

# **AUDITED PROJECT FINANCIAL STATEMENTS**

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Project Nº : 1100001619

IFAD Loan No. 1000004339 / L-E--17-

IFAD Loan No. 1000004338 / L-I--882-

Period covered 1 January 2018 – 31 December 2018

## **Productive Development And Capacity Building Project (PAULO FREIRE PROJECT)**

Prepared by: RAAC - Auditores e Consultores Independientes

Received on 19 June 2019

The Audited project financial statements are documents owned by the Borrower/ Recipient. The views expressed herein do not necessarily represent those IFAD's Executive Board, Management or Staff. This document is made publicly available in accordance with the "Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects (2018)"

**REPORT OF THE INDEPENDENT AUDITORS ON THE ACCOUNTS OF THE  
LOAN CONTRACT FIDA Nº1-882-BR / E17-BR  
FOR THE PERIOD FROM 01.01 TO 31.12.2018**

To the  
**GOVERNO DO ESTADO DO CEARÁ**  
**SECRETARIA DO DESENVOLVIMENTO AGRÁRIO - SDA**  
Unidade de Gerenciamento do Projeto – UGP  
Fortaleza/CE

**OPINION**

We examined the Basic Financial Statements of the Project of Production and Capacity Development / PDPC - Paulo Freire Project, partially financed by the FIDAN I-882-BR / E17-BR Loan Agreement signed with the International Fund for Agricultural Development - FIDA, which include the "Uses and Sources of Appeal by Financier" and "Uses and Sources of Resource by Category" of the Project, for the period from January 1, 2018 to December 31, 2018, prepared in Real, accompanied by the respective explanatory notes, and we also examined the accompanying financial statements, the Statements of Expenses (SOE / SS) attached to the Requests for Drawdown of Funds and the movement of the Designated and Operating Accounts corresponding to that period.

The Basic Financial Statements of the Project of Production and Capacity Development / PDPC - Paulo Freire Project were elaborated by the Agrarian Development Secretariat - SDA, through the Project Management Unit -UGP.

**In our opinion:**

1. The Basic Financial Statements of the Project of Production and Capacity Development / PDPC - Paulo Freire Project, accompanied by the Supplementary Financial Statements and the respective explanatory notes, present fairly, in all material respects, the receipts and payments made during the period of January 1 from 2018 to December 31, 2018, according to the cash basis, as well as the expenses applied for the purposes set forth in the FIDA Loan Contract No. I-882-BR / E17-BR.
2. The expenses incurred by the Secretariat of Agrarian Development (SDA), through the Project Management Unit (UGP), during the period from January 1, 2018 to December 31, 2018, and presented in the Expenditure Declarations (SOE), are eligible, as provided in the FIDA Loan Agreement I-882-BR / E17-BR.3.
3. The movement of the Designated Accounts [REDACTED] in US Dollars (USD) and [REDACTED] and in Euro (EUR), maintained at Caixa Econômica Federal SA,

Agência [REDACTED] adequately reflect, in all material respects, the flow during the period from January 1, 2018 to December 31, 2018, and the funds transferred to Operational Account No. [REDACTED] in Reais (R \$), together with the same agency, were used exclusively for the payment of eligible expenses under the Project of Production and Capacity Development / PDPC - Paulo Freire Project, as stipulated in the FIDA Loan Agreement No. I-882-BR / E17-BR signed on 06/27/2013.

## **EMPHASES**

### **1. Basis of Preparation of the Basic Financial Statements of the Project**

The basis for preparing and presenting the Project's Basic Financial Statements is the guidelines for annual financial reporting and auditing of activities financed by FIDA and other requirements under FIDA Loan Agreement I-882-BR / E17-BR. The Basic Financial Statements of the Project were prepared to assist the Secretariat of Agrarian Development - SDA, through the Project Management Unit - UGP, to demonstrate compliance with the applicable guidelines and contractual clauses of the FIDA Loan Agreement No. I-882-BR / E17-BR. Consequently, the Project's Basic Financial Statements may not be suitable for other purposes.

