

AUDITED PROJECT FINANCIAL STATEMENTS

Project N°: 1100001487

IFAD Loan N°: 1000003937

Period covered: 01/01/2019 – 31/12/2019

Cariri And Seridó Sustainable Development Project (PROCASE)

Prepared by: Dario Rimedio

Received on: 30 November 2020

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**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

EXECUTIVE SUMMARY

1. AUDIT RESULTS

1.1. Single report (qualified) on the Project Accounts:

(a) Examination of the Project Financial Statements:

We issued a qualified opinion on the Project financial statements and supplementary financial information.

(b) Examination of Eligibility of Expenses Presented for Disbursement

We issued an unqualified opinion, which considers that the expenses included in the Statement of Expenses (SOE) and presented in the financial statements of the Program are eligible.

(c) Examination of Transactions of Designated and Operating Accounts

We issued an unqualified opinion which considers that the Designated and Operating Accounts adequately reflect the flow of financial resources that occurred in the period and that the Designated and Operating Accounts were used only for the payment of the Project eligible expenses.

1.2. Report on Compliance with Loan Agreement Clauses:

We issued a qualified opinion, which considers that the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, complied, with exceptions, with the clauses of the IFAD Loan Agreement N^o I-798-BR.

1.3. Report on Selection, Procurement and Contracting Procedures:

We issued an unqualified opinion, which considers that the purchases and contracts, carried out by the Project Management Unit – PMU/PROCASE, were made in accordance with the IFAD Guidelines and with the IFAD Loan Agreement N^o I-798-BR, being considered satisfactory.

**PARAÍBA STATE GOVERNMENT
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PROJECT MANAGEMENT UNIT – PMU/PROCASE**

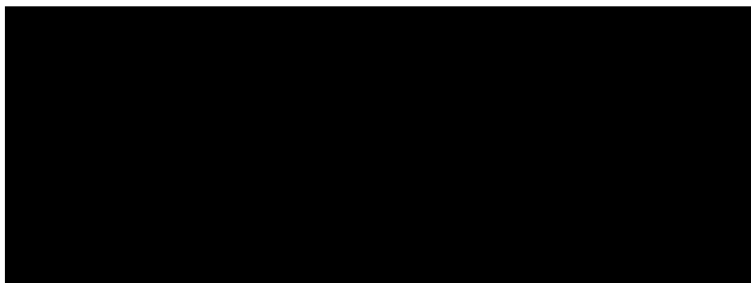
1.4. Report on the Application of Agreed-Upou Procedures:

We have issued a Report on the Application of Agreed-Upou Procedures, with no identification of exceptions, containing our factual findings on previously agreed-upon procedures, in accordance with the procedures presented in the "*Term of Reference (TR) for Contracting Consultancy (Legal Entity) to Perform Independent Financial Audits and Factual Conclusions for PROCASE*" for the Project Audit.

2. EVALUATION OF INTERNAL CONTROLS

We evaluated the internal controls of the Project Management Unit – PMU/PROCASE, State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, and considered them to be moderately unsatisfactory for the management and monitoring of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE.

Recife – PE, november 20, 2020.



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PART II – PROJECT AUDIT

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

1. INDEPENDENT AUDITORS' REPORT ON PROJECT ACCOUNTS

INDEPENDENT AUDITORS' REPORT ON THE PROJECT ACCOUNTS

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To
Paraíba State Government
State Secretariat for Family Agriculture and Semi-Arid
Development – SEAFDS
Project Management Unit – PMU/PROCASE
João Pessoa – PB

Qualified Opinion

We have examined the financial statements of PROCASE, partially financed by the Loan Agreement IFAD Nº I-798-BR, signed with the International Fund for Agricultural Development – IFAD, which include the “Statement of Origins and Investment of Resources in the Project – DOARP”, the “Project Investment Statement – DIP”, the “IFR (*Interim Financial Report*)”, the “Inversion Matrix – By Component: POA x Financial Execution” and “Investment Matrix – By Category: POA x Financial Execution”, prepared in Reals (R\$) and U.S. dollars (US\$), accompanied by the respective explanatory notes and supplementary financial information, referring to the period from January 1, 2019 to December 31, 2019, and we also examine the Statements of Expenses (SOEs) and the transactions of the Designated and Operating Accounts corresponding to that period. The financial statements were prepared by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, based on the “*Term of Reference (TR) for Contracting Consulting (Legal Entity) to Conduct an Independent Financial Audit and Factual Conclusions of PROCASE*” and other requirements stipulated in the Loan Agreement IFAD Nº I-798-BR.

In our opinion:

1. Except for the aspect mentioned in the following section, entitled “Basis for qualified opinion”, the financial statements of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE and the respective explanatory notes, present fairly, in all material respects, the receipts and payments made during the period from January 1, 2019 to December 31, 2019, according to the cash basis, and the expenditures were applied for the purposes foreseen in IFAD Loan Agreement Nº I-798-BR, from October 17, 2012.
2. The expenses made by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, during the period from January 1, 2019 to December 31, 2019, presented in the Statements of Expenditure (SOE) nºs 14 to 19, are eligible, considering the material nature of the expenses, complying with the definitions in IFAD Loan Agreement Nº I-798-BR, from October 17, 2012.

INDEPENDENT AUDITORS' REPORT ON THE PROJECT ACCOUNTS

3. The designated Accounts maintained in Banco do Brasil S.A., and the Operating Accounts nºs (Current and Investment Account), (Current and Investment Account), all maintained in Agency nº of Banco do Brasil S.A., adequately reflect, in all material respects, the flow of resources occurring during the period from January 1, 2019 to December 31, 2019, and that they were used, State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, exclusively for payments of eligible expenses under the scope of Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, as stipulated in IFAD Loan Agreement Nº I-798-BR, from October 17, 2012.

Basis for qualified opinion

1. As described in Items 3.1. and 3.2. of the Management Letter. (Pages nº 87 e 89), PMU/PROCASE did not present us with the supporting documentation of the amount R\$ 216,818.97, (USD 55,128.20) corresponding to economic counterpart expenses carried out by Paraíba State Government in the construction of 04 (four) Dams, as well as did not present to us the composition (by Dam and year of execution) of said amount declared as expenses made in 2019 and the accrued amount of this counterpart on December 31, 2019, corresponding to the amount of R\$ 9,131,974.46 (USD 2,648,760.73). Additionally, as described in Item 3.10. of the Management Letter (Page nº 101), PMU/PROCASE did not obtain and, consequently, did not present to us explanations about our observations made during our field visit to the Dam Coronel Jueca, located in the municipality of Desterro/PB, part of the quantity of 04 (four) dams mentioned above. Depending on the non-presentation of these documents and information, we are unable to make sure about the accuracy and eligibility of the economic counterpart of Paraíba State Government presented in the Financial Statements of PROCASE, relating to the base date December 31, 2019.

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 conformity with such standards, are described in the following section, entitled "Responsibility of the Independent Auditor". We are independent of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, the State Secretariat for Agricultural and Fisheries Development – SEDAP and the other executors and co-executors of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, in accordance with the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Brazilian Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT ON THE PROJECT ACCOUNTS

Emphasis

Basis for preparation of financial statements

The basis for preparation and presentation of the financial statements is the “*Term of Reference (TR) for Contracting Consulting (Legal Entity) to Conduct an Independent Financial Audit and Factual Conclusions of PROCASE*” and other requirements stipulated in IFAD Loan Agreement Nº I-798-BR. The financial statements were prepared to assist the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS e a State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, to demonstrate compliance with the contractual guidelines and clauses applicable to IFAD Loan Agreement Nº I-798-BR. Consequently, the financial statements of the Rural Business Development Project for Small Farmers – DOM TÁVORA Project may not be suitable for other purposes.

Adoption of cash basis

The policy of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, is to prepare the financial statements of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, 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.

Preparation of financial statements using spreadsheets

As mentioned in the Management Letter, Item 4.1. (Page nº 113), the project's basic financial statements were prepared through spreadsheets (Microsoft Excel), since, a computerized system for the financial management of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE has not yet been implemented, as required in the IFAD Loan Agreement Nº I-798-BR.

Project Management responsibility

The State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, is responsible for the elaboration and adequate presentation of the financial statements of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE in accordance with the “*Term of Reference*” for Project Audit, the guidelines for annual financial reports and auditing the activities funded by IFAD and the other requirements foreseen in IFAD Loan Agreement Nº I-798-BR and by the internal controls that the Project administration deemed necessary to provide the elaboration of financial statements free of material misstatements, regardless of being caused by fraud or error.

INDEPENDENT AUDITORS' REPORT ON THE PROJECT ACCOUNTS

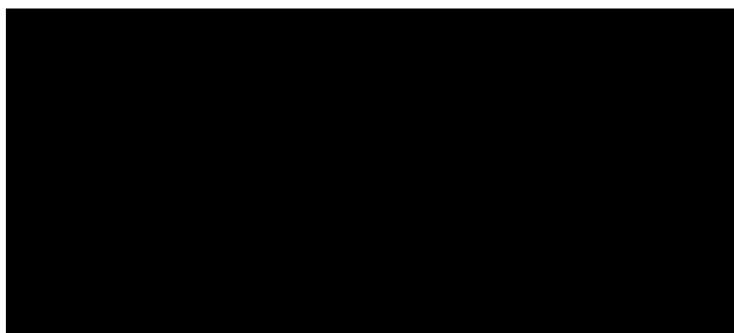
Responsibility of the independent auditor

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of confidence, but not a guarantee that the audit performed in accordance with the Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may arise from fraud or error and are considered material if, individually or as a whole, they may reasonably be expected to influence the economic decisions of users as they are made based on these financial statements.

As part of an audit performed in accordance with Brazilian and international auditing standards, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition to this:

- We have identified and assessed the risks of material misstatement in the financial statements, regardless of whether due to fraud or error, so we planned and performed audit procedures responding to these risks, and we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, conspiracy, forgery, omission, or intentional misrepresentations;
- We have obtained an understanding of the internal controls that are relevant for the audit in order to plan for audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls;
- We have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that is compatible with the objective of adequate presentation.

We have communicated with the heads of the Project Management Unit – PMU/PROCASE, associated to the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, regarding, inter alia, the planned scope, the time of the audit and the significant audit findings, including any significant deficiencies in the internal controls that we identified during our work.



**PARAÍBA STATE GOVERNMENT
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PROJECT MANAGEMENT UNIT – PMU/PROCASE**

2. PROJECT FINANCIAL STATEMENTS

- **STATEMENT OF ORIGINS AND APPLICATIONS OF RESOURCES IN THE PROJECT – DOARP, FISCAL YEAR 2019 AND ACCRUED UNTIL 31.12.2019, EXPRESSED IN REALS AND IN U.S. DOLLARS**
- **STATEMENT OF INVESTMENTS IN THE PROJECT – DIP, FISCAL YEAR 2019 AND ACCRUED UNTIL 31.12.2019, EXPRESSED IN REALS AND IN U.S. DOLLARS**
- **IFR (*INTERIM FINANCIAL REPORT*), FISCAL YEAR 2019 AND ACCRUED UNTIL 31.12.2019, EXPRESSED IN US DOLLARS**
- **INVERSION MATRIX – BY CATEGORY: POA X FINANCIAL EXECUTION, FINANCIAL YEAR 2019, EXPRESSED IN REALS**
- **INVERSION MATRIX – BY COMPONENT: POA X FINANCIAL EXECUTION, FINANCIAL YEAR 2019, EXPRESSED IN REALS**



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**STATEMENT OF ORIGINS AND APPLICATIONS OF RESOURCES IN THE PROJECT –
DOARP, FISCAL YEAR 2019 AND ACCRUED UNTIL 31.12.2019, EXPRESSED IN REALS
AND IN U.S. DOLLARS**



