENSE ITEMS
POSITION: 12.31.2018

HEADLINE EXPENSES	ALLOCATED ORIGINAL (A)		ALLOC. ADJUST.	DISBURSEMENTS (US)													FIDA BALANCE CURRENT (US)	FIDA BALANCE CURRENT (R\$)	COUNTERPART STATE (R\$)	TOTAL BALANCE (R\$)
	SDR	US		PSF 01	PSF 02	PSF 03	PSF 04	PSF 05	PSF 06	PSF 07	PSF 08	PSF 09	PSF 10	PSF 11	TOTAL					
I-EQ. AND VEHICLES	455.000	712.557	633.410	0,00	0,00	0,00	189.403,85	122.933,46	54.665,29	0,00	0,00	0,00	0,00	0,00	367.002,60	266.407,40	1.032.115,55	433.734,96	598.380,59	
II-CAP. COURSE/MS.	1.580.000	2.474.375	2.200.922	0,00	613.765,89	0,00	348.247,52	4.343,55	9.849,43	0,00	158.388,88	190.712,07	0,00	219.669,67	1.594.977,01	605.944,99	2.347.552,08	1.329.087,49	1.018.514,59	
III-AC./CONTRACT	330.000	516.800	459.756	0,00	0,00	0,00	0,00	25.030,45	3.377,83	0,00	0,00	0,00	0,00	0,00	28.408,28	431.347,72	1.671.127,34	355.398,17	2.026.525,51	
IV - FINANC.FUND																				
a) Micro-Entrep. Inv. Fund	4.364.000	6.834.286	6.079.670	0,00	0,00	1.471.267,00	194.848,09	901.447,84	151.466,00	0,00	656.314,56	495.723,00	26.194,17	1.250.057,80	5.147.318,50	0,00	0,00	0,00	0,00	
b) Agroproc. Inv. Fund	1.120.000	1.753.987	1.560.395	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1.108.211,32	0,00	1.108.211,32	452.183,68	1.751.850,01	295.729,53	2.047.579,54	
V-CT REQUIREMENT																				
a) Extens. Sal.-ADL	3.240.000	5.074.034	4.513.937	0,00	0,00	0,00	145.838,80	189.041,79	124.294,31	0,00	99.911,39	53.640,52	155.915,65	65.915,43	835.557,89	3.678.379,11	14.250.776,35	0,00	13.331.748,81	
b) Operat. Cost	400.000	626.424	556.902	0,00	0,00	0,00	0,00	111.875,50	48.226,41	0,00	0,00	0,00	0,00	0,00	160.101,91	396.800,09	1.537.282,51	1.566.793,11	3.104.076,02	
VI - NOT ALLOCATED	1.281.903	2.007.537	1.787.430	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	393.459,46	1.393.970,54	5.400.520,67	0,00	0,00	
DESIG. ACCOUNT	0,00	0,00	0,00	2.000.000,00	0,00	0,00	0,00	0,00	0,00	2.000.000,00	0,00	0,00	0,00	0,00	4.000.000,00	4.000.000,00	15.496.800,00	15.496.800,00	0,00	
TOTALS	12.770.903	20.000.000	17.792.422	2.000.000,00	613.765,89	1.471.267,00	879.338,20	1.354.672,38	641.679,27	2.000.000,00	914.614,83	740.075,89	1.290.321,14	1.338.643,00	13.635.039,97	4.157.389,03	16.106.541,08	6.820.283,96	22.126.825,06	

Source: SDR / IDB / IDB/ENL

Sources: SDR / DIP / PVSA-Financial Coord. - Loan Agreement / PSF

Notes:

1) ADOPTED EXCHANGE RATES

SDR 1,00 = US 1,56606 (08.31.2009) (original allocation)
SDR 1,00 = US 1,390 (12.28.2018) (adjusted balance)
US 1,00 = R\$ 3,7842 (Current Loan Balance) (12.31.2018)