### **2. Accounting Policies**

The Accounting Policy of the Secretariat of Agrarian Development - SDA, through the Project Management Unit - UGP is to prepare the Basic Financial Statements of the Project of Production and Capacity Development / PDPC - Paulo Freire Project, based on payments and cash receipts. Under this procedure, revenues are recognized when received, not when earned, and expenses are recognized when paid and not when incurred.

The Project is subject to the provisions of Federal Law No. 4,320 / 64 and its amendments, which establishes rules of financial law for budgetary and accounting controls and records, through a system of the Government of the State where all operations are registered.

The accounting records of the operations resulting from the execution of the Project are carried out in a prominent manner and separated from the other records that do not involve loan proceeds, through the Governmental Results Management System (S2GPR) that can reliably present the situation and the results of the financial operations of the resources or group of Executors accounts, in accordance with generally accepted accounting principles, and in accordance with Federal Law No. 4,320, dated March 17, 1964, State Law No. 9,809, of December 18, 1973 (Accounting Code of the State of Ceará) and the

International Accounting Standards, issued by the International Federation of Accountants (IFAC). In addition to this accounting, system will be used information from the following systems: Contracts and Agreements Monitoring System (SACC); Integrated Program Monitoring System (SIAP); Integrated Budgetary and Financial System (SIOF) and the Patrimony System (SISPAT).

### **3. Preparation of the Basic Financial Statements with the use of electronic spreadsheets**

The Basic Financial Statements of the Project were prepared by means of spreadsheets (Microsoft Excel), since the computerized system for the financial management of the Project of Production and Capacity Development / PDPC - Paulo Freire Project was not yet completed. Loan Agreement FIDA Nº I-882-BR / E17-BR.

### **4. Breaking of "Paripassu"**

The loan proceeds should be used "paripassu", taking into account the proportion established in Annex 2 of the Loan Agreement. The Government of the State of Ceará did not comply with a contractual commitment distributed in the proportion of 48% of FIDA and 52% of Government Counterparty, being the proportion of 78% FIDA and 22% of Counterparty, causing a financial imbalance of the "paripassu".

In the year 2018, the cumulative amount of R\$ 74,561,068.48 was disbursed from the FIDA Loan Contract No. I-882-BR / E17-BR, of which R\$ 9,105,497.00 refers to the State counterparty. The POA 2018 provided for counterpart expenses in the amount of R\$ 96,403,575.70, and only the amount of R\$ 8,562,853.65 was executed, equivalent to approximately 10% of the total amount of R \$86,614,207,85 executed in the period.

### **5. Missions Reports**

During the visits made by the Support and Supervision Mission to the Paulo Freire Project, the following items were also discussed, considered as relevant by the audit and which are still pending:

#### **5.1 – Supervision Mission for the period from April 09 to 13, 2018.**

- Seek the rebalancing of the "paripassu" to guarantee the counterpart budget of the State Government. The flexibility of the "paripassu" of the expenditures regarding the contribution of the Counterpart was established on the condition that the balance of the contract was maintained at the end of each semester. It was verified that up to 03/31/2018 the proportion was 70% FIDA and 30% State Government.



- Measure the amounts of the beneficiaries' counterpart and access to other public policies.

**5.2 – Supervision Mission for the period from August 20 to 31, 2018.**

- Intensify partnerships with government agencies to streamline and improve the performance of the Paulo Freire Project.
- Strengthen the teams of partner entities of Continuous Technical Assistance (ATC) with the organization of training events of various types.
- Reduce the financial imbalance of the contract until the end of 2018. The PMU will present to FIDA by September 30, 2018 the counterparts of other Government programs in the Project for the year 2018, in the amount of up to R\$ 32,000,000.00.