PROCASE - SUSTAINABLE DEVELOPMENT PROJECT OF CARIRI, SERIDÓ AND CURIMATAÚ

Loan of IFAD / Agreement nº I-798-BR

Accountability

Period: January 1st to December 31st, 2019

DOARP

STATEMENT OF ORIGIN AND APPLICATION OF RESOURCES IN THE PROJECT - DOARP		Exercise 2018		Exercise 2019		Accumulated until 12/31/2019	
		R\$	US\$	R\$	US\$	R\$	US\$
1 - Opening cash balance		1.566.854,30	429.249,64	4.770.649,30	1.197.765,60		
Adjustment to correct previous balance							
Adjusted Opening Balance		1.566.854,30	429.249,64	4.770.649,30	1.197.765,60		
Funds received from IFAD		25.300.114,89	6.840.042,39	23.025.947,35	6.031.879,81	74.756.834,63	21.655.425,22
Initial deposit						6.420.500,00	3.000.000,00
Reposicion of the Designated Account		25.300.114,89	6.840.042,39	23.025.947,35	6.031.879,81	67.735.977,45	18.438.966,17
Other revenues - if any				600.357,18	216.459,05	600.357,18	216.459,05
Funds received from the Government		2.715.464,41	719.942,93	6.230.965,41	1.576.714,63	16.048.092,58	4.704.122,64
Executed Operative account		2.715.464,41	719.942,93	6.230.965,41	1.576.714,63	16.048.092,58	4.704.122,64
Deposit Operating Account		2.536.444,80	667.761,97	5.725.853,36	1.435.939,89	14.056.107,36	4.093.661,08
Income from SEDAP and SEAFDS investment accounts		138.223,15	37.090,91	164.413,65	41.854,43	1.510.767,28	457.596,58
Income Designated Account		20.607,04	5.730,45	10.306,64	2.616,27	130.766,18	47.212,08
Income Productive Projects (return)				262.588,38	66.284,23	262.588,38	66.284,23
Adjustment for previous exercise's income correction						6,42	2,74
Other revenue - if any		20.128,62	9.351,60	67.741,18	30.019,81	87.869,80	39.371,41
2 - TOTAL FINANCED		28.015.579,30	7.559.985,32	29.856.912,76	7.608.594,44	90.804.927,21	26.359.547,86
OTHER GOVERNMENT SOURCES		6.476.272,92	1.796.981,71	967.865,19	245.330,60	34.231.341,29	10.227.912,85
SEAD		699.699,72	191.197,02	751.046,22	190.202,40	3.723.742,56	1.122.302,00
SEIRHMACT		5.696.422,08	1.582.968,91	216.818,97	55.128,20	9.131.974,46	2.648.760,73
SUDEMA		80.151,12	22.815,78	-	-	519.757,28	160.802,43
EMATER						20.855.866,99	6.296.047,69
GRAND TOTAL		34.491.852,22	9.356.967,03	30.824.777,95	7.853.925,04	125.036.268,50	36.587.460,71
PROJECT EXPENDURE BY CATEGORY							
IFAD's Funds		Exercise 2018		Exercise 2019		Accumulated until 31/12/2019	
		R\$	US\$	R\$	US\$	R\$	US\$
I	Equipment and Vehicles			41.865,20	11.317,98	355.850,67	154.734,03
II	Training - Courses and Workshops	23.584,82	6.740,34	10.000,02	2.576,27	868.974,75	344.025,06
III	Agreements and Technical Service Contracts						
III a)	Technical assistance, audits and studies and agreements with public institutions	676.190,86	197.671,80	1.340.630,57	340.663,31	3.577.327,23	1.054.610,30
IV	Credit Line						
IV a)	Productive Investment Fund	15.025.600,67	4.105.480,00	12.592.756,02	3.211.818,75	44.766.389,22	12.841.046,86
IV b)	Environmental Credit Fund	204.450,00	51.691,25	3.012.520,13	733.217,39	3.216.970,13	784.908,64
V	Recurring Costs						
V a)	Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	7.277.140,00	1.986.408,80	8.117.492,84	2.093.548,91	20.109.236,85	5.706.814,39
V b)	Operating Costs	286.751,13	80.433,40	269.475,08	69.087,05	2.540.062,44	681.918,16
VI	Not Allocated						
IFAD's Subtotal		23.493.717,48	6.428.425,59	25.384.739,86	6.462.229,66	75.434.811,29	21.768.057,46
Paraiba's State Government Funds		Exercise 2018		Exercise 2019		Accumulated until 31/12/2019	
		R\$	US\$	R\$	US\$	R\$	US\$
I	Equipment and Vehicles			9.331,40	2.522,68	73.641,68	31.897,05
II	Training - Courses and Workshops	34.478,98	9.690,75	25.586,50	6.459,13	791.563,74	299.511,42
III	Agreements and Technical Service Contracts						
III a)	Technical assistance, audits and studies and agreements with public institutions	101.040,02	28.621,72	161.245,01	41.022,20	404.825,68	119.476,81
IV	Credit Line						
IV a)	Productive Investment Fund	-	-			1.028.927,65	372.216,72
IV b)	Environmental Credit Fund	30.550,00	7.723,98			30.550,00	7.723,98
V	Recurring Costs						
V a)	Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	536.722,01	145.916,14	962.764,06	238.271,81	3.526.770,01	1.096.841,29
V b)	Operating Costs	615.275,81	171.091,18	517.243,13	131.507,63	2.090.744,69	672.224,79
VI	Not Allocated						
Paraiba's State Government Subtotal		1.318.065,82	363.043,77	1.676.170,90	419.783,45	7.947.023,45	2.599.892,06
OTHER GOVERNMENT SOURCES		6.476.272,92	1.796.981,71	967.865,19	245.330,60	34.231.341,29	10.227.912,85
SEAD		699.699,72	191.197,02	751.046,22	190.202,40	3.723.742,56	1.122.302,00
V a)	Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	482.984,08	132.037,27	539.595,29	136.683,63	2.663.374,27	817.202,35
V b)	Operating Costs	216.715,64	59.159,74	211.450,93	53.518,77	1.060.368,29	305.099,65
SEIRHMACT		5.696.422,08	1.582.968,91	216.818,97	55.128,20	9.131.974,46	2.648.760,73
IV a)	Productive Investment Fund	5.696.422,08	1.582.968,91	216.818,97	55.128,20	9.131.974,46	2.648.760,73
SUDEMA		80.151,12	22.815,78	-	-	519.757,28	160.802,43
IV b)	Environmental Credit Fund	80.151,12	22.815,78	-	-	519.757,28	160.802,43
EMATER		-	-	-	-	20.855.866,99	6.296.047,69
V a)	Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	-	-	-	-	20.617.096,43	6.223.214,49
V b)	Operating Costs	-	-	-	-	238.770,56	72.833,20
GRAND TOTAL (GOVERNMENT)		7.794.339,74	2.160.025,48	2.644.036,09	665.114,05	42.178.364,74	12.827.804,91
Expenses (IFAD + GOVERNMENT COUNTERPART)		24.811.784,30	6.791.469,36	27.060.910,76	6.882.013,11	83.381.834,74	24.367.949,52
Executed State Account 100% government		6.476.272,92	1.796.981,71	967.865,19	245.330,60	34.231.341,29	10.227.912,85
3-PROJECT EXPENSES - TOTAL		31.288.057,22	8.588.451,07	28.028.775,95	7.127.343,71	117.613.176,03	34.595.862,37
Final Balance (1+2-3)		4.770.649,30	1.197.765,60	7.566.651,30	1.924.346,93		

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AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**STATEMENT OF INVESTMENTS IN THE PROJECT – DIP, FISCAL YEAR 2019 AND
ACCRUED UNTIL 31.12.2019, EXPRESSED IN REALS AND IN U.S. DOLLARS**



PROCASE - SUSTAINABLE DEVELOPMENT PROJECT OF CARIRI, SERIDÓ AND CURIMATAU

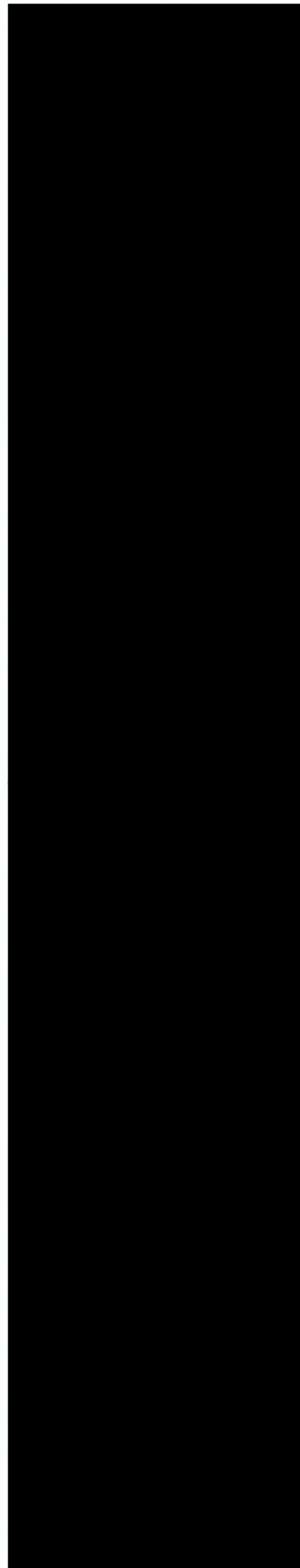
Loan of IFAD / Agreement n° I-798-BR

Accountability

Period: January 1st to December 31st, 2019

DIP

PROJECT INVESTMENTS STATEMENT - DIP									
Project Expenditure By Component									
IFAD's Funds	2018			2019			Accumulated until 31/12/2019		
	R\$	US\$		R\$	US\$		R\$	US\$	
1 Development of Human and Social Capital	65.929,78	17.609,17		537.096,74	133.755,80		915.294,21	264.961,79	
2 Productive Development and Competitive Market Insertion	22.687.337,43	6.209.128,90		23.787.443,23	6.063.990,42		68.943.021,94	19.604.408,78	
3 Natural Resource Management and Combat to the Desertification	378.385,97	100.248,78		701.787,80	172.007,63		1.612.904,32	466.337,95	
4 Institutional Development	-	-		-	-		-	-	
5 Project Management	362.064,30	101.438,74		358.412,09	92.475,81		3.963.590,82	1.432.348,94	
	23.493.717,48	6.428.425,59		25.384.739,86	6.462.229,66		75.434.811,29	21.768.057,46	
Paraíba State Government Funds	2018			2019			Accumulated until 31/12/2019		
	R\$	US\$		R\$	US\$		R\$	US\$	
1 Development of Human and Social Capital	154.518,10	41.556,67		147.016,34	36.948,89		2.950.677,91	897.623,63	
2 Productive Development and Competitive Market Insertion	6.345.869,28	1.760.859,91		1.126.995,76	282.732,90		32.274.998,44	9.716.729,35	
3 Natural Resource Management and Combat to the Desertification	245.894,38	67.575,80		159.332,51	39.920,59		1.330.153,27	408.693,86	
4 Institutional Development	-	-		-	-		-	-	
5 Project Management	1.048.057,98	290.033,10		1.210.691,48	305.511,67		5.622.535,12	1.804.758,07	
	7.794.339,74	2.160.025,49		2.644.036,09	665.114,05		42.178.364,74	12.827.804,91	
	31.288.057,22	8.588.451,07		28.028.775,95	7.127.343,71		117.613.176,03	34.595.862,37	



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**IFR (*INTERIM FINANCIAL REPORT*), FISCAL YEAR 2019 AND ACCRUED UNTIL
31.12.2019, EXPRESSED IN US DOLLARS**

Interim Financial Report

Name of the Recipient: Paraíba's State Government
Grant No: I-798-BR
Project Name: Sustainable Development Project of Cariri, Seridó and Curimatã
Reporting period from July 1, 2019 to December 31, 2019