2) THE DISBURSEMENT OF PSF 01 TO 011 REGISTERED DISBURSED BY IFAD HAS BEEN CONSIDERED UNTIL THIS DATE

3) IN THE HEADING NON-ALLOCATED, WAS CONSIDERED PARITY FIDA 83% STATE 17%

5) IT WAS NOT CONSIDERED EXPENSES IN PROCESSING IN THE UGP AND COEXECUTORS

7) THE NON-ALLOCATED RESOURCES WERE DESIGNED TO CATEGORY IV.a IN THE AMOUNT OF SDR 1.281.903,00 OR US \$ 2.007.537,00 CORRESPONDING TO R \$ 6,712,482.78

8) IN THE CALCULATION OF THE COUNTERPARTS, THE PARI PASSO FOLLOWING TABLE OF ALLOCATION OF THE LOAN CONTRACT WAS ADOPTED

Teresina, January 10, 2019

Marcos Junior Aveilino de Silva
FINANCIAL ADMINISTRATIVE DIRECTOR OF PVSA

Patricia Vasconcelos Lima
SDR SECRETARY

**2.13 DEMONSTRATIVE OF THE EXPECTED, APPLIED AND BALANCED
RESOURCES TO BE APPLIED BY COMPONENTS IN THE PERIOD
FROM JANUARY 1, 2018 TO DECEMBER 31, 2018,
EXPRESSED IN NORTH AMERICAN DOLLAR**



GOVERNO DO ESTADO DO PIAUÍ
SECRETARIA DA AGRICULTURA FAMILIAR – SEAF
SUPERINTENDÊNCIA DO DESENVOLVIMENTO RURAL



STATE OF PIAUÍ
SECRETARY OF RURAL DEVELOPMENT
DIRECTION OF PRODUCTIVE INCLUSION
VIVA O SEMIÁRIDO PROJECT

POSITION: 31.12.2018

COMPONENTS	EXPECTED RESOURCES				APPLIED RESOURCES			(In reais) BALANCE TO BE APPLIED		
	FIDA - ORIGINAL	FIDA-CURRENT	GOV	TOTAL	FIDA	GOV	TOTAL	FIDA	GOV	TOTAL
1. PRODUCTIVE DEV.	31.878.000,00	48.453.465,13	12.929.154,75	61.382.619,90	21.186.223,47	5.184.666,57	26.370.890,04	27.267.241,68	7.744.488,18	35.011.729,86
2. SOCIAL AND HUMAN DEV.	4.134.000,00	7.470.860,53	8.826.072,72	16.296.933,27	1.666.825,06	207.537,28	1.874.362,34	5.804.035,49	8.618.335,44	14.422.370,93
3. FORT. INSTITUCIONAL	1.588.000,00	1.628.809,44	547.267,44	2.176.176,88	1.843.732,36	550.725,24	2.394.457,60	-214.822,92	-3.457,80	-218.280,72
4. UGP/M&A	2.400.000,00	3.851.996,88	13.169.024,13	17.021.021,01	3.580.768,87	621.663,99	4.202.432,86	271.227,01	12.547.360,74	12.818.280,72
TOTAL	40.000.000,00	61.405.232,02	35.471.519,04	96.878.751,06	28.277.550,76	6.564.592,48	34.842.143,24	33.127.681,26	28.906.926,56	62.034.607,82

COMPONENTS	EXPECTED RESOURCES				APPLIED RESOURCES			(In US Dollar) BALANCE TO BE APPLIED		
	FIDA - ORIGINAL	FIDA-CURRENT	GOV	TOTAL	FIDA	GOV	TOTAL	FIDA	GOV	TOTAL
1. PRODUCTIVE DEV.	15.939.000,00	13.983.571,00	3.767.000,00	17.750.571,00	7.338.869,75	1.768.009,71	9.106.879,46	6.644.701,25	1.998.990,29	8.643.691,54
2. SOCIAL AND HUMAN DEV.	2.067.000,00	2.194.890,00	2.307.000,00	4.501.890,00	696.765,10	82.402,55	779.167,65	1.498.124,90	2.224.597,45	3.722.722,35
3. FORT. INSTITUCIONAL	794.000,00	513.321,00	169.000,00	882.321,00	568.770,62	169.892,52	738.663,14	-55.449,62	-892,52	-56.342,14
4. UGP/M&A	1.200.000,00	1.100.640,00	3.428.000,00	4.528.640,00	1.030.631,50	189.302,53	1.219.934,03	70.008,50	3.238.697,47	3.308.705,97
TOTAL	20.000.000,00	17.792.422,00	9.671.000,00	27.463.422,00	9.635.036,97	2.209.607,31	11.844.644,28	8.157.385,03	7.461.392,69	15.618.777,72