**5.3 – Supervision Mission for the period from December 10 to 14, 2018.**

- Request a readjustment of the budget in the first quarter of 2019, due to the unavailability of the counterpart budget for 2019, offset by R \$ 32,000,000.00.
- Reduce the financial imbalance of the contract until the end of 2018 by submitting to FIDA up to 30/01/2019 the counterparts of other Government programs in the Project for the year 2018.
- To make the appropriate and timely contribution of the agreed counterpart, due to the imbalance of the "paripassu".

**Another subjects**

1. The amounts corresponding to the period ended December 31, 2017 were audited by other independent auditors and, in accordance with the auditing standards in force at the time of issuance of the report, on 05/18/2018, they did not express reservations.
2. All correspondence between the Secretariat for Agrarian Development - SDA and FIDA, including the Reporting Aids issued after the visits of the Support and Supervision Missions of the Project of Production and Capacity Development / PDPC - Paulo Freire Project, during the 2018 financial year.

## **Management's Responsibility for the Basic Financial Statements of the Project**

The Secretariat of Agrarian Development - SDA, through the Project Management Unit, is responsible for the preparation and adequate presentation of the Basic Financial Statements of the Productive Development and Capacity / PDPC Project - Paulo Freire Project, according to the reporting guidelines financial statements of the International Fund for Agricultural Development (FIDA) and other requirements under the FIDA Loan Agreement I-882-BR / E17-BR and for the internal controls that the Project administration has determined to be necessary to enable the preparation of financial statements free of distortion regardless of whether it is caused by fraud or error.

## **Responsibilities of the Auditor 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 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 assess the risks of material misstatement in the Basic Financial Statements, whether caused by fraud or error, 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's Basic Financial Statements, including the disclosures and whether the Project's Basic Financial Statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

We communicate with the Project Management Unit (PMU) responsible for, among other aspects, the planned scope, the time of the audit and significant audit findings, including any significant deficiencies in the internal controls that we have identified during our work.

Fortaleza/CE, Mai 24th, 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**

**CERTIDÃO DE REGULARIDADE PROFISSIONAL**

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.



**CONSELHO REGIONAL DE CONTABILIDADE BA**

Certidão n.º: BA/2019/00006638  
Nome: ALICE SENA RIBEIRO BRANDAO CPF: 070.627.105-04  
CRC/UF n.º BA-010856/O Categoria: CONTADOR  
Validade: 14.08.2019  
Finalidade: RELATÓRIO DE AUDITORIA

Confirme a existência deste documento na página [WWW.CRCBA.ORG.BR](http://WWW.CRCBA.ORG.BR), mediante número de controle a seguir:

CPF : 070.627.105-04 Controle : 5606.6548.6862.7175



**CONSELHO REGIONAL DE CONTABILIDADE DO CEARÁ**

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

O CONSELHO REGIONAL DE CONTABILIDADE DO CEARÁ 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.....	: BA-010856/O
CATEGORIA...	: CONTADOR
CPF.....	: 070.627.105-04
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: CEARÁ, 16/05/2019 as 17:18:15

Código de Controle: 4501.5743.5046.3616

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. BASIC FINANCIAL STATEMENTS OF THE PROJECT**



**2.1 USES AND SOURCES OF RESOURCE BY FINANCING OF THE  
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018 EXPRESS IN  
REAL.**