3,8589
POA conv a 3.8589 - TR 02.01.19

Description	Current Period (2019 2º SEM)			Year to Date (2019)			Cumulative to Date		
	Actual	Planned	%	Actual	Planned	%	Actual	Planned	%
	1	2	3 = 1/2	4	5	6 = 4/5	7	8	9 = 7/8
1 SOURCES OF FUNDS	USD 6.594.143,14			USD 9.051.690,64					
1.1 Opening balances	USD 2.919.608,00			USD 1.197.765,60					
1.1.1 Resources IFAD									
1.1.2 Resources Others - Counterparts									
1.2 SOURCES OF THE PERIOD	USD 3.674.535,14	USD 4.607.819,70	79,75%	USD 7.853.925,04	USD 8.647.740,63	90,82%	USD 36.587.460,71	USD 46.903.570,08	78,0%
1.2.1 Sources of Funds - IFAD	USD 2.599.696,94	USD 3.434.579,38	75,69%	USD 6.031.879,81	USD 6.866.762,25	87,84%	USD 21.655.425,22	USD 22.702.034,92	95,4%
1.2.2 COUNTERPARTS	USD 1.074.838,20	USD 1.173.240,32	91,61%	USD 1.822.045,23	USD 1.780.978,38	102,31%	USD 14.932.035,49	USD 24.201.535,15	61,7%
1.2.2.1 Counterparts (transferred)	USD 882.697,97	USD 31.749,25	-2780,22%	USD 1.435.939,89	USD 522.798,45	274,66%	USD 4.093.661,08	USD 12.101.000,00	33,8%
1.2.2.2 Financial income from the investment account	USD 20.374,28	USD 20.374,27	100,00%	USD 41.854,43	USD 41.854,43	100,00%	USD 457.596,58	USD 457.596,58	100,0%
1.2.2.3 Financial income from the designated account	USD 628,60	USD 628,60	100,00%	USD 2.616,27	USD 2.616,27	100,00%	USD 47.212,08	USD 47.212,08	100,0%
1.2.2.4 Other receipts	USD 71.297,28	USD 71.297,28	100,00%	USD 96.304,04	USD 96.099,50	100,21%	USD 105.652,90	USD 105.652,90	100,0%
1.2.2.5 SEAD (Economic counterpart)	USD 59.840,07	USD 128.829,35	77,50%	USD 190.202,40	USD 219.191,67	86,77%	USD 1.122.302,00	USD 1.122.302,00	100,0%
1.2.2.6 SEIRHMACT (Economic counterpart)	USD -	USD 983.860,07	0,00%	USD 55.128,20	USD 1.038.988,27	5,31%	USD 2.648.760,73	USD 3.910.921,47	67,7%
1.2.2.7 SUDEMA	USD -	USD -	0,00%	USD -	USD -		USD 160.802,43	USD 160.802,43	100,0%
1.2.2.8 EMATER	USD -	USD -	0,00%	USD -	USD -		USD 6.296.047,69	USD 6.296.047,70	100,0%
2 USES OF FUNDS	USD 4.669.796,21	USD 6.190.193,12	75,44%	USD 7.127.343,71	USD 8.647.740,63	82,42%	USD 34.595.862,37	USD 34.803.034,92	99,4%
2.1 By Components	USD 4.217.596,06	USD 4.622.128,64	91,25%	USD 6.462.229,66	USD 6.866.762,25	94,11%	USD 21.768.057,46	USD 22.702.034,92	95,9%
2.1.1 Component 1 - Development of human and social capital	USD 131.307,54	USD 170.999,86	76,75%	USD 133.755,80	USD 173.448,13	77,12%	USD 264.961,79	USD 923.754,88	28,7%
2.1.2 Component 2 - Productive development and competitive insertion	USD 3.861.702,57	USD 4.203.274,16	91,87%	USD 6.063.990,42	USD 6.405.562,01	94,67%	USD 19.604.408,78	USD 18.106.689,01	108,3%
2.1.3 Component 3 - Natural Resource Management and Combat to the Desertification	USD 170.044,23	USD 179.898,74	94,52%	USD 172.007,63	USD 181.862,14	94,58%	USD 466.337,95	USD 1.406.263,93	33,2%
2.1.4 Component 4 - Institutional development	USD -	USD -		USD -	USD -		USD -	USD 707.540,70	0,0%
2.1.5 Component 5 - Project management	USD 54.541,72	USD 67.955,88	80,26%	USD 92.475,81	USD 105.889,97	87,33%	USD 1.432.348,94	USD 1.557.786,39	91,9%
2.1.2 By expenditure category	USD 4.217.596,06	USD 4.622.128,64	91,25%	USD 6.462.229,66	USD 6.866.762,25	94,11%	USD 21.768.057,46	USD 22.702.034,92	95,9%
I. Equipment and vehicles	USD -	USD 468,98	0,00%	USD 11.317,98	USD 10.849,00	104,32%	USD 154.734,03	USD 154.177,91	100,4%
II. Training - courses and workshops	USD 1.675,13	USD 172.734,51	0,97%	USD 2.576,27	USD 173.635,66	1,48%	USD 344.025,06	USD 692.157,25	49,7%
III.A. Technical assistance, audits and studies and agreements with public institutions	USD 267.136,57	USD 144.108,81	185,37%	USD 340.663,31	USD 217.635,56	156,53%	USD 1.054.610,30	USD 432.383,52	243,9%
IV.A. Productive investment facility	USD 2.013.121,84	USD 2.610.244,90	77,12%	USD 3.211.818,75	USD 3.808.941,81	84,32%	USD 12.841.046,86	USD 12.903.537,72	99,5%
IV.B. Environmental facility	USD 733.217,39	USD 399.613,73	183,48%	USD 733.217,39	USD 399.613,73	183,48%	USD 784.908,64	USD 1.231.680,34	63,7%
VA. Payments towards FMU personnel, extensionists and local development agents	USD 1.156.528,60	USD 1.243.563,78	93,00%	USD 2.093.548,91	USD 2.180.584,09	96,01%	USD 5.706.814,39	USD 4.549.630,15	125,4%
VB. Operating costs	USD 45.916,53	USD 52.331,89	87,74%	USD 69.087,05	USD 75.502,40	91,50%	USD 881.918,18	USD 989.570,50	89,1%
VI. Not allocated							USD 1.748.897,52	USD 1.748.897,52	0,0%

Interim Financial Report

Name of the Recipient: Paraíba's State Government

Grant No: I-798-BR

Project Name: Sustainable Development Project of Cariri, Seridó and Curimataú

Reporting period from July 1, 2019 to December 31, 2019

3,8589

POA conv a 3,8589 - TR02.01.19

Description	Current Period (2019 2 ^o SEM)			Year to Date (2019)			Cumulative to Date		
	Actual	Planned	%	Actual	Planned	%	Actual	Planned	%
	1	2	3 = 1/2	4	5	6 = 4/5	7	8	9 = 7/8
22 - Uses of Funds - Counterparts									
22.1 - By Components									
Component 1 - Development of human and social capital	USD 452.200,15	USD 1.568.064,48	28,84%	USD 665.114,05	USD 1.780.978,38	37,35%	USD 12.827.804,91	USD 12.101.000,00	106,0%
Component 2 - Productive development and competitive market insertion	USD 25.558,57	USD 21.253,93	120,25%	USD 36.948,89	USD 32.644,25	113,19%	USD 897.623,63	USD 650.000,00	138,1%
Component 3 - Natural Resource Management and Commit to the Desertification	USD 183.061,72	USD 1.356.409,55	13,50%	USD 282.732,90	USD 1.456.080,74	19,42%	USD 9.716.729,35	USD 7.500.000,00	129,6%
Component 4 - Institutional development	USD 29.448,63	USD 24.553,16	119,94%	USD 39.920,59	USD 35.025,12	113,98%	USD 408.693,86	USD 330.000,00	123,8%
Component 5 - Project management	USD -	USD -		USD -	USD -		USD -	USD 65.000,00	0,0%
	USD 214.131,23	USD 165.847,84	129,11%	USD 305.511,67	USD 257.228,27	118,77%	USD 1.804.758,07	USD 3.556.000,00	50,8%
22.2 - By expenditure category									
Equipment and vehicles	USD 452.200,15	USD 1.568.064,48	28,84%	USD 665.114,05	USD 1.780.978,38	37,35%	USD 12.827.804,91	USD 12.101.000,00	106,0%
Training - courses and workshops	USD -	USD 300,60	0,00%	USD 2.522,68	USD 2.222,08	113,53%	USD 31.897,05	USD 156.283,48	20,4%
Technical assistance, audits and studies and agreements with public institutions	USD 5.107,42	USD 9.013,93	56,66%	USD 6.459,13	USD 10.365,65	62,31%	USD 299.511,42	USD 2.755.390,08	10,9%
Productive investment facility	USD 30.035,45	USD 264.568,12	11,35%	USD 41.022,20	USD 275.554,88	14,89%	USD 119.476,81	USD 200.583,95	59,6%
Environmental facility	USD -	USD 983.860,07	0,00%	USD 55.128,20	USD 1.038.988,27	5,31%	USD 3.020.977,45	USD 2.344.252,17	128,9%
Payments towards PMU personnel, extensionists and local development agents	USD -	USD -		USD -	USD -		USD 168.526,41	USD 555.115,22	30,4%
Operating costs	USD 292.894,86	USD 210.806,83	138,94%	USD 374.955,44	USD 292.867,41	128,03%	USD 8.137.258,13	USD 3.231.107,00	251,8%
Not allocated	USD 124.162,42	USD 100.116,13	124,02%	USD 185.026,40	USD 160.980,10	114,94%	USD 1.050.157,64	USD 678.249,87	154,8%
3 - TOTAL BALANCES	USD 1.924.346,93			USD 1.924.346,93			USD 1.050.157,64	USD 2.180.018,23	0,0%
3.1 - Resources IFAD	USD -			USD -					
3.2 - Resources Others - Counterparts	USD -			USD -					

100

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**INVERSION MATRIX – BY CATEGORY: POA X FINANCIAL EXECUTION, FINANCIAL
YEAR 2019, EXPRESSED IN REALS**



PROCASE - SUSTAINABLE DEVELOPMENT PROJECT OF CARIRI, SERIDÓ AND CURIMATAÚ

Loan of IFAD / Agreement nº I-798-BR

Accountability

Period: January 1st to December 31st, 2019

POA x Category

INVERSION MATRIX: POA x Financial Execution							
Period: January 1st to December 31st, 2019							
PROJECT EXPENDITURE BY CATEGORY	POA 2019		EXECUTED 2019		TO BE EXECUTED		
	R\$	%	R\$	%	R\$	%	
1 - IFAD's Funds							
I Equipment and Vehicles	R\$ 41.865,20	100,00%	R\$ 41.865,20	100,00%	R\$ -	0,00%	
II Training - Courses and Workshops	R\$ 670.042,65	100,00%	R\$ 10.000,02	1,49%	R\$ 660.042,63	98,51%	
III Agreements and Technical Service Contracts							
III.a) Technical assistance, audits and studies and agreements with public institutions	R\$ 839.833,87	100,00%	R\$ 1.340.630,57	159,63%	-R\$ 500.796,70	-59,63%	
IV Credit Line							
IV.a) Productive Investment Fund	R\$ 14.698.325,56	100,00%	R\$ 12.592.756,02	85,67%	R\$ 2.105.569,54	14,33%	
IV.b) Environmental Credit Fund	R\$ 1.542.069,41	100,00%	R\$ 3.012.520,13	195,36%	-R\$ 1.470.450,72	-95,36%	
V Recurring Costs							
V.a) Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	R\$ 8.414.655,93	100,00%	R\$ 8.117.492,84	96,47%	R\$ 297.163,09	3,53%	
V.b) Operating Costs	R\$ 291.356,22	100,00%	R\$ 269.475,08	92,49%	R\$ 21.881,14	7,51%	
VI Not Allocated							
IFAD's Subtotal	R\$ 26.498.148,84	100,00%	R\$ 25.384.739,86	95,80%	R\$ 1.113.408,98	4,20%	
2 - Paraíba's State Government Funds							
I Equipment and Vehicles	R\$ 8.574,80	100,00%	R\$ 9.331,40	108,82%	-R\$ 756,60	-8,82%	
II Training - Courses and Workshops	R\$ 39.999,99	100,00%	R\$ 25.586,50	63,97%	R\$ 14.413,49	36,03%	
III Agreements and Technical Service Contracts							
III.a) Technical assistance, audits and studies and agreements with public institutions	R\$ 1.063.338,71	100,00%	R\$ 161.245,01	15,16%	R\$ 902.093,70	84,84%	
IV Credit Line							
IV.a) Productive Investment Fund							
IV.b) Environmental Credit Fund							
V Recurring Costs							
V.a) Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	R\$ 553.772,25	100,00%	R\$ 962.764,86	173,86%	-R\$ 408.992,61	-73,86%	
V.b) Operating Costs	R\$ 351.741,18	100,00%	R\$ 517.243,13	147,05%	-R\$ 165.501,95	-47,05%	
VI Not Allocated							
Government's Subtotal	R\$ 2.017.426,93	100,00%	R\$ 1.676.170,90	83,08%	R\$ 341.256,03	16,92%	
PROJECT EXPENDITURE - TOTAL (FINANCIAL)	R\$ 28.515.575,77	100,00%	R\$ 27.060.910,76	94,90%	R\$ 1.454.665,01	5,10%	
3 Economic Counterpart of the Government							
	R\$	%	R\$	%	R\$	%	
I Equipment and Vehicles							
II Training - Courses and Workshops							
III Agreements and Technical Service Contracts							
III.a) Technical assistance, audits and studies and agreements with public institutions							
IV Credit Line							
IV.a) Productive Investment Fund	R\$ 4.009.351,82	100,00%	R\$ 216.818,97	5,41%	R\$ 3.792.532,85	94,59%	
IV.b) Environmental Credit Fund							
V Recurring Costs							
V.a) Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	R\$ 576.373,81	100,00%	R\$ 539.595,29	93,62%	R\$ 36.778,52	6,38%	
V.b) Operating Costs	R\$ 269.464,92	100,00%	R\$ 211.450,93	78,47%	R\$ 58.013,99	21,53%	
VI Not Allocated							
Paraíba's State Government Subtotal	R\$ 4.855.190,55	100,00%	R\$ 967.865,19	19,93%	R\$ 3.887.325,36	80,07%	
GOVERNMENT'S COUNTERPART (FINANCIAL AND ECONOMIC)	R\$ 6.872.617,48	100,00%	R\$ 2.644.036,09	38,47%	R\$ 4.228.581,39	61,53%	
TOTAL EXPENDITURE	R\$ 33.370.766,32	100,00%	R\$ 28.028.775,95	83,99%	R\$ 5.341.990,37	16,01%	

INVERSION MATRIX: POA x Financial Execution (Consolidated)							
Period: January 1st to December 31st, 2019							
EXPENSES PER EXPENSE CATEGORY	POA 2019		EXECUTED 2019		TO BE EXECUTED		
Consolidated	R\$	%	R\$	%	R\$	%	
I Equipment and Vehicles	R\$ 50.440,00	100,00%	R\$ 51.196,60	101,50%	-R\$ 756,60	-1,50%	
II Training - Courses and Workshops	R\$ 710.042,64	100,00%	R\$ 35.586,52	5,01%	R\$ 674.456,12	94,99%	
III Agreements and Technical Service Contracts							
III.a) Technical assistance, audits and studies and agreements with public institutions	R\$ 1.903.172,58	100,00%	R\$ 1.501.875,58	78,91%	R\$ 401.297,00	21,09%	
IV Credit Line							
IV.a) Productive Investment Fund	R\$ 18.707.677,38	100,00%	R\$ 12.809.574,99	68,47%	R\$ 5.898.102,39	31,53%	
IV.b) Environmental Credit Fund	R\$ 1.542.069,41	100,00%	R\$ 3.012.520,13	195,36%	-R\$ 1.470.450,72	-95,36%	
V Recurring Costs							
V.a) Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	R\$ 9.544.801,99	100,00%	R\$ 9.619.852,99	100,79%	-R\$ 75.051,00	-0,79%	
V.b) Operating Costs	R\$ 912.562,32	100,00%	R\$ 998.169,14	109,38%	-R\$ 85.606,82	-9,38%	
VI Not Allocated							
TOTAL	33.370.766,32	100,00%	28.028.775,95	83,99%	5.341.990,37	16,01%	