Notes:

- 1) Column Received Original Receipts U \$ 1,00 = R \$ 2,00
- 2) FIDA actual Column SDR 1,00 = U \$ 1,390 (12.28.2018)
- 3) The difference in dollars between "original predicted resources" and "current" is due to the variation between DSR and U \$
- 4) Expected in Reais = Executed in R \$ + balance in dollars converted at the rate of R \$ 3.8742 (12.31.2018)
- 5) They are not included in PRONAF's resources applications, COUNTERPARTS OF BENEFICIARIES AND DECLARATORIES
- 6) The amounts of the "applied" columns are presented in Funds Drawing Requests from numbers 02 to 011 with the exception of 07
- 7) There are expenses paid in the various components, not yet submitted to FIDA for disbursement purposes
- 8) It is not deducted from the balance to be applied to the FIDA advances, which total U \$ 4,000,000.00

Teresina, January 10, 2019

Marcos Junior Avelino da Silva
FINANCIAL ADMINISTRATIVE DIRECTOR OF PVSA

Patricia Vasconcelos Lima
SDR SECRETARY

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**3. GENERAL INFORMATION AND EXPLANATORY NOTES OF THE
FINANCIAL STATEMENTS OF THE VIVA O SEMIÁRIDO PROJECT -
PVSA FOR THE FINANCIAL YEAR 2018**



GENERAL INFORMATION AND EXPLANATORY NOTES OF THE FINANCIAL STATEMENTS OF THE VIVA SEMIÁRIDO PROJECT FOR THE FINANCIAL YEAR 2018

NOTE 1 - GENERAL PROJECT INFORMATION

- a. **NAME: VIVA O SEMIÁRIDO PROJECT**
- b. **PURPOSE OF THE PROJECT:** To contribute to reduce poverty, improve agricultural and non-agricultural income the opportunities and productive assets of families in need of the semi-arid of Piauí.
- c. **FUND:** FIDA - International Fund for Agricultural Development, through the I - 788 BR - PIAUÍ Loan Agreement, which has the following conditions:
 - **LOAN VALUE:** US \$ 20,000,000
 - **AMORTIZATION:** 18 years.
 - **WAITING:** 3 years.
 - **Nº PLOTS:** 30
 - **CURRENCY:** SDR / US Dollar.
- d) **COMPONENTS OF THE PROJECT:** Productive Development, Social and Human Development, Institutional Strengthening, Management Unit and Monitoring and Evaluation.
- e) **DEADLINES FOR IMPLEMENTATION**
 - **DATE OF SIGNATURE / EFFECTIVENESS:** 09.04.2013
 - **DEADLINE FOR IMPLEMENTATION:** 7 years from the date of entry into force.
 - **CLOSING DATE:** 09.04.2020
- f) **INSTITUTIONAL ARRANGEMENT**
 - **LEADING AGENCY:** SEPLAN.
 - **EXECUTING ORGAN:** SDR / UGP DEC. No. 15,204 OF 10.06.13
 - **CO-EXECUTING ORGANS:** SEDUC / SETRE / EMATER
- g) **AMOUNTS OF RESOURCES TO BE FINANCED BY HEADING OF EXPENDITURE AND PERCENTAGE OF FINANCING:**