Usos e Fontes de recurso por financiador

	Acumulativa - Anual	Acumulativa - Projeto
	Em Reais (R\$)	
1 Saldo Inicial do Balanço	R\$ 16.705.440,17	R\$ -
Composto de:		
Conta Designada I-882-BR	R\$ -	R\$ -
Conta Designada E-17-BR	R\$ -	R\$ -
Conta Operativa (C/C)	R\$ -	R\$ -
Conta Operativa (Aplicação)	R\$ 16.705.440,17	R\$ -
2 Entradas	R\$ 74.561.068,48	R\$ 143.054.436,30
Empréstimo I-882-BR	R\$ 55.948.628,89	R\$ 97.842.959,80
Empréstimo E-17-BR	R\$ 9.193.605,41	R\$ 18.035.270,46
Contrapartida (em conta)	R\$ 9.105.497,00	R\$ 25.698.539,66
Contrapartida 100%	R\$ 208.394,80	R\$ 1.372.724,00
Outras entradas (pagto indevido)	R\$ 104.942,38	R\$ 104.942,38
3 Saídas	R\$ 86.711.586,43	R\$ 138.563.999,94
Empréstimo I-882-BR	R\$ 65.181.796,29	R\$ 96.075.154,87
Empréstimo E-17-BR	R\$ 12.869.557,91	R\$ 17.860.441,39
Contrapartida (em conta)	R\$ 8.354.458,85	R\$ 23.150.537,31
Contrapartida 100%	R\$ 208.394,80	R\$ 1.372.724,00
Outras saídas (pagto indevido)	R\$ 97.378,58	R\$ 105.142,37
4 Saldo (2 - 3)	-R\$ 12.150.517,95	R\$ 4.490.436,36
5 Rendimentos (entrada)	R\$ 1.035.115,76	R\$ 7.173.094,81
6 Rendimentos (saída)	R\$ 1.044.624,97	R\$ 7.118.118,16
7 Saldo Encerrado (1 + 4 + 5 - 6)	R\$ 4.545.413,01	R\$ 4.545.413,01
8 Saldo Extrato	R\$ 4.545.413,01	R\$ 4.545.413,01
Composto de:		
Conta Designada I-882-BR	R\$ -	R\$ -
Conta Designada E-17-BR	R\$ -	R\$ -
Conta Operativa (C/C)	R\$ -	R\$ -
Conta Operativa (Aplicação)	R\$ 4.545.413,01	R\$ 4.545.413,01

*Isidoro A. Neto*  
Contador (a) do Projeto  
De acordo.

*Marlene M. S. ...*  
Coordenador(a) do Projeto  
Paula Freire - SDA

*Francisco de Assis Diniz*  
Secretário do Desenvolvimento  
Agrário do Estado do Ceará

**2.2 USES AND SOURCES OF RESOURCES BY CATEGORY OF THE  
PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018  
EXPRESS IN REAL..**



Usos e Fontes de recurso por categoria

	Acumulativa - Anual	Acumulativa - Projeto
	Em Reais (R\$)	
1 Saldo Inicial do Balanço	R\$ 16.705.440,17	R\$ -
Composto de:		
Conta Designada I-882-BR	R\$ -	R\$ -
Conta Designada E-17-BR	R\$ -	R\$ -
Conta Operativa	R\$ 16.705.440,17	R\$ -
2 Entradas	R\$ 74.561.068,48	R\$ 143.054.436,30
Impréstimo I-882-BR	R\$ 55.948.628,89	R\$ 97.842.959,80
Impréstimo E-17-BR	R\$ 9.193.605,41	R\$ 18.035.270,46
Contrapartida (em conta)	R\$ 9.105.497,00	R\$ 25.698.539,66
Contrapartida 100%	R\$ 208.394,80	R\$ 1.372.724,00
Outras Entradas	R\$ 104.942,38	R\$ 104.942,38
3 Saídas	R\$ 86.711.586,43	R\$ 138.563.999,94
Componente 1	R\$ 36.790.443,85	R\$ 68.894.852,20
Componente 2	R\$ 43.288.952,32	R\$ 50.868.100,45
Gestão do Projeto	R\$ 6.501.727,31	R\$ 17.128.798,87
Monitoramento e Avaliação	R\$ 33.054,37	R\$ 1.567.106,05
Outras saídas	R\$ 97.378,58	R\$ 105.142,37
4 Saldo (2 - 3)	-R\$ 12.150.517,95	R\$ 4.490.436,36
5 Rendimentos (entrada)	R\$ 1.035.115,76	R\$ 7.173.094,81
6 Rendimentos (saída)	R\$ 1.044.624,97	R\$ 7.118.118,16
7 Saldo Encerrado (1 + 4 + 5 - 6)	R\$ 4.545.413,01	R\$ 4.545.413,01
8 Saldo Extraído	R\$ 4.545.413,01	R\$ 4.545.413,01
Composto de:		
Conta Designada I-882-BR	R\$ -	R\$ -
Conta Designada E-17-BR	R\$ -	R\$ -
Conta Operativa	R\$ 4.545.413,01	R\$ 4.545.413,01