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**INVERSION MATRIX – BY COMPONENT: POA X FINANCIAL EXECUTION, FINANCIAL
YEAR 2019, EXPRESSED IN REALS**

PROCASE - SUSTAINABLE DEVELOPMENT PROJECT OF CARIRI, SERIDÓ AND CURIMATAÚ

Loan of IFAD / Agreement nº I-798-BR

Accountability

Period: January 1st to December 31st, 2019

POA x Component

INVERSION MATRIX: POA x Financial Execution						
Period: January 1st to December 31st, 2019						
Project Expenditure By Component	POA 2019		EXECUTED 2019		TO BE EXECUTED	
1 - IFAD's Funds	R\$	%	R\$	%	R\$	%
1 Development of Human and Social Capital	R\$ 669.318,98	100,00%	R\$ 537.096,74	80,25%	R\$ 132.222,24	19,75%
2 Productive Development and Competitive Market Insertion	R\$ 24.718.423,25	100,00%	R\$ 23.787.443,23	96,23%	R\$ 930.980,02	3,77%
3 Natural Resource Management and Combat to the Desertification	R\$ 701.787,81	100,00%	R\$ 701.787,80	100,00%	R\$ 0,01	0,00%
4 Institutional Development	R\$ -		R\$ -		R\$ -	
5 Project Management	R\$ 408.618,81	100,00%	R\$ 358.412,09	87,71%	R\$ 50.206,72	12,29%
IFAD's Subtotal	R\$ 26.498.148,84	100,00%	R\$ 25.384.739,86	95,80%	R\$ 1.113.408,98	4,20%
2 - Paraíba's State Government Funds	R\$	%	R\$	%	R\$	%
1 Development of Human and Social Capital	R\$ 36.195,83	100,00%	R\$ 76.738,85	212,01%	-R\$ 40.543,02	-112,01%
2 Productive Development and Competitive Market Insertion	R\$ 1.402.821,01	100,00%	R\$ 708.312,25	50,49%	R\$ 694.508,76	49,51%
3 Natural Resource Management and Combat to the Desertification	R\$ 57.977,21	100,00%	R\$ 84.485,57	145,72%	-R\$ 26.508,36	-45,72%
4 Institutional Development	R\$ -		R\$ -		R\$ -	
5 Project Management	R\$ 520.432,87	100,00%	R\$ 806.634,23	154,99%	-R\$ 286.201,36	-54,99%
Paraíba's State Government Subtotal	R\$ 2.017.426,93	100,00%	R\$ 1.676.170,90	83,08%	R\$ 341.256,03	16,92%
PROJECT EXPENDITURE - TOTAL (FINANCIAL)	R\$ 28.515.575,77	100,00%	R\$ 27.060.910,76	94,90%	R\$ 1.454.665,01	5,10%
3 Economic Counterpart of the Government	R\$	%	R\$	%	R\$	%
1 Development of Human and Social Capital	R\$ 89.775,08	100,00%	R\$ 70.277,49	78,28%	R\$ 19.497,59	21,72%
2 Productive Development and Competitive Market Insertion	R\$ 4.216.048,94	100,00%	R\$ 418.683,51	9,93%	R\$ 3.797.365,43	90,07%
3 Natural Resource Management and Combat to the Desertification	R\$ 77.181,24	100,00%	R\$ 74.846,94	96,98%	R\$ 2.334,30	3,02%
4 Institutional Development	R\$ -		R\$ -		R\$ -	
5 Project Management	R\$ 472.165,29	100,00%	R\$ 404.057,25	85,57%	R\$ 68.128,04	14,43%
Paraíba's State Government Subtotal	R\$ 4.855.190,55	100,00%	R\$ 967.865,19	19,93%	R\$ 3.887.325,36	80,07%
GOVERNMENT'S COUNTERPART (FINANCIAL AND ECONOMIC)	R\$ 6.872.617,48	100,00%	R\$ 2.644.036,09	38,47%	R\$ 4.228.581,39	61,53%
TOTAL EXPENDITURE	R\$ 33.370.766,32	100,00%	R\$ 28.028.775,95	83,99%	R\$ 5.341.990,37	16,01%

INVERSION MATRIX: POA x Financial Execution (Consolidated)						
Period: January 1st to December 31st, 2019						
PROJECT EXPENDITURE BY COMPONENT	POA 2019		EXECUTED 2019		TO BE EXECUTED	
Consolidated	R\$	%	R\$	%	R\$	%
1 Development of Human and Social Capital	R\$ 795.289,89	100,00%	R\$ 684.113,08	86,02%	R\$ 111.176,81	13,98%
2 Productive Development and Competitive Market Insertion	R\$ 30.337.293,20	100,00%	R\$ 24.914.438,99	82,12%	R\$ 5.422.854,21	17,88%
3 Natural Resource Management and Combat to the Desertification	R\$ 836.946,26	100,00%	R\$ 861.120,31	102,89%	-R\$ 24.174,05	-2,89%
4 Institutional Development	R\$ -		R\$ -		R\$ -	
5 Project Management	R\$ 1.401.236,97	100,00%	R\$ 1.569.103,57	111,98%	-R\$ 167.866,60	-11,98%
TOTAL	R\$ 33.370.766,32	100,00%	R\$ 28.028.775,95	83,99%	R\$ 5.341.990,37	16,01%

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

3. COMPLEMENTARY FINANCIAL INFORMATION

- **DESIGNATED ACCOUNT RECONCILIATION STATEMENT (IFAD RESOURCES)**
- **STATEMENT OF RECONCILIATION OF DESIGNATED AND OPERATING ACCOUNTS (IFAD RESOURCES)**
- **OPERATING ACCOUNT RECONCILIATION STATEMENT (IFAD RESOURCES)**
- **OPERATING ACCOUNT RECONCILIATION STATEMENT (IFAD AND GOVERNMENT RESOURCES)**
- **PROJECT MANAGEMENT REPRESENTATIVE LETTER**

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

DESIGNATED ACCOUNT RECONCILIATION STATEMENT (IFAD RESOURCES)

CONCILIATION OF THE DESIGNATED ACCOUNT			
LOAN No. I-798-BR			
BANK NAME:			
ACCOUNT NUMBER:		USD	R\$
1. Total of The Deposit		6.133.138,37	24.291.045,88
2. Total Subtracted Documented (until 12/31/2019)		5.216.434,34	20.117.517,25
3. Balance to be documented		916.704,03	4.173.528,63
4. Balance of the Designated Account (Current) on 12/31/2018 according to the attached Bank Statement	a)	-	-
5. Designated Account Balance (Investment)	b)	361,50	1.456,88
6. Withdrawal Orders in Process		-	-
7. Existing balance in the operating account on 12/31/2019	c)	916.704,03	4.173.528,63
8. Others		-	-
9. TOTAL		361,50	1.456,88
<p>a) The "zero" balance results from the fact that after each inflow, the amount received is transferred to the Operative Account.</p> <p>b) It refers to the income earned during the time elapsed between receipt of the IFAD resource and the transfer to the Operative Account.</p> <p>c) See details in "Reconciliation of the Operational Account - IFAD Resources" and in "Reconciliation of the Operative Account - Project Resources".</p>			

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**STATEMENT OF RECONCILIATION OF DESIGNATED AND OPERATING ACCOUNTS
(IFAD RESOURCES)**

PROCASE - SUSTAINABLE DEVELOPMENT PROJECT OF CARIRI, SERIDÓ AND CURIMATAÚ
Loan of IFAD / Agreement nº I-798-BR
Form. 104A - Bank Conciliation Assigned Account + IFAD Operative

Project Title: PROCASE

Reporting Period: 01/01/2019 a 31/12/2019

IFAD Financing No.: I - 798 BR

BANK NAME:

	USD	R\$
1 TOTAL ADVANCED BY IFAD	6.133.138,37	24.291.045,88
2 LESS TOTAL AMOUNT RECOVERED BY IFAD	5.216.434,34	20.117.517,25
3 EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (Line 1 less Line 2)	916.704,03	4.173.528,63
4 BALANCE OF DESIGNATED ACCOUNT PER ATTACHED	361,50	1.456,88
BANK STATEMENT AS OF [DATE: 31/12/2019] C/C 1	-	-
BANK STATEMENT AS OF [DATE: 31/12/2019] C/C 2	361,50	1.456,88
PLUS BALANCE OF THE PROJECT ACCOUNT(S) (Governo Cliente - Conta Atual) [31/12/2019]	-	-
PLUS BALANCE OF SUB-ACCOUNTS (Governo Investimentos Fundos) [31/12/2019]	- 344.485,83	- 1.144.247,43
PLUS BALANCE OF THE PROJECT ACCOUNT(S) (Governo Cliente - Conta Atual) [31/12/2019]	-	-
PLUS BALANCE OF SUB-ACCOUNTS (Governo Investimentos Fundos) [31/07/2017]	-	-
PLUS BALANCE OF CASH IN HAND	-	-
subtotal of 5	- 344.485,83	- 1.144.247,43
TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5)	- 344.124,33	- 1.142.790,55
6 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO. 19	1.245.795,32	5.267.222,61
7 PLUS TOTAL AMOUNT WITHDRAWN FROM THE	-	-
REASON: <u>Eligible amount of expenditures for which a WA has not yet been prepared</u>		
8 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET CREDITED AT THE		
APPLICATION NO. DATE US\$ AMOUNT		
subtotal of 8	-	-
9 MINUS INTEREST EARNED (to be completed. If zero, please enter '0')	361,50	1.456,88
10 TOTAL ADVANCE ACCOUNTED FOR (Line 5 * through Line 9)	901.309,49	4.122.975,18
11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10	15.394,54	50.553,45
Non-eligible amount to be refunded to the Designated Account	-	-
Calculation errors/errors in application of percentage financing	-	-
Counterpart financial resources to be reimbursed	15.394,54	50.553,45
Cheques not yet cleared/presented to Bank	-	-

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**OPERATING ACCOUNT RECONCILIATION STATEMENT
(IFAD RESOURCES)**



CONCILIATION OF THE IFAD OPERATING ACCOUNT

LOAN No. I-798-BR

BANK NAME:

ACCOUNT NUMBER:

	USD	R\$
1. TOTAL OF THE DEPOSIT	5.815.420,76	23.025.590,17
2. Total Subtracted Documented (until 12/31/2019)	5.216.434,34	20.117.517,25
3. Balance to be documented	598.986,42	2.908.072,92
4. Balance of IFAD resources from the Operational (Investment) account in 12/31/2018 according to the attached Bank Statement	317.717,61	1.265.455,71
5. Balance of the Operational Account (Current) IFAD at 12/31/2018 (12,386-2/41,020-9)	a) -	-
6. Withdrawal Requests Requested in 2019 and Processed by IFAD in 2020	b) 1.245.795,32	5.267.222,61
7. Others	c) 15.394,54	50.553,45
9. TOTAL	d) - 344.485,83	- 1.144.247,43

b) Refers to Disbursement Request No. 19 sent to IFAD in 2019 and processed in the year 2020.

c) See details and comments in the Explanatory Note to the Financial Statements of Project No. 2.7.

d) Refers to the negative balance of IFAD resources, in the Operative Account, originated by the payment of IFAD expenses with counterpart resources, this amount is contained in PD nº 19 according to letter b).

**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**OPERATING ACCOUNT RECONCILIATION STATEMENT
(IFAD AND GOVERNMENT RESOURCES)**

CONCILIATION OF THE OPERATIONAL ACCOUNT - PROJECT

LOAN No. I-798-BR

BANK NAME:

ACCOUNT NUMBER:

USD

R\$

1. TOTAL OF THE DEPOSIT	7.608.594,44	29.856.912,76
1.1 IFAD Resources	5.815.420,76	23.025.590,17
1.2 Government of Paraíba Resources	1.435.939,89	5.725.853,36
1.3 IFDA Returns	216.459,05	600.357,18
1.4 Government of Paraíba Resources - Income Operational Account SEFAZ	2.616,27	10.368,84
1.5 Government of Paraíba Resources - Income Operational Account SEAFDS e SEDAP	41.854,43	164.413,65
1.6 Government Returns	30.019,81	67.741,18
1.7 Government Income	66.284,23	262.588,38
2. Total Subtracted Documented/ Executed (until 12/31/2019)	5.636.217,79	21.793.688,15
2.1 IFAD Resources	5.216.434,34	20.117.517,25
2.2 Government of Paraíba Resources	419.783,45	1.676.170,90
3. Balance to be Documented / To execut	1.972.376,65	8.063.224,61
3.1 IFAD Resources	815.445,47	3.508.430,10
3.2 Government of Paraíba Resources	1.156.931,18	4.554.794,51
4. Balance of the Operational account (Investment) on 12/31/2018 according to the attached Bank Statement	1.197.765,60	4.770.649,30
4.1 IFAD	317.717,62	1.265.455,71
4.2 Government	880.047,98	3.505.193,59
5. Operational Account Balance (Current) (12386-2/41020-9)	-	-
6. Withdrawal Requests Requested in 2019 and Processed by IFAD in 2020	a) 1.245.795,32	5.267.222,61
7. Others	b) 22.568,04	75.601,03
8. TOTAL	c) 1.946.914,97	7.642.252,33

- a) Refers to Disbursement Request Nº19 sent to IFAD in 2019 and processed in the year 2020.
b) See details and comments in the Explanatory Note to the Financial Statements of Project No. 2.7.
c) Balance according to the Bank Statement on 12/31/2019.