EXPENSES HEADINGS	SDR	US\$	R\$	%
I. EQUIPMENT AND VEHICLES	<u>505</u>	<u>792</u>	<u>1.572</u>	–
a) Vehicles	266	417,000	827	
b) Other Equipments	239	375,000	744	
II. TRAINING - COURSES AND WORKSHOPS	<u>1.757</u>	<u>2,752</u>	<u>5.464</u>	–
a) Courses and workshops	1.757.276	2,752,000	5.464.096	77
b) Promotional materials	0	0	0	0
III. AGREEMENTS AND CONTRACTING TECHNICAL SERVICES	<u>367.163</u>	<u>575,000</u>	<u>1.141.662</u>	–
a) Technical Assistance	146.227	229,000	454.679	80
b) Audits and Studies	199.226	312,000	619.476	80
c) Contracts with Public Institutions	21.710	34,000	67.507	100
IV. RESOURCES FOR FINANCING	<u>6.094.913</u>	<u>9,545,000</u>	<u>18.951.597</u>	–
a) Agricultural and Rural Microenterprise Investment Fund	4.849.750	7,595,000	15.079.872	83
b) Investment Funds in Agro-Processing	1.245.163	1,950,000	3.871.725	83
V. RECURRING COSTS	<u>4.045.823</u>	<u>6,336,000</u>	<u>12.580.127</u>	–
SALARY	<u>3.600.756</u>	<u>5,639,000</u>	<u>11.196.234</u>	–
a) Wages of Extens. and Local Development Agencies ADL	3.600.756	5,639,000	11.196.234	100
b) Executing Agency Staff	0	0	0	0
VI. OPERATIONAL COSTS	<u>445.067</u>	<u>697,000</u>	<u>1.383.893</u>	–
a) Operational expenses	445.067	697,000	1.383.893	46
b) Energy and Fuel	0	0	0	0
TOTAL	12.770.903	20,000,000	39.709.997	–

- **TOTAL PROJECT VALUE: US\$ 33,747,000**
- **FINANCED VALUE (FIDA): US\$ 20,000,000**
- **STATE COUNTERPART: US\$ 9,671,000**
- **PRONAF RESOURCES: US\$ 2,800,000**
- **COUNTERPARTY OF THE BENEFICIARY: US\$ 1,276,000**

h) PROJECT SCOPE AREA

The Project covers 04 territories (Sambito, Rio Guaribas, Canindé and Serra da Capivara), as shown below:

TERRITORIES AND OTHER MUNICIPALITIES			
	VALE DO SAMBITO TERRITORY (PRIORITARY MUNICIPALITIES)		(OTHER MUNICIPALITIES)
15	Acauã, Betania, Caldeirão Grande, Campo Grande, Dom Expedito, Fco. Santos, Itainópolis, Jacobina, Marcolândia, Massapê, Padre Marcos, Paulistana, Picos, Pio IX, Queimada Nova	24	Alagoinha, Alegrete, Aroeira do Itaim, Bocaina, Belém, Curral Novo, Caridade, Fco. Macêdo, Fronteiras, Geminiano, Jaicós, Mons. Hipólito, Paquetá, Patos, Santana, Sto. Ant. Lisboa, S. João Canabrava, S. José, S. Luis, Sussuapara, Simões, S. Julião, Vila Nova, Vera Mendes.
	VALE DO RIO GUARIBAS TERRITORY (PRIORITARY MUNICIPALITIES)		(OTHER MUNICIPALITIES)
5	Barra d'Alcantara, Francinópolis, Lagoa do Sítio, Valença, Pimenteiras	10	Aroazes, Elesbão Veloso, Inhuma, Ipiranga, Novo Oriente, Prata, Sta. Cruz dos Milagres, São Félix, São Miguel da Baixa Grande, Varzea Grande.
	VALE DO RIO CANINDÉ TERRITORY (PRIORITARY MUNICIPALITIES)		(OTHER MUNICIPALITIES)
6	Bela Vista, Colônia do Piauí, Oeiras, Sto. Inácio, S. Fco. Assis, São João da Varjota	11	Cajazeiras, Campinas, Conceição do Canindé, Floresta, Isaias Coelho, Santa Cruz, Santa Rosa, São Francisco do Piauí, Simplicio Mendes, Tanque do Piauí, Wall Ferraz
	SERRA DA CAPIVARA TERRITORY (PRIORITARY MUNICIPALITIES)		(OTHER MUNICIPALITIES)
6	Cap. Gervásio, Cel. José Dias, Guaribas, Jurema, S. Rdo. Nonato, Varzea Branca	12	Anísio de Abreu, Bonfim, Caracol, Campo Alegre do Fidalgo, Dom Inocêncio, Dirceu Arcoverde, Fartura, João Costa, Lagôa do Barro, S. João do Piauí, S. Brás, S. Lourenço.