*Francisco de Assis Diniz*  
Coordenador Geral do Projeto  
De acordo, CRC CE 0193752

*Marcelina Loureiro*  
Coordenadora do Projeto  
Marta de Menezes  
Coordenadora do Projeto  
Paulo Freire - SDA/PA

*Francisco de Assis Diniz*  
Secretário do Desenvolvimento Agrário do Estado do Ceará

### **2.3 DEMONSTRATE STATE OF SOURCES AND USE OF FUNDS**





Apêndice 2 - Estado das Fontes e Usos de Fundos

	Período Atual (2018)	Período Anterior (até 2017)	Acumulado
<b>Fontes de Financiamento</b>	<b>Em Reais (R\$)</b>		
Empréstimo I-882-BR	R\$ 53.948.628,89	R\$ 41.894.330,91	R\$ 93.842.959,80
Empréstimo E-17-BR	R\$ 9.193.605,41	R\$ 8.811.665,05	R\$ 18.005.270,46
Contrapartida (em conta)	R\$ 9.105.497,00	R\$ 16.593.042,66	R\$ 25.698.539,66
Contrapartida 100%	R\$ 208.394,80	R\$ 1.164.329,20	R\$ 1.372.724,00
<b>Total de Fontes de Financiamento</b>	<b>R\$ 74.456.126,10</b>	<b>R\$ 68.493.367,82</b>	<b>R\$ 142.949.493,92</b>
<b>Uso de Fundos</b>			
Categoria 01/Componente 01	R\$ 36.790.443,85	R\$ 32.104.408,35	R\$ 68.894.852,20
Categoria 02/Componente 02	R\$ 43.288.952,32	R\$ 7.579.148,13	R\$ 50.868.100,45
Categoria 03/Componente 03	R\$ 6.501.727,31	R\$ 10.627.071,56	R\$ 17.128.798,87
Categoria 04/Componente 04	R\$ 33.084,37	R\$ 1.534.021,68	R\$ 1.567.106,05
<b>Total de Utilização dos Fundos</b>	<b>R\$ 86.614.207,85</b>	<b>R\$ 51.844.649,72</b>	<b>R\$ 138.458.857,57</b>
<b>Superávit/Deficit</b>	<b>-R\$ 12.158.081,75</b>	<b>R\$ 16.648.718,10</b>	<b>R\$ 4.490.636,35</b>

*Francisco de Assis Diniz*  
Coordenador (a) do Projeto  
Ceará  
CE 01937-0

De acordo,

*Francisco de Assis Diniz*  
Secretário do Desenvolvimento  
Agrário do Estado do Ceará

*Francisco de Assis Diniz*  
Coordenador(a) do Projeto  
Ceará  
Coordenadora do Projeto  
Paulo Freire SDA/FGA

#### **4. NOTES TO THE FINANCIAL STATEMENTS OF THE PROJECT**



**STATE OF CEARÁ**  
**SECRETARY OF AGRICULTURAL DEVELOPMENT**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**LOAN AGREEMENT No I-882-BR / E-17-BR**  
**PROJECT OF PRODUCTION AND CAPACITY DEVELOPMENT - PAULO FREIRE**  
**PROJECT**  
**EXPLANATORY NOTES ON FINANCIAL STATEMENTS**  
**JANUARY 2018 TO DECEMBER 31, 2018**