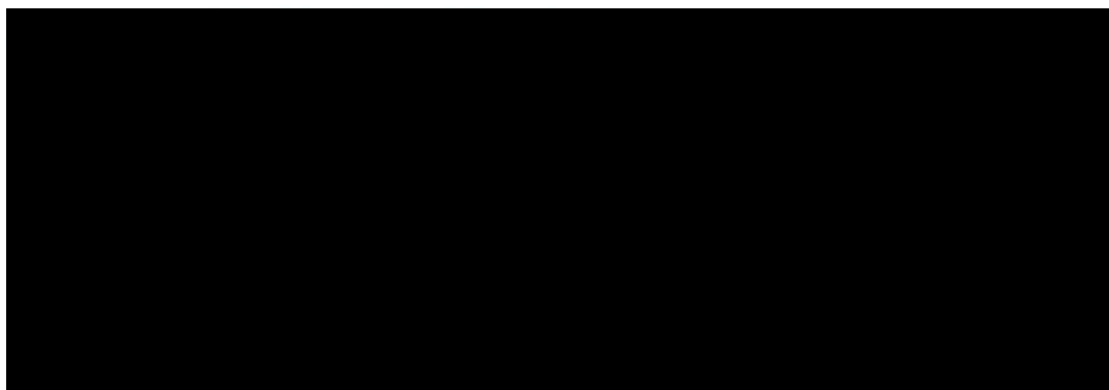
**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

PROJECT MANAGEMENT REPRESENTATIVE LETTER



DECLARATION

We declare, for due purposes and effects, that the resources of the "Sustainable Development Project of Cariri, Seridó and Curimataú - PROCASE", derived from the FIDA Loan Agreement No. I-798-BR, signed with the International Fund for Agricultural Development - IFAD, and related to the period from January 1, 2019 to December 31, 2019, were applied in accordance with the purposes foreseen and specified in the legal agreement of the Loan signed between IFAD and the State Government of Paraíba.



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

4. EXPLANATORY NOTES TO THE PROJECT FINANCIAL STATEMENTS

**EXPLANATORY NOTES TO FINANCIAL
STATEMENTS OF THE CARIRÍ, SERIDÓ AND
CURIMATAÚ SUSTAINABLE DEVELOPMENT
PROJECT**

PROCASE

LOAN AGREEMENT Nº I-798 - BR, OF OCTOBER 17, 2012

**REFERENCE PERIOD:
JANUARY 01, 2019 – DECEMBER 31, 2019**

João Pessoa - PB, november / 2020

Page 34



Presentation

The purpose of this document is to detail the specific aspects of the financial statements of the Cariri, Seridó and Curimataú Sustainable Development Project – PROCASE, designed to substantiate the annual accountability based on its financial execution, as governed by the IFAD disbursements manual.

The document refers to the period from January 01, 2019 to December 31, 2019.

List of abbreviations/acronyms

CAR – Bahia's Regional Action and Development Company

DIP – Project Investment Statement

DOARP – Statement of Origin and Application of Resources in the Project

IFAD – International Agricultural Development Fund

FMI – International Monetary Fund

FUNDAGRO – Agricultural and Fisheries Development Fund

IFR – Interim Financial Report

POA – Annual Budget Planning

PROCASE – Sustainable Development Project of Cariri, Seridó and Curimataú

PRONAF – National Program for Strengthening Family Farming

SDR – Special Drawing Rights (Direitos Especiais de Saque)

SEAD – State Secretariat for Administration

SEAFDS – Secretariat of State for Family Agriculture and Semiarid Development

SEDAP – State Secretariat for the Development of Agriculture and Fisheries

SEIRHMA – Secretariat of State for Infrastructure, of Water Resources and of the Environment

SIAF – Integrated Financial Management System

SOE – Statement of Expenditures

UGP – Project Management Unit

1 - INTRODUCTION

The Cariri, Seridó and Curimataú Sustainable Development Project - PROCASE is the result of a partnership between the Government of the State of Paraíba and the International Fund for Agricultural Development (IFAD), an institution of the United Nations (UN) through a loan agreement signed on October 17, 2012, with a global value of US\$ 49.7 million, 50% of the funds coming from IFAD (SDR 16.064.876, equivalent to US\$ 25.0 million (exchange rate on 10.17.2012), converted from SDR to Dollar at the rate of US\$ 1.5562) and the other 50% contributed with resources from the State Government (US\$ 12.1 million, equivalent to SDR 7.776.043) from PRONAF (US\$ 3.4 million, equivalent to SDR 2,184,823), beneficiaries and other partnerships (US\$ 9.2 million, equivalent to SDR 5,907,376), benefiting 56 municipalities in the semi-arid region of Paraíba. The aforementioned Project aims to contribute to sustainable rural development in the semi-arid region of Paraíba, the current levels of rural poverty and strengthening actions to combat and combat desertification.

2 - DEVELOPMENT

The purpose of these explanatory notes is to provide further information to the International Fund for Agricultural Development and the PROCASE Coordination on the financial statements required for the annual accountability for the period from January 1, 2019 to 31 December 2019, as well as several other topics considered to be treated individually throughout this document.

The financial reports detail expenses incurred by category and component, on a cash basis, as governed by IFAD's loan agreement and disbursement manuals.

2.1 – General Project Budget (USD)

This statement reflects, according to the components and as categories of the project, the financiers and the available resources established in the loan agreement (in USD), according to the demonstrative below:

Table 01 - PROCASE General Budget by Component (USD)

Components (In USD)	IFAD*	GOVPB	Beneficiaries	Beneficiaries Other Sources	TOTAL
1. Human Development and Social Capital	923.754,88	650.000,00			1.573.754,88
2. Productive Development and Insertion in the Competitive Market	18.106.689,01	7.500.000,00	9.190.000,00	3.400.000,00	38.196.689,01
3. Sustainable Management of Natural Resources and Combat against Desertification	1.406.263,93	330.000,00			1.736.263,93
4. Institutional Development	707.540,70	65.000,00			772.540,70
5. UGP and M&A	1.557.786,39	3.556.000,00			5.113.786,39
TOTAL	22.702.034,91	12.101.000,00	9.190.000,00	3.400.000,00	47.393.034,91

* FIDA value with SDR converted to USD through quotation at 1.38283 on 12/30/2019.

According to the data in the table above, until the end of the project, the amount of USD 22,702,034.91 from the IFAD Source is expected to be docked to the Project, as well as the amount of USD 12,101,000.00 from the Source From the Government of the State of Paraíba, the amount of USD 9,190,000.00 as counterpart of the beneficiaries and the amount of USD 3,400,000.00 from the source of PRONAF, totaling the amount of USD 47,393,034.91. It is worth noting that the data in the IFDA column varies from the SDR (Special Drawing Rights), a unit of account of the IMF (International Monetary Fund).

Table 02 – PROCASE's General Budget by Category (USD)

Expense Category (In USD)	IFAD	GOVPB	Beneficiaries	Beneficiaries Other Sources	TOTAL
I – Equipment and Vehicles	154.177,91	156.283,48			310.461,39
II – Training - Courses and Workshops	692.157,25	2.755.390,08			3.447.547,33
III a – Convenats and Technical Service Contracts	432.383,52	200.583,95			632.967,47
IV a – Credit Line - Productive Investment Fund	12.903.537,72	2.344.252,17	9.190.000,00	3.400.000,00	27.837.789,89
IV b – Credit Line - Environmental Credit Line	1.231.680,34	555.115,22			1.786.795,56
V a – Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agents (ADL)	4.549.630,15	3.231.107,00			7.780.737,15
V b – Recurring Costs - Operating Cost	989.570,50	678.249,87			1.667.820,37
VI – Unallocated	1.748.897,52	2.180.018,23			3.928.915,75
TOTAL	22.702.034,91	12.101.000,00	9.190.000,00	3.400.000,00	47.393.034,91

2.2 – Annual Operating Plan for 2019

The Project's Annual Operational Plan (POA) is the planning tool that PROCASE uses to budget the actions that will be carried out through that year, distributing the administered resources among the components and as categories, discriminating the percentages of IFAD's sources of funds and the State Government and demonstrating the volume of resources that each component will execute within this planning, in addition to the counterparts accepted by the financier, as shown in the tables below:

Table 03 - POA 2019 (By Component)

OVERALL SUMMARY - POA 2019					
Component by Financier (In R\$)	IFAD	GOVPB	SEAD	SEIRHMA	TOTAL
1. Human Development and Social Capital	669.318,98	36.195,83	89.775,08	-	795.289,89
2. Productive Development and Insertion in the Competitive Market	24.718.423,25	1.402.821,01	206.697,12	4.009.351,82	30.337.293,20
3. Sustainable Management of Natural Resources and Combat against Desertification	701.787,81	57.977,21	77.181,24	-	836.946,26
4. Institutional Development	-	-	-	-	-
5. UGP and M&A	408.618,81	520.432,87	472.185,29	-	1.401.236,97
TOTAL	26.498.148,84	2.017.426,93	845.838,73	4.009.351,82	33.370.766,32
Percentage by Resource Source	79,41%	6,05%	2,53%	12,01%	100,00%

As seen, POA / PROCASE / 2019 is subdivided into 5 components with a total sum of R\$ 33,370,766.32, of which R\$ 26,498,148.84 are IFAD resources, R\$ 2,017,426.93 financial resources from State Government, as well as R\$ 845,838.73 and R\$ 4,009,351.82 are counterparts from the Government through SEAD and SEIRHMA, respectively. The values here originate from the POA review after the October 2019 mission, and were used in accordance with no objection issued by IFAD.

POA 2019 also foresees actions of the Emergency Plan to mitigate the effects of drought, as well as payment of personnel, current expenses such as car rental, daily rates, exchanges, etc.

Table 04 - POA 2019 (By Expense Category)

OVERALL SUMMARY - POA 2019					
Expense Category (In R\$)	IFAD	GOVPB	SEAD	SEIRHMA	TOTAL
I – Equipment and Vehicles	41.865,20	8.574,80	-	-	50.440,00
II – Training - Courses and Workshops	670.042,65	39.999,99	-	-	710.042,64
III a – Convenats and Technical Service Contracts	839.833,87	1.063.338,71	-	-	1.903.172,58
IV a – Credit Line - Productive Investment Fund	14.698.325,56	-	-	4.009.351,82	18.707.677,38
IV b – Credit Line - Environmental Credit Line	1.542.069,41	-	-	-	1.542.069,41
V a – Recurring Costs - Payment of UGP Personnel, Extensionists and Local Development Agent (ADL)	8.414.655,93	553.772,25	576.373,81	-	9.544.801,99
V b – Recurring Costs - Operating Cost	291.356,22	351.741,18	269.464,92	-	912.562,32
TOTAL	26.498.148,84	2.017.426,93	845.838,73	4.009.351,82	33.370.766,32
Percentage by Resource Source	79,41%	6,05%	2,53%	12,01%	100,00%

Similarly to the previous table, table 03 details the entire PROCASE budget for the exercise, from the perspective of the expense categories. Most of the resources of POA 2019 are allocated to category IVa - Credit Line - Fund for Productive Investments, used for product projects with cooperatives and associations through public notices, totaling R\$ 18,707,677.38 in the referred category.

2.3 – COIN CONVERSION

During the period to which the financial statements refer, seven exchange rates were used, 3.7660 (PD 12), 3.6990 (PD 13), 3.9520 (PD 14), 4.0080 (PD 15), 4.1510 (PD 16), 4.0800 (PD 17), and 4.0580 (PD 18). The rates quoted steeming from closed contracts at the exchange table for the internalization of funds from disbursement requests approved by IFAD through the corresponding Debit Advice. The order in which they are used follows the logic of the PEPS (First In, First Out - FIFO), as long as there is a balance to be established in the last internalized rate, it will be used until the same is completed, and only then will the next internalization rate be executed exchange rate. The expenses incurred in an SEIRHMA economic counterpart security were converted according to the exchange rate of the day they were paid, according to payment authorizations. SEAD expenses were registered based on the last day of the month to which they refer to, as we did not have access to payment authorizations, remittances and bank strata.

2.4 – BANK ACCOUNTS

On January 2, 2015, the Provisional Measure No. was published, already validated in Law of 05/26/2015, which amends Law of March 16, 2007, changing the organizational structure of the Direct Administration of Power State Executive and other measures, including the link between PROCASE and the State Secretariat for Family Farming and Semi-Arid Development – SEAFDS. The project emerged having as its executing agency the State Secretariat of Agricultural Development and Fisheries - SEDAP, being fully operationalized through it.

After the publication of the determined Provisional Measure converted into state law, some measures had to be taken, one of which was the opening of a second operating account for the project, which is being operationalized through SEAFDS. Therefore, the project now has two operating accounts from Banco do Brasil, the first originating from SEDAP/FUNDAGRO, branch , operating account No. and the second originating from SEAFDS, branch 63-9 (in July 2020 it was transferred to branch), operating account No. . The latter being used only as of July 2016. In addition to the operating accounts, it is worth remembering that the designated accounts that are reconciled on Form 104A, once account 07.531.295 has been zeroed and used on 08.761.124.

The total income earned in 2019 in the accounts is detailed in the following table:

Table 05 - Financial income earned in 2019.