- TARGET POPULATION: 75,000 families.
- NUMBER OF DIRECT BENEFICIARY FAMILIES: 2.000
- BENEFICIARY MUNICIPALITIES: 89

NOTE 2 - ACCOUNTING POLICY ADOPTED

The accounting policy adopted for the preparation of the basic financial statements of the Project complies with the cash regime of the Designated and Operative accounts of the UGP and of the sub-accounts of the Co-executing Agents, and in the recording of revenues by the receipt of loan proceeds and counterpart and in recording the expenses for the effective payments made by said accounts.

NOTE 3 - BASIC FINANCIAL DEMONSTRATIONS OF THE PROJECT

Project financial statements include the IFR Project Sources and Uses Statements, prepared in Reais and in US Dollars. These financial statements have been prepared, in accordance with the models required by FIDA, agreed during the preparation of the Project.

Consolidations of the financial statements information presented were performed by the UGP / PVSA, as presented by the statements of income and expenses and bank reconciliations, prepared individually by the UGP and the Co-executing Agents, being this time all documentation of contribution, available in each of the organs..

All the statements presented were prepared using spreadsheets in Excel, because the SIG system is not available for the issuance of management reports, mainly those for financial execution.

NOTE 4 - EXCHANGE POLICY

For Requests for withdrawals of Funds converted from Reais to US Dollars, requested from FIDA in the year, the FIFO system - First in First Out, was used. In fiscal year 2018, balances, receipts of resources (Sources) and payments (Use of Funds), presented in the IFR Project Sources and Uses Statement and DIP - Statement of Investments in the Project, shown in US Dollars, had their conversion of reais into that currency, at the exchange rate of the last working day of the year, at the parity of U \$ 1.00 = R \$ 3.8742.

NOTE 5 - SOURCES AND USES OF PROJECT RESOURCES (EXECUTION OF THE EXERCISE)

a) SOURCE OF RESOURCES

The IFR-Sources and Uses of Project Resources presented reflect the financial movements during the year and accumulated balances, comprising the period from 01.01st.2018 to 12.31st.2018, corresponding to the total in the origins in the amount of R \$ 23,304,194, 79 of which the amount accumulated in the period is RS 69,689,823.33.

In the same statement, line corresponding to the External source (FIDA), was presented the amount of R\$ 13,611,357.14 of origin of the Loan Account, credited to the Designated Account of the Project / SEFAZ accumulating a total of R \$ 43,188.457.96;

The amount of funds presented in the sources of the STATE source, in the amount of R\$ 4,654,275.33, refers to State Counterpart funds from the single account, accumulating in the period the amount of R\$ 9,372,910.69. These funds were credited to the account of the UGP and the Co-executors.

The amount of resources presented in the origins of the CONTRAPARTIDA (100% STATE) source refers to resources from the state treasury, which aims to pay 100% financed by the State, involving salaries of UGP's employees, Co-executors and others, which corresponded to an amount of R \$ 2,926,652.69, accumulating up to the period the amount of R \$ 11,508,898.29.

The changes in the financial statements presented and taken based on the bank statements of the Project accounts resulted in the amount of R\$ 161,580.41. Considering the amount accumulated during the entire execution of the Project, in this item, it corresponded to the total of R\$ 1,668,897.74. In the Income Statement of Financial Applications of the Project Accounts, the conversion of amounts from R\$ to U\$ was made by the exchange rate of the last working day of each month.

The participation as an equivalent contribution in financial resources of the ENTITIES beneficiaries of the Project, was presented as an accurate result the amount of R\$ 1,950,329.22 (calculated linearly in 10% of the PN's costs) in the form of labor and / or others for the execution of the Business Plans.

b) USE OF RESOURCES (EXECUTION OF THE YEAR)

The appropriations by expenditure item, under I-788 BR Loan Contract, presented in the IFR, correspond to the eligible expenses incurred during the 2017 financial year, financed with resources from the State and / or FIDA and corresponding consideration according to the percentages of financing of each item, as well as the same Loan Agreement.