**1. Project Budget**

Expense Category	FIDA		Ceará State		Beneficiaries		Total	
	Value (US\$)	%	Value (US\$)	%	Value (US\$)	%	Value (US\$)	%
Component 1: Capacity Development	20.208.508	61,12%	12.854.780	38,88%	-	0,00%	33.063.288	34,83%
Component 2: Productive Development and Environmental Sustainability	17.465.145	35,03%	17.465.145	35,03%	14.923.196	29,93%	49.853.485	52,52%
Project Management	2.006.347	19,28%	8.400.076	80,72%	-	0,00%	10.406.423	10,96%
• Equipment and vehicles	-	0,00%	374.686	100,00%	-	0,00%	374.686	0,39%
• Personnel	1.844.574	20,00%	7.378.295	80,00%	-	0,00%	9.222.869	9,72%
• Operational cost	161.774	20,00%	647.094	80,00%	-	0,00%	808.868	0,85%
Monitoring and Evaluation	320.000	20,00%	1.280.000	80,00%	-	0,00%	1.600.000	1,69%
<b>TOTAL</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>14.923.196</b>	<b>15,72%</b>	<b>94.923.196</b>	<b>100,00</b>

**2. Accounting Policies**

The accounting policy of the UGP is to prepare the Financial Statements of the Project, based on cash payments and receipts. Based on this procedure, revenues are recognized when received, and not when earned, and expenses are recognized when paid and not when incurred. The Project is subject to the provisions of Law 4,320 / 64 and its amendments, which establishes rules of



financial law for budgetary and accounting controls and records, through a system of the Government of the State where all operations are registered.

The accounting records of operations arising from the execution of the Project are recorded in a prominent manner and separated from the other records that do not involve loan proceeds, through the Governmental Results Management System (S2GPR), which is able to present the situation and results of operations reliably in accordance with generally accepted accounting principles, and in accordance with Federal Law No. 4,320, dated March 17, 1964, State Law No. 9,809 of December 18, State of Ceará) and the International Accounting Standards, issued by the International Federation of Accountants (IFAC). In addition to this accounting system will be used information from the following systems: Contracts and Agreements Monitoring System (SACC); Integrated Program Monitoring System (SIAP); Integrated Budget and Financial System (SIOF) and the Equity System (SISPAT).

### 3. Bank accounts:

ACCOUNT NAME	MOVIMENTATION
<p><b>Designated Account, in US \$, in the Caixa Econômica Federal (CEF), in Fortaleza CNPJ No. [REDACTED]</b></p>	<p>This account was opened and maintained by the Borrower in the Federal Savings Bank (CEF) of Fortaleza, in dollars (US \$), and with CNPJ of the Government of the State of Ceará (SEFAZ - Secretariat of Finance). It should be earmarked for FIDA deposits (disbursements or repayments), directly debited from the Loan Account in SDRs translated into Dollars (US \$) and income, which becomes the Borrower's resources.</p>

<p><b>Designated Account, in Euros (€), Caixa Econômica Federal (CEF), in Fortaleza CNPJ [REDACTED]</b></p>	<p>This account was opened and maintained by the Borrower in the Caixa Econômica Federal (CEF) of Fortaleza, in Euros (€), and with CNPJ of the Government of the State of Ceará (SEFAZ - Secretariat of Finance). It should be earmarked for FIDA deposits (disbursements or repayments), directly debited from the Loan Account and income, which become resources of the Borrower.</p>
<p><b>Operating Account of the Loan Agreement, in R\$, at the Federal Savings Bank (CEF), in Fortaleza CNPJ No. [REDACTED]</b></p>	<p>Moved by the Government of the State of Ceará (Via SEFAZ) and, by delegation, by the Secretariat of Agrarian Development. In reais (R \$), this account is used to deposit the closing credits of the Exchange Contracts of the Designated Loan Account and to the income, which becomes the Borrower's resources and the deposits of counterpart credits and income. This includes FIDA resources converted into R \$, and counterpart resources to make payments of expenses, also in Reais.</p>
<p><b>Current Account of the Beneficiary / Lender In R\$, in the Bank indicated by the Beneficiary / Lender</b></p>	<p>Moved by the Beneficiary / Lender, in accordance with the work plan. In it are deposited the payments arising from the execution of works and the supply of goods and / or services to the Project.</p>

#### 4. Coin conversion

Transactions occurring in the Project are recorded in Dollars, Euros and Reais, as determined in the Loan Agreement. The amounts for the start of the Project work, as well as any others that may occur, have been deposited in Dollars and Euros in the Designated Accounts and, from those transferred in Reais to the Operating Account, which is handled by the Project. The Financial Statements of the Project are realized in dollars and Reais, and in the conversion of Reais to Dollars, the rate of the day of internalization is used.