Adjustments	SEAFDS (Ag 63-9 C 41020-9) - R\$	SEDAP/FUNDAGR O (Ag 1618-7 C 12386-2) - R\$	TR*	SEAFDS (Ag 63-9 C 41020-9) - USD	SEDAP/FUNDAGR O (Ag 1618-7 C 12386-2) - USD
January	8.519,39	872,29	3,6513	2.333,25	238,90
February	9.110,72	785,51	3,7379	2.437,39	210,15
March	11.469,26	880,05	3,8961	2.943,78	225,88
April	14.407,31	2.206,43	3,9447	3.652,32	559,34
May	15.567,07	1.213,68	3,9401	3.950,93	308,03
June	16.419,33	1.283,38	3,8316	4.285,24	334,95
July	19.277,98	1.789,29	3,7643	5.121,27	475,33
August	12.570,70	1.738,87	4,1379	3.037,94	420,23
September	10.385,68	1.595,28	4,1638	2.494,28	383,13
October	15.922,92	780,44	3,9940	3.986,71	195,40
November	9.272,09	457,16	4,2255	2.194,32	108,19
December	7.283,89	604,93	4,0301	1.807,37	150,10
Subtotal	150.206,34	14.207,31		38.244,80	3.609,63
TOTAL	164.413,65			41.854,43	

* Reference Rate - Source: BACEN (Date of quotation according to the issuance of the bank statement).

Aside from the amounts above, we also obtained the earnings during the year during transfers from the account designated GECEX BRASÍLIA No. in the amount of USD 34.46, leaving the account balance at USD 361.50.

2.5 – FINANCIAL ADMINISTRATIVE SYSTEM SACC/FIN

In 2015, the project received, through the assignment of the Bahia Regional Action and Development Company (CAR), a financial administrative system that, despite being used, still needs some adjustments and corrections to adapt itself to PROCASE's reality. Due to the system's limitation, the project accounting maintains a financial and budgetary control in parallel on spreadsheets for parameter and comparative purposes.

2.6 – RESOURCE RETURNS IN PROCASE'S OPERATING ACCOUNTS

During the reporting period, there were some returns of financial resources by the associations and cooperatives supported by PROCASE through the productive projects, for various reasons, such as closing the agreement, adjusting the work plan, income, etc. We present below the tables containing the analytical list of returns occurred in the 1st and 2nd semester of 2019. The 1st table, corresponds to the returns for the 1st semester, was prepared by the previous accountant for the project and the second half by the current accountant. The table for the 1st semester is being presented in two versions, one corresponding to the original version (elaborated by the previous accountant and available only in the format presented - barely legible) and the second, corresponding to the version redone by the current accountant (legible and with the goal to enable reading and understanding of the original table):

Table 07 - Returns incurred in PROCASE's operating accounts in the first semester (Table).

RETURNS												
Compo nent	Cate gory	Covenant/ Contract	Creditor	Budgetary Unit.	Nature of Expenditure	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	007/2016	Communitarian Association of Alagoinha's Residents	SEAFDS	335041	07/02/2019	3,1990	1 502,00	469,52	-	-	-
2	4a	007/2016	Communitarian Association of Alagoinha's Residents	SEAFDS	445041	07/02/2019	3,1990	10 746,17	3 359,23	-	-	-
2	4a	007/2016	Communitarian Association of Alagoinha's Residents	SEAFDS	REND.	07/02/2019	-	-	-	3,1990	2 177,55	680,70
2	4a	017/2016	Communitarian Development Association of Ligeiro	SEAFDS	335041	12/02/2019	3,1990	1 502,00	469,52	-	-	-
2	4a	017/2016	Communitarian Development Association of Ligeiro	SEAFDS	445041	12/02/2019	3,1990	14 856,17	4 644,00	-	-	-
2	4a	017/2016	Communitarian Development Association of Ligeiro	SEAFDS	REND.	12/02/2019	-	-	-	3,1990	2 284,49	714,13
2	4a	033/2014	Communitarian Association of Small Settled Farmers of Sitio Juá	SEDAP	335041	26/02/2019	1,9785	74,74	37,78	2,2210	15,30	6,89
2	4a	013/2014	Association of Beekeepers and Meliopeculturists of São José dos Cordeiros	SEDAP	335041	11/03/2019	-	-	-	3,2320	123,15	38,10
2	4a	013/2014	Association of Beekeepers and Meliopeculturists of São José dos Cordeiros	SEDAP	445041	11/03/2019	3,2320	663,78	205,38	-	-	-
2	4a	013/2014	Association of Beekeepers and Meliopeculturists of São José dos Cordeiros	SEDAP	335041	11/03/2019	-	-	-	3,2320	270,15	83,59
2	4a	013/2014	Association of Beekeepers and Meliopeculturists of São José dos Cordeiros	SEDAP	445041	11/03/2019	3,2320	1 927,94	596,52	-	-	-
2	4a	013/2014	Association of Beekeepers and Meliopeculturists of São José dos Cordeiros	SEDAP	REND.	11/03/2019	-	-	-	3,8961	15 848,44	4 067,77
2	4a	001/2017	Association of Goat and Sheep Breeders and Producers of Parari	SEAFDS	335041	13/03/2019	3,1990	1 496,00	467,65	-	-	-
2	4a	001/2017	Association of Goat and Sheep Breeders and Producers of Parari	SEAFDS	445041	13/03/2019	3,1990	3 992,17	1 247,94	-	-	-
2	4a	001/2017	Association of Goat and Sheep Breeders and Producers of Parari	SEAFDS	REND.	13/03/2019	-	-	-	3,8961	1 521,71	390,57
2	4a	001/2017	Association of Goat and Sheep Breeders and Producers of Parari	SEAFDS	REND.	13/03/2019	-	-	-	3,8961	0,08	0,02
2	4a	014/2014	Rural Workers Association of the Settlement Project of Santa Verônica	SEDAP	335041	14/03/2019	-	-	-	3,2320	3 617,90	1 119,40
2	4a	014/2014	Rural Workers Association of the Settlement Project of Santa Verônica	SEDAP	335041	14/03/2019	-	-	-	2,2210	47,21	21,26
2	4a	014/2014	Rural Workers Association of the Settlement Project of Santa Verônica	SEDAP	445041	14/03/2019	3,2320	7 295,87	2 257,39	-	-	-

RETURNS

Component	Category	Covenant/ Contract	Creditor	Unit	Nature of Expenditure	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	014/2014	Association of Rural Workers of the Santa Verônica Settlement Project	SEDAP	445041	14/03/2019	2,2210	5.152,86	2.320,06	-	-	-
2	4a	014/2014	Association of Rural Workers of the Santa Verônica Settlement Project	SEDAP	REND.	14/03/2019	-	-	-	3,8961	22.750,16	5.839,21
2	4a	001/2017	Association of Breeders and Producers of Goats and Sheep of Parari	SEAFDS	REND.	14/03/2019	-	-	-	3,8961	9,70	2,49
2	4a	011/2016	Padre de Assis Settlement	SEAFDS	335041	14/03/2019	3,1990	1.602,30	500,88	-	-	-
2	4a	011/2016	Padre de Assis Settlement	SEAFDS	445041	14/03/2019	3,1990	5.003,82	1.564,18	-	-	-
2	4a	011/2016	Padre de Assis Settlement	SEAFDS	REND.	14/03/2019	-	-	-	3,8961	1.886,46	484,19
2	4a	055/2016	Communitarian Association of Santo Antônio in Sossego's Municipality Campos Novos Settlement	SEAFDS	335041	14/03/2019	3,1990	1.556,85	486,67	-	-	-
2	4a	055/2016	Communitarian Association of Santo Antônio in Sossego's Municipality Campos Novos Settlement	SEAFDS	445041	14/03/2019	3,1990	10.142,05	3.170,38	-	-	-
2	4a	055/2016	Communitarian Association of Santo Antônio in Sossego's Municipality Campos Novos Settlement	SEAFDS	REND.	14/03/2019	-	-	-	3,8961	2.343,39	601,47
2	4a	011/2016	Padre de Assis Settlement	SEAFDS	REND.	14/03/2019	-	-	-	3,8961	9,70	2,49
2	4a	009/2017	Small Rural Farmers of Belo Monte and Sitio Caicarinha Settlement Association	SEDAP	335041	21/03/2019	3,1990	1.975,00	617,38	-	-	-
2	4a	009/2017	Small Rural Farmers of Belo Monte and Sitio Caicarinha Settlement Association	SEDAP	445041	21/03/2019	3,1990	10.996,72	3.437,55	-	-	-
2	4a	009/2017	Small Rural Farmers of Belo Monte and Sitio Caicarinha Settlement Association	SEDAP	REND.	21/03/2019	-	-	-	3,8961	2.085,29	535,22
2	4a	055/2016	Communitarian Association of Santo Antônio in Sossego's Municipality Campos Novos Settlement	SEAFDS	REND.	29/03/2019	-	-	-	3,8961	17,95	4,61
2	4a	055/2016	Communitarian Association of Santo Antônio in Sossego's Municipality Campos Novos Settlement	SEAFDS	REND.	05/04/2019	-	-	-	3,9447	1,00	0,25
2	4a	009/2017	Small Rural Farmers of Belo Monte and Sitio Caicarinha Settlement Association	SEDAP	REND.	08/04/2019	-	-	-	3,9447	5,90	1,50
2	4a	029/2014	Association of Settlers of the Settlement Mandacaru	SEAFDS	335041	15/04/2019	3,3800	3.244,88	960,02	3,3800	623,02	184,33
2	4a	029/2014	Association of Settlers of the Settlement Mandacaru	SEAFDS	445041	15/04/2019	3,3800	2.607,88	771,56	3,3800	534,14	158,03

RETURNS												
Component	Category	Covenant/ Contract	Creditor	Unit	Nature of Expenditure	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4 ^a	029/2014	Association of Settlers of the Settlement Mandacaru	SEAFDS	REND.	15/04/2019	-	-	-	3,9447	3,014,97	764,31
2	4a	029/2014	Association of Settlers of the Settlement Mandacaru	SEAFDS	REND.	16/04/2019	-	-	-	3,9447	2,95	0,75
2	4a	051/2016	Rural Communitarian Association of Sitio Caiçarinha	SEAFDS	335041	16/04/2019	3,2490	1.640,00	504,77	-	-	-
2	4a	051/2016	Rural Communitarian Association of Sitio Caiçarinha	SEAFDS	445041	16/04/2019	3,2490	41.378,42	12.735,74	-	-	-
2	4a	051/2016	Rural Communitarian Association of Sitio Caiçarinha	SEAFDS	REND.	16/04/2019	-	-	-	3,9447	5.376,61	1.363,00
2	4a	005/2017	Craft Producers Association of Juazeirinho - APAJU	SEAFDS	335041	18/04/2019	3,1990	3.132,00	979,06	-	-	-
2	4a	005/2017	Craft Producers Association of Juazeirinho - APAJU	SEAFDS	445041	18/04/2019	3,1990	20.161,82	6.302,54	-	-	-
2	4a	005/2017	Craft Producers Association of Juazeirinho - APAJU	SEAFDS	REND.	18/04/2019	-	-	-	3,9447	36,44	9,24
2	4a	033/2016	Communitarian Association of Women Producers of Camalaú	SEAFDS	335041	22/04/2019	3,1990	4.257,16	1.330,78	-	-	-
2	4a	033/2016	Communitarian Association of Women Producers of Camalaú	SEAFDS	REND.	22/04/2019	-	-	-	3,9447	4.873,91	1.235,56
2	4a	033/2016	Communitarian Association of Women Producers of Camalaú	SEAFDS	REND.	23/04/2019	-	-	-	3,9447	9,70	2,46
2	4a	013/2016	Association of Goat and Sheep Raisers of Caraúbas	SEAFDS	335041	30/04/2019	3,2490	4.096,00	1.260,70	-	-	-
2	4a	013/2016	Association of Goat and Sheep Raisers of Caraúbas	SEAFDS	445041	30/04/2019	3,2490	11.770,00	3.622,65	-	-	-
2	4a	013/2016	Association of Goat and Sheep Raisers of Caraúbas	SEAFDS	REND.	30/04/2019	-	-	-	3,9447	2.369,43	600,66
2	4a	020/2014	Association of Small Rural Producers of Riacho Algodão of Santa Rita	SEDAP	445041	02/05/2019	3,3800	1.818,81	538,11	2,2210	340,33	153,23
2	4a	020/2014	Association of Small Rural Producers of Riacho Algodão of Santa Rita	SEDAP	REND.	02/05/2019	-	-	-	3,9401	4.049,56	1.027,78
2	4a	020/2014	Association of Small Rural Producers of Riacho Algodão of Santa Rita	SEDAP	REND.	03/05/2019	-	-	-	3,9401	8,80	2,23
2	4a	027/2014	Association of Rural Development of Capoeiras, Coalhada and Region	SEDAP	335041	07/05/2019	3,1990	11.252,42	3.517,48	3,1990	297,23	92,91