In the period under review, the investment funds were classified as expenditures as described in the SIAFI-PI 2017 report, representing an aggregate amount of R\$ 30,404,716.51, accumulating up to the period the amount of R\$ 66,425,940.60, distributed among the items, as follows:

Expenditure Item I - Equipment and Vehicles - Includes acquisitions of equipment and vehicles for the UGP and for the Co-executing Agents. It is observed that in the period under analysis, expenses corresponding to the amount of R\$ 725,719.23 were incurred, accumulating, in the total execution of the Project, the amount of R\$ 2,231,451.49;

Expenditure Item II - Training— It includes expenses for courses and workshops to be provided to the personnel of the UGP, Co-executing Agents, service providers and beneficiaries, being paid through the UGP, Co-executors or PCT IICA, which corresponded to the amount of R\$ 3,813,913.27 accumulating up to the period the amount of R\$ 7,628,166.34;

Expenditure Item III – Technical Services Agreements and Contracts
- It includes agreements and contracts for the provision of technical assistance, auditing and studies services. No expenses were incurred under this heading;

Expenditure Item IV – Financing Business Plans – Corresponds to categories or categories (IV.a) financing of Business Plans for investment in agricultural / rural microenterprise and (IV.b) Investment in Agro-processing, demanded by community associations or cooperatives of small producers. They are investments for small farms and family businesses, including plantations, equipment, production assets, as well as agro-industry, mainly infrastructure and equipment. In the period under analysis, resources were made in the amount of R\$ 19,503,292.07, accumulating R\$ 37,009,611.06, including in this the community participation. Considering individual categories, the result was the following: During the year, in category IV.a, resources were applied in the amount of R\$ 16,629,985.13 and in category IV.b resources were applied in the amount of R\$ 2,873. 306.94.

Expenditure Item V – Recurring Costs – This item is intended to cover expenses under the heading Va - wages and charges for Local Development Agents (ADL), payment of the Project Additional and ATS, 100% financed by FIDA, where expenditure was incurred in the amount of R\$ 1,720,597.30 e; (V.b) operating and maintenance costs of the UGP and coexecutors, where expenses were incurred in the amount of R\$ 966,576.23.

Expenditure Item VI – Refers to unallocated resources;

Expenditure Item VII - Counterparties Expenses State 100% -
Corresponds to the application of staff salaries of the UGP and Co-executing agents (100%) financed by the State, in addition to other expenses not financed by FIDA, but received as counterparts in declarations. In the period under analysis, total expenses were presented in the amount of R\$ 3,674,618.41.

NOTE 6 - DECLARATION OF EXPENSES - SOE, SUMMARY SHEET - SS /APPLICATION FOR DECLINE OF FUNDS

The exchange policy for the purpose of repaying the amounts withdrawn from the Designated Account is used to pay the expenses of the Project to be presented in the Statement of Expenses - SOE, Folha Summary - SS or Direct Payment, converting the amounts of these expenses, from reais to dollars, at the same exchange rate applied by the bank to transfer the drafts of the Designated Account in dollars to the Project Operating Account, in Reais.

NOTE 7 - OTHER INFORMATION TO BE CONSIDERED

- a) Resources from financial investments from 2018 are being used by SEFAZ as a counterpart of the State, due to the financial difficulties that the State is experiencing.
- b) In some Business Plans financed by the PVSA, it may happen that Beneficiary entities provide counterpart resources above the minimum required percentage of 10% of the PN's costs.
- c) In the preparation of the financial statements of the Project, certain difficulties were encountered because the SIG had not yet been fully implemented, and the State accounting system in the SIAFI figure did not provide information that complied with the reporting models required by FIDA. This happens mainly in the discrimination of values referring to the components, subcomponents, items of expenses of the Loan.
- d) In order to correct the difficulties shown in the above item, the Project's financial team has been carrying out specific work, including outside



normal working hours in order to carry all the financial data in the GIS, having already inserted:

- Resource allocation table
- Components and costs
- Subcomponents and costs
- Lines of Action and Activities
- Accounts of the Loan, designated and operative of the UGP and Coexecutors including transactions between accounts.
- Requests for withdrawals of Funds disbursed
- POA's for the years 2013 to 2019

Registration of all associations and their respective Business Plans financed and simultaneously of various creditors.