#### 5. Inventories

The assets of the Project are registered in the Heritage System of the Secretary of Agrarian Development.

#### 6. Financial Statements

The Financial Statements allow financial control of the resources received and applied by the Project in accordance with the format required by FIDA. These Financial Statements are prepared in Microsoft Excel Sheets based on financial

transactions carried out through S2GPR and the Bank Reconciliation of Extracts from Designated and Operational Accounts.

OBS1: On 03/31/2017 the project received "paripassu" breach authorization, through the revision of the Letter to the Borrower.

OBS2: As a result of the increase in the value of the Dollar, the "Total Cost X Expense" Financial Report was updated to new values in Reais (Total Cost of the Project) using the average rate of internalizations / expenditures accumulated until 2018 for both FIDA and Counterpart resources.

Gastos (até 2018)	R\$	USD	Taxa
<b>FIDA</b>	<b>113.935.596,26</b>	<b>33.137.005,93</b>	<b>3,438</b>
<b>Counterpart</b>	<b>24.523.261,31</b>	<b>8.163.336,11</b>	<b>3,004</b>

## 7. Disbursed Amount of Counterpart in the period

The Project Counterpart is made through deposits made by the Government of the State of Ceará in the Operational Account of the Loan and by the Beneficiaries in the accounts of the agreements signed with them. In the course of 2018, the amounts of R\$ 500,000.00, R\$ 680,000.00, R\$ 1,425,497.00, R\$ 4,300,000.00, R\$ 1,100,000.00 and R\$ 1,100.000,00 on the dates 04/04/2018, 06/15/2018, 09/07/2018, 09/18/2018, 10/25/2018 and 08/11/2018 respectively.

## 8. Amounts disbursed by FIDA in the period 2018

In the year 2018, the following amounts were disbursed::

Disbursement Date	Loan	Amount (currency loan)	Internalization Date	Value (R\$)	Exchange Rate
08/02/2018	I-882-BR	2.055.719,21	29/03/2018	6.833.210,65	3,324
08/02/2018	E-17-BR	353.146,09	29/03/2018	1.453.725,88	4,117
26/04/2018	I-882-BR	951.263,73	04/05/2018	3.367.473,60	3,540
14/06/2018	I-882-BR	5.000.000,00	15/06/2018	18.900.000,00	3,780
14/06/2018	E-17-BR	424.818,70	21/06/2018	1.831.818,23	4,312

<b>Disbursement Date</b>	<b>Loan</b>	<b>Amount (currency loan)</b>	<b>Internalization Date</b>	<b>Value (R\$)</b>	<b>Exchange Rate</b>
14/06/2018	I-882-BR	3.916.453,06	25/06/2018	14.823.774,83	3,785
12/09/2018	I-882-BR	2.882.802,64	18/09/2018	12.024.169,81	4,171
17/12/2018	E-17-BR	1.347.641,72	21/12/2018	5.908.061,30	4,384

OBS1: In June / 2018 FIDA advanced USD 5 million from the I-882-BR Loan

## 9. Income

The income earned from financial investments of the Loan proceeds is collected by SEFAZ and is accounted for as State revenue, so that resources are transferred from the operating account to the State Treasury account. The project maintains a control of the income of the resources in the operative account, and transferred to the account of the State. There was no income in the designated accounts because the Finance Department internalized all the disbursement resources.

## 10. Main Results in the Period

The main results of the period are presented in the progress report to FIDA and in the project financial statements.