RETURNS												
Component	Category	Covenant/ Contract	Creditor	Unit	Nature of Expenditure	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	027/2014	Association of Rural Development of Capoeiras, Coalhada and Region	SEDAP	335041	07/05/2019	3,2320	9,339,51	2,889,70	2,2210	1,615,68	727,46
2	4a	036/2014	Alvorada Rural Association of Mandacarú Settlement	SEDAP	335041	21/05/2019	3,2320	3,316,26	1,026,07	3,1990	679,24	212,33
2	4a	036/2014	Alvorada Rural Association of Mandacarú Settlement	SEDAP	445041	21/05/2019	3,2320	2,043,48	632,26	3,1990	418,54	130,83
2	4a	036/2014	Alvorada Rural Association of Mandacarú Settlement	SEDAP	REND	21/05/2019	-	-	-	3,9401	3,149,40	799,32
2	4a	024/2016	Communitarian Association of Rural Farmers of the Juazeirinho Community	SEAFDS	335041	27/05/2019	3,2490	1,500,00	461,68	-	-	-
2	4a	024/2016	Communitarian Association of Rural Farmers of the Juazeirinho Community	SEAFDS	445041	27/05/2019	3,2490	6,436,32	1,981,02	-	-	-
2	4a	024/2016	Communitarian Association of Rural Farmers of the Juazeirinho Community	SEAFDS	REND	27/05/2019	-	-	-	3,9401	2,134,04	541,62
2	4a	024/2016	Communitarian Association of Rural Farmers of the Juazeirinho Community	SEAFDS	REND	28/05/2019	-	-	-	3,9401	0,79	0,20
2	4a	024/2016	Communitarian Association of Rural Farmers of the Juazeirinho Community	SEAFDS	REND	29/05/2019	-	-	-	3,9401	0,03	0,01
2	4a	001/2016	Caatinga's Communitarian Association	SEAFDS	335041	29/05/2019	3,2490	3,500,00	1,077,25	-	-	-
2	4a	001/2016	Caatinga's Communitarian Association	SEAFDS	445041	29/05/2019	3,2490	2,024,06	622,98	-	-	-
2	4a	001/2016	Caatinga's Communitarian Association	SEAFDS	REND	29/05/2019	-	-	-	3,9401	2,077,60	527,30
2	4a	054/2016	Communitarian Association of Women Producers of Family Farming in Quixaba, Picui and Region	SEAFDS	445041	03/06/2019	3,2490	5,478,18	1,686,11	-	-	-
2	4a	003/2017	Settlement of Dez Association	SEDAP	335041	27/06/2019	3,3800	5,012,25	1,482,91	3,9401	581,00	147,46
2	4a	003/2017	Settlement of Dez Association	SEDAP	335041	27/06/2019	-	-	-	3,2462	445,60	137,27
2	4a	003/2017	Settlement of Dez Association	SEDAP	445041	27/06/2019	3,3800	5,032,38	1,488,87	3,2462	773,44	238,26
2	4a	003/2017	Settlement of Dez Association	SEDAP	REND	27/06/2019	-	-	-	3,2462	4,403,05	1,356,37
TOTAL							229,528,27	71,724,29	92,831,03	25,006,77		

Table 08 - Comparative: Execution x Returns x Results of the first semester (Image).

EXECUÇÃO FINANCEIRA - SEM 01 2019					
Nº	CATEGORIA DE DESPESA Descrição	FIDA		GOVERNO	
		R\$	US\$	R\$	US\$
I	Equipamentos e recursos	R\$ 41.865,20	USD 11.317,80	R\$ 9.331,40	USD 2.522,68
II	Treinamentos - Cursos e Oficinas	R\$ 3.000,00	USD 801,15	R\$ 3.000,00	USD 1.351,72
III a	Assist.Tec.Audit.Estudios e Convênios União Públicas	R\$ 271.979,47	USD 73.626,75	R\$ 47.540,01	USD 10.986,76
III b	Fundo para Investimento Produtivo	R\$ 4.479.474,47	USD 1.198.886,91	R\$ -	USD -
IV a	Pagto pessoal UGP - Empl. ADL	R\$ 3.481.170,75	USD 937.117,64	R\$ 51.192,82	USD 16.543,07
V	Custos operacionais	R\$ 80.812,25	USD 22.170,51	R\$ 132.305,18	USD 36.019,15
	Subtotais	R\$ 8.363.842,38	USD 2.244.730,93	R\$ 249.469,41	USD 67.423,38
	Total R\$	R\$ 8.613.311,79			
	Total USD		USD 2.312.154,31		
DEVOLUÇÕES - SEM 01 2019					
Nº	CATEGORIA DE DESPESA Descrição	FIDA		GOVERNO	
		R\$	US\$	R\$	US\$
III a	Fundo para Investimento Produtivo	R\$ 229.528,27	USD 71.724,29	R\$ 10.381,93	USD 3.451,34
III a	Rendimentos	R\$ -	USD -	R\$ 82.449,10	USD 21.555,42
	Subtotais	R\$ 229.528,27	USD 71.724,29	R\$ 92.831,03	USD 25.006,76
	Total R\$	R\$ 322.359,30			
	Total USD		USD 96.734,05		
RESULTADO - SEM 01 2019					
Nº	CATEGORIA DE DESPESA Descrição	FIDA		GOVERNO	
		R\$	US\$	R\$	US\$
I	Equipamentos e recursos	R\$ 41.865,20	USD 11.317,80	R\$ 9.331,40	USD 2.522,68
II	Treinamentos - Cursos e Oficinas	R\$ 3.000,00	USD 801,15	R\$ 3.000,00	USD 1.351,72
III a	Assist.Tec.Audit.Estudios e Convênios União Públicas	R\$ 271.979,47	USD 73.626,75	R\$ 47.540,01	USD 10.986,76
III b	Fundo para Investimento Produtivo	R\$ 4.479.474,47	USD 1.198.886,91	R\$ -	USD -
IV a	Pagto pessoal UGP - Empl. ADL	R\$ 3.481.170,75	USD 937.117,64	R\$ 51.192,82	USD 16.543,07
V	Custos operacionais	R\$ 80.812,25	USD 22.170,51	R\$ 132.305,18	USD 36.019,15
	Subtotais	R\$ 8.134.314,11	USD 2.173.006,64	R\$ 249.469,41	USD 67.423,38
	Total R\$	R\$ 8.583.783,57			
	Total USD		USD 2.240.430,02		

Source: Rendering of Accounts for the 1st Semester, page 12 of the Explanatory Notes.

When observing the first part of the table above, and comparing it with the SOE (Form 102), it was able to notice that the dollar value in the "V.a)" category of the financial execution of the IFAD source (USD 937,117.64) was at an a small difference greater than USD 97.33 in relation to the actual financial execution of the period, such difference occurred in the currency conversion of the payment to PATAC on 04/23/2019, therefore the value of USD 937,020.31 should be considered in the referred category. Another point worth being considered is that in category I in real at the GOV source, the amount of R\$ 9,331.40 includes, in its composition, a payment of an withholding payment made to the Empreender Fund of the State of Paraíba in the amount of R\$ 756.60, which was only regularized (returned to the PROCASE's account) in September of that year, and for this reason was accounted for (adjusted) under "Other revenues - if any", as shown in the following tables:

Table 09 - Returns incurred in PROCASE's operating accounts in the second semester (Table):

RETURNS												
Component	Category	Covenant/ Contract	Creditor	Budgetary Unit.	Nature of Expenditure	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	46/2016	São Mateus's Communitarian Association of Rural Development	SEAFDS	335041	02/07/2019	3,1990	5,294.60	1,655.08	-	-	-
2	4a	46/2016	São Mateus's Communitarian Association of Rural Development	SEAFDS	445041	02/07/2019	3,1990	7,083.94	2,214.42	-	-	-
2	4a	46/2016	São Mateus's Communitarian Association of Rural Development	SEAFDS	REND.	02/07/2019	-	-	-	3,8558	5,325.96	1,381.29
2	4a	10/2014	Saco dos Goitis's Communitarian Association	SEDAP	335041	11/07/2019	2,2210	1,059.74	477.15	2,2210	3,139.70	1,413.64
2	4a	10/2014	Saco dos Goitis's Communitarian Association	SEDAP	REND.	11/07/2019	-	-	-	3,7527	13,476.53	3,591.16
2	4a	11/2014	Small Farmers of Lagoa da Onça, Bugiga Association	SEDAP	335041	15/07/2019	2,2210	2,286.73	1,029.59	1,9785	468.37	236.73
2	4a	11/2014	Small Farmers of Lagoa da Onça, Bugiga Association	SEDAP	445041	15/07/2019	2,2210	3,927.62	1,768.40	1,9785	804.45	406.60
2	4a	11/2014	Small Farmers of Lagoa da Onça, Bugiga Association	SEDAP	REND.	15/07/2019	-	-	-	3,7457	13,802.33	3,684.85
2	4a	02/2014	Cacimbinha Lacemakers Association	SEDAP	335041	31/07/2019	1,9785	4,413.11	2,230.53	1,9785	903.89	456.86
2	4a	02/2014	Cacimbinha Lacemakers Association	SEDAP	445041	31/07/2019	1,9785	3,377.93	1,707.32	1,9785	691.86	349.69
2	4a	02/2014	Cacimbinha Lacemakers Association	SEDAP	REND.	31/07/2019	-	-	-	3,7643	11,670.34	3,100.27
2	4a	07/2014	Settlement Producers of Riacho da Cruz Communitarian Development Association	SEDAP	335041	02/08/2019	3,2320	13,301.26	4,115.49	-	-	-
2	4a	07/2014	Settlement Producers of Riacho da Cruz Communitarian Development Association	SEDAP	335041	02/08/2019	2,2210	7,812.49	3,517.55	2,2210	1,347.69	606.79
2	4a	07/2014	Settlement Producers of Riacho da Cruz Communitarian Development Association	SEDAP	445041	02/08/2019	2,2210	5,665.47	2,550.86	2,2210	361.63	162.82
2	4a	07/2014	Settlement Producers of Riacho da Cruz Communitarian Development Association	SEDAP	REND.	02/08/2019	-	-	-	3,8733	16,433.60	4,242.79
2	4a	02/2016	Producers of Volta de Baixo Association	SEAFDS	335041	16/08/2019	3,1990	2,122.35	663.44	-	-	-
2	4a	02/2016	Producers of Volta de Baixo Association	SEAFDS	445041	16/08/2019	3,1990	6,770.22	2,116.35	-	-	-
2	4a	02/2016	Producers of Volta de Baixo Association	SEAFDS	REND.	16/08/2019	-	-	-	3,9927	36.38	9.11
2	4a	43/2016	Louceiras Negras Communitarian Association	SEAFDS	335041	19/08/2019	3,6990	1,518.00	410.38	-	-	-
2	4a	43/2016	Louceiras Negras Communitarian Association	SEAFDS	445041	19/08/2019	3,6990	5,247.63	1,418.66	-	-	-
2	4a	43/2016	Louceiras Negras Communitarian Association	SEAFDS	REND.	19/08/2019	-	-	-	4,0268	3,077.09	764.15
2	4a	07/2014	Settlement Producers of Riacho da Cruz Communitarian Development Association	SEDAP	REND.	19/08/2019	-	-	-	4,0268	40.47	10.05
2	4a	27/2014	Association of Rural Development of Capoeiras, Coalhada and Region	SEDAP	445041	19/08/2019	3,3800	2,566.50	759.32	2,2210	383.50	172.67
2	4a	27/2014	Association of Rural Development of Capoeiras, Coalhada and Region	SEDAP	REND.	19/08/2019	-	-	-	4,0268	10,090.58	2,505.86
2	4a	40/2016	Quilombola Pitombeira Communitarian Association	SEDAP	335041	20/08/2019	3,1990	2,964.00	926.54	-	-	-
2	4a	40/2016	Quilombola Pitombeira Communitarian Association	SEDAP	445041	20/08/2019	3,1990	12,233.64	3,824.21	-	-	-