Currently, all the payments made by the Project are being launched in SIG, starting with the execution of the 2014 fiscal year, launched through paid banking orders comprising: expenses, sources, components, subcomponents, expenses item, financing percentage, date payment, lender and value. So it takes time to load the data until the current date, and if you extract all the statements through the SIG.

In view of the above, it was not possible to comply with the recommendation for the use of the new forms of financial statement and audit forms presented by the Fund, thus, due to the complexities of the presented statements, to be extracted directly through the SIG, since it would not be justified to continue the presentation in excell spreadsheets. The models of the new demos have already been passed on to the company that is customizing the SIG.

- e) All financial statements continue to be prepared in excel spreadsheets, which is understood to generate some uncertainty and imprecision of accumulations and interpretations of data, despite a redoubled effort to avoid this. In these same statements, all the expense information paid through the SIAFI-PI report for the specific worksheets created for this purpose had to be transcribed manually, by discriminating components, subcomponents, sources of funds, percentage of funding and expenditure items of the Project, proving a high level of difficulty.
- f) Resources from counterpart sources 100% State and Entities do not enter the Project accounts, are considered declaratory.

- g) A substantial amount of resources presented in the operational categories for the 2018 and previous financial years have not yet been submitted to FIDA in the form of disbursements. Such expenses will be presented in the next request for withdrawals of funds or documented later or in the form of disbursement or counterpart.
- h) The amounts of counterparts declared in the 2018 financial year shall be presented to FIDA together with those calculated in previous years as soon as the accounts of the category corresponding to them are determined.
- i) Due to the financial difficulties of the State, some payments of expenses with categories of business and operational plans did not comply with the paripasso, however this was agreed with the funder organ, when reviewing the Letter to the Borrower.
- j) In the IFR statement, there was a small unidentified difference between the closing of the report and the bank statement (the lower) in the amount of R\$ 853.09.
- k) In the SOE number 10 submitted to FIDA on 05.29.2018, on the advice of the financial expert of this fund, who noted that the terms of contributions of numbers 04 and 05/2016, 01 and 050/2017 should be resubmitted in sub -Rubber of expenses Vb instead of continuing in Va, because they fit better according to its object. Thus SOE No. 10 presented a spreadsheet with the mentioned terms with negative sign in the sub-item V.a and positive in V.b in the amount of R \$ 3,203,669.46, with no changes in the total of item IV, only in the individual. Since there was no further performance in heading IV recorded in 2018, but rather in previous years, the changes in the statements will be verified through explanatory notes, when requested. Since there was no further performance in heading IV recorded in 2018, but rather in previous years, the changes in the statements will be verified through explanatory notes, when requested.
- l) The income from investments is characterized as being of the borrower, and was applied to the expenses of the Project R \$ 170,284.91, which originated the income from financial investments.
- m) The Technical Cooperation Project (PCT), signed with IICA-Inter-American Institute for Cooperation on Agriculture, signed on March 30, 2013, received financial resources from the PVSA in the amount of R\$ 1,600,000.00 during fiscal year 2018, accumulating with the whole



execution of said Project the amount of R \$ 4,956,181.82. The said Institute verified expenses in the year in the amount of R \$ 1,709,661.59 and with the payment of RCI / TIN the amount of R \$ 136,772.93. The PCT is due to close on March 19, 2020.

- n) The accountability of the counterparts of the Beneficiary Entities of the Project, according to its Financial Management Manual, in item 1.2, will be presented together with the final accounting of the portion received from the Business Plans. Of the plans financed in 2018, no entity was accountable for the final portion received and, consequently, for the communities' counterparts.

Teresina, Jan 10th, 2019.

Marcos Junior A. da Silva
SDR FINANCIAL ADMINISTRATIVE DIRECTOR

Patrícia Vasconcelos Lima
SDR SECRETARY