RETURNS

Co mp one nt	Cat ego ry	Coven ant/ Contra ct	Creditor	Budgeta ry Unit.	Nature of Expen diture	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	40/2016	Quilombola Pitombeira Communitarian Association	SEDAP	REND.	20/08/2019	-	-	-	4,0419	1,896,00	469,09
2	4a	46/2016	São Mateus Community Development Association	SEAFDS	REND.	21/08/2019	-	-	-	4,0248	10,37	2,58
2	4a	12/2016	Rural Farmers of Serra Branca, Jabobá, Queimadas Association	SEAFDS	335041	22/08/2019	3,1990	2,964,00	926,54	-	-	-
2	4a	12/2016	Rural Farmers of Serra Branca, Jabobá, Queimadas Association	SEAFDS	445041	22/08/2019	3,1990	14,345,64	4,484,41	-	-	-
2	4a	12/2016	Rural Farmers of Serra Branca, Jabobá, Queimadas Association	SEAFDS	REND.	22/08/2019	-	-	-	4,0438	2,379,05	588,32
2	4a	05/2014	Cooperative of Prospectors of Nova Palmeira	SEDAP	335041	28/08/2019	2,2210	88,28	39,75	2,2210	18,08	8,14
2	4a	05/2014	Cooperative of Prospectors of Nova Palmeira	SEDAP	445041	28/08/2019	2,2210	528,33	237,88	2,2210	108,21	48,72
2	4a	05/2014	Cooperative of Prospectors of Nova Palmeira	SEDAP	REND.	28/08/2019	-	-	-	4,1553	5,678,34	1,366,53
5	1		EMPREENDEER Fund	SEAFDS	449052	02/09/2019	-	-	-	3,6990	756,60	204,54
2	4a	04/2014	Zé Marcolino Association	SEDAP	335041	10/09/2019	2,2210	6,373,99	2,869,77	1,9785	1,305,52	659,85
2	4a	02/2017	APRUMO	SEAFDS	335041	16/09/2019	3,3800	1,900,00	562,13	-	-	-
2	4a	02/2017	APRUMO	SEAFDS	445041	16/09/2019	3,3800	8,956,84	2,649,95	-	-	-
2	4a	02/2017	APRUMO	SEAFDS	REND.	16/09/2019	-	-	-	4,0866	753,94	184,49
2	4a	23/2014	Canoa de Dentro Women's Citizenship Center Association	SEDAP	335041	27/09/2019	2,2210	719,08	323,76	2,2210	126,90	57,14
2	4a	23/2014	Canoa de Dentro Women's Citizenship Center Association	SEDAP	445041	27/09/2019	2,2210	8,491,50	3,823,28	2,2210	1,498,50	674,70
2	4a	23/2014	Canoa de Dentro Women's Citizenship Center Association	SEDAP	REND.	27/09/2019	-	-	-	4,1581	11,681,99	2,809,45
2	4a	06/2014	Communitarian Association of the Family Farmers of Imóvel Riacho do Sangue	SEDAP	335041	23/10/2019	-	-	-	1,9785	1,473,68	744,85
2	4a	06/2014	Communitarian Association of the Family Farmers of Imóvel Riacho do Sangue	SEDAP	445041	23/10/2019	-	-	-	2,2210	7,195,02	3,239,54
2	4a	06/2014	Communitarian Association of the Family Farmers of Imóvel Riacho do Sangue	SEDAP	REND.	23/10/2019	-	-	-	4,0715	4,570,12	1,122,47
2	4a	25/2016	Xique Xique Settlement Rural Workers Association	SEAFDS	335041	24/10/2019	3,2462	1,512,00	465,78	-	-	-
2	4a	25/2016	Xique Xique Settlement Rural Workers Association	SEAFDS	445041	24/10/2019	3,2462	19,734,44	6,079,24	-	-	-
2	4a	25/2016	Xique Xique Settlement Rural Workers Association	SEAFDS	REND.	24/10/2019	-	-	-	4,0083	4,839,57	1,207,39
2	4a	19/2016	Sheep and Goat Raisers of Ouro Velho Association	SEAFDS	335041	25/10/2019	3,2462	1,503,00	463,00	-	-	-
2	4a	19/2016	Sheep and Goat Raisers of Ouro Velho Association	SEAFDS	445041	25/10/2019	3,2462	7,239,82	2,230,24	-	-	-
2	4a	19/2016	Sheep and Goat Raisers of Ouro Velho Association	SEAFDS	REND.	25/10/2019	-	-	-	4,0127	2,756,12	686,85

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RETURNS												
Co mp one nt	Cat ego ry	Coven ant/ Contra ct	Creditor	Budgeta ry Unit	Nature of Expen diture	Return Date	TR	IFAD (R\$)	IFAD (U\$)	TR	GOV (R\$)	GOV (U\$)
2	4a	05/2016	Association of Goat and Sheep Breeders and Irrigators of the Municipality of Camalaú	SEAFDS	335041	12/11/2019	3,2462	1,677,56	516,78	-	-	-
2	4a	01/2014	Miner's Cooperative of Frei Martinho -COOPERMINERAL	SEDAP	335041	14/11/2019	1,9785	163,80	82,79	2,2210	33,55	15,11
2	4a	01/2014	Miner's Cooperative of Frei Martinho -COOPERMINERAL	SEDAP	445041	14/11/2019	1,9785	600,92	303,73	2,2210	123,08	55,42
2	4a	01/2014	Miner's Cooperative of Frei Martinho-COOPERMINERAL	SEDAP	REND.	14/11/2019	-	-	-	4,1825	13,538,70	3,236,99
2	4a	34/2016	Fruit Producers of Assunção and Region of PB Association	SEAFDS	335041	18/11/2019	3,2462	1,502,00	462,69	-	-	-
2	4a	34/2016	Fruit Producers of Assunção and Region of PB Association	SEAFDS	445041	18/11/2019	3,2462	10,472,33	3,226,03	-	-	-
2	4a	34/2016	Fruit Producers of Assunção and Region of PB Association	SEAFDS	REND.	18/11/2019	-	-	-	4,1821	3,202,77	765,83
2	4a	25/2016	Xique Xique Settlement Rural Workers Association	SEAFDS	REND.	20/11/2019	-	-	-	4,2027	9,40	2,24
2	4a	34/2016	Fruit Producers of Assunção and Region of PB Association	SEAFDS	REND.	20/11/2019	-	-	-	4,2027	58,10	13,82
2	4a	24/2014	Association of Rural Producers, Settlement Pau-Ferro, Caiana, Quixundi, Ramada Ramadinha, Espinheiro, Quebra Queixo and Ana de Oliveira.	SEDAP	335041	22/11/2019	1,9785	1,286,50	650,24	1,9785	263,50	133,18
2	4a	24/2014	Association of Rural Producers, Settlement Pau-Ferro, Caiana, Quixundi, Ramada Ramadinha, Espinheiro, Quebra Queixo and Ana de Oliveira.	SEDAP	REND	22/11/2019	-	-	-	4,1826	423,19	101,18
2	4a	12/2014	Rural Integration Center of Barra Comunitarian Association	SEDAP	335041	25/11/2019	2,2210	5,550,07	2,498,91	1,9785	1,136,75	574,55
2	4a	12/2014	Rural Integration Center of Barra Comunitarian Association	SEDAP	445041	25/11/2019	2,2210	146,106,77	65,784,23	2,2210	29,925,48	13,473,88
2	4a	12/2014	Rural Integration Center of Barra Comunitarian Association	SEDAP	REND.	25/11/2019	-	-	-	4,2083	30,686,55	7,291,91
2	4a	26/2014	Association of Goat Raisers of the Municipality of Gurjão	SEDAP	335041	25/11/2019	1,9785	3,16	1,60	1,9785	35,24	17,81
2	4a	26/2014	Association of Goat Raisers of the Municipality of Gurjão	SEDAP	REND	25/11/2019	-	-	-	4,2083	989,08	235,03
2	4a	31/2014	Small Rural Producers of the Serra do Brandão Community Comunitarian Association	SEDAP	335041	25/11/2019	2,2210	384,79	173,25	1,9785	78,81	39,83
2	4a	31/2014	Small Rural Producers of the Serra do Brandão Community Comunitarian Association	SEDAP	445041	25/11/2019	2,2210	1,910,54	860,22	2,2210	391,31	176,19
2	4a	31/2014	Small Rural Producers of the Serra do Brandão Community Comunitarian Association	SEDAP	REND	25/11/2019	-	-	-	4,2083	3,249,16	772,08
2	4a	41/2016	Serrote Community Association	SEAFDS	335041	25/11/2019	3,2462	732,00	225,49	-	-	-
2	4a	41/2016	Serrote Community Association	SEAFDS	445041	25/11/2019	3,2462	10,115,64	3,116,15	-	-	-

RETURNS												
Co mp one nt	Cat ego ry	Coven ant/ Contra ct	Creditor	Budgeta ry Unit	Nature of Expen diture	Return Date	TR	IFAD (R\$)	IFAD (US\$)	TR	GOV (R\$)	GOV (US\$)
2	4a	41/2016	Serrote Community Association	SEAFDS	REND	25/11/2019	-	-	-	4,2083	2.120,61	503,91
2	4a	52/2016	Association of Development of Artisans of São Sebastião do Umbuzeiro	SEAFDS	335041	26/11/2019	3,2462	315,00	97,04	-	-	-
2	4a	52/2016	Association of Development of Artisans of São Sebastião do Umbuzeiro	SEAFDS	445041	26/11/2019	3,2462	899,91	277,22	-	-	-
2	4a	52/2016	Association of Development of Artisans of São Sebastião do Umbuzeiro	SEAFDS	REND	26/11/2019	-	-	-	4,2553	2.108,40	495,48
2	4a	17/2014	Community Association of Small Rural Producers of Carneira Veríssimo	SEDAP	335041	27/11/2019	2,2210	4.806,48	2.164,11	2,2210	977,21	439,99
2	4a	17/2014	Community Association of Small Rural Producers of Carneira Veríssimo	SEDAP	REND	27/11/2019	-	-	-	4,2596	11.546,78	2.710,77
2	4a	30/2014	Association of Rural Producers of the district of Bom Jesus	SEDAP	335041	27/11/2019	1,9785	1.143,89	580,69	2,2210	235,31	105,95
2	4a	30/2014	Association of Rural Producers of the district of Bom Jesus	SEDAP	445041	27/11/2019	1,9785	1.801,10	910,34	1,9785	368,90	186,45
2	4a	30/2014	Association of Rural Producers of the district of Bom Jesus	SEDAP	REND	27/11/2019	-	-	-	4,2596	2.863,67	672,29
2	4a	33/2014	Community Association of Settled Small Farmers at Sitio Juá	SEDAP	335041	12/12/2019	1,9785	8.515,51	4.304,02	2,2210	1.744,14	785,29
2	4a	33/2014	Community Association of Settled Small Farmers at Sitio Juá	SEDAP	445041	12/12/2019	1,9785	10.833,79	5.475,76	1,9785	2.218,97	1.121,54
2	4a	33/2014	Community Association of Settled Small Farmers at Sitio Juá	SEDAP	REND	12/12/2019	-	-	-	4,1086	824,09	200,58
							TOTAL	370.828,91	144.734,76		238.255,13	71.297,28

The financial execution with funds from source 148 (IFDA) in the period in question was R\$ 17.020.897,48 (USD 4,217,596.06), however there was a return, with resources allocated as source 148 (FIDA), of R\$ 370.828,91 (USD 144,734.76). Therefore, deducting the amount referring to the returns from the aforementioned financial execution, we would have in the second semester a result in the value of R\$ 16.650.068,57 (USD 4,072,861.30).

Below, there is an explanatory table regarding financial execution and returns:

Table 10 - Comparative: Execution x Returns x Results for the second semester.

FINANCIAL EXECUTION - SEM 02/2019					
EXPENDITURE CATEGORY		IFAD		GOV	
Nº	Description	R\$	USD	R\$	USD
I	Equipment and Vehicles	-	-	-	-
II	Training - Courses and Workshops	R\$ 6.666,68	USD 1.675,13	R\$ 20.586,50	USD 5.107,42
III.a)	Technical Assistance, Audit and Studies and Covenants with Public Institutions	R\$ 1.068.655,14	USD 267.136,57	R\$ 120.605,00	USD 30.035,45
IV.a)	Fund for Productive Investment	R\$ 8.113.080,61	USD 2.013.121,84	-	-
IV.b)	Environmental Credit Line	R\$ 3.012.520,13	USD 733.217,39	-	-
V.a)	Payment of UGP Staff, Extensionists and Local Development Agents (ADL)	R\$ 4.636.313,09	USD 1.156.528,60	R\$ 901.572,04	USD 221.728,74
V.b)	Operational costs	R\$ 183.661,83	USD 45.916,53	R\$ 383.937,95	USD 95.488,48
IFAD's Subtotal		R\$ 17.020.897,48	USD 4.217.596,06	R\$ 1.426.701,49	USD 352.360,09

RETURNS - SEM 02/2019					
EXPENDITURE CATEGORY		IFAD		GOV	
Nº	Description	R\$	USD	R\$	USD
I	Equipment and Vehicles	-	-	R\$ 756,60	USD 204,54
IV.a)	Fund for Productive Investment	R\$ 370.828,91	USD 144.734,76	R\$ 57.359,25	USD 26.363,93
IV.a)	Incomes	-	-	R\$ 180.139,28	USD 44.728,81
IFAD's Subtotal		R\$ 370.828,91	USD 144.734,76	R\$ 238.255,13	USD 71.297,28

RESULT - SEM 02/2019					
EXPENDITURE CATEGORY		IFAD		GOV	
Nº	Description	R\$	USD	R\$	USD
I	Equipment and Vehicles	-	-	-	-
II	Treinamento - Cursos e Oficinas	R\$ 6.666,68	USD 1.675,13	R\$ 20.586,50	USD 5.107,42
III.a)	Technical Assistance, Audit and Studies and Covenants with Public Institutions	R\$ 1.068.655,14	USD 267.136,57	R\$ 120.605,00	USD 30.035,45
IV.a)	Fund for Productive Investment	R\$ 7.742.251,70	USD 1.868.387,08	-	-
IV.b)	Environmental Credit Line	R\$ 3.012.520,13	USD 733.217,39	-	-
V.a)	Payment of UGP Staff, Extensionists and Local Development Agents (ADL)	R\$ 4.636.313,09	USD 1.156.528,60	R\$ 901.572,04	USD 221.728,74
V.b)	Operational costs	R\$ 183.661,83	USD 45.916,53	R\$ 383.937,95	USD 95.488,48
IFAD's Total		R\$ 16.650.068,57	USD 4.072.861,30	R\$ 1.426.701,49	USD 352.360,09

RESULTADO CONSOLIDADO - ANO 2019						
EXPENDITURE CATEGORY		IFAD		GOV		
Nº	Description	R\$	USD	R\$	USD	
I	Equipment and Vehicles	R\$ 41.865,20	USD 11.317,98	R\$ 9.331,40	USD 2.522,68	
II	Training - Courses and Workshops	R\$ 10.000,02	USD 2.576,27	R\$ 25.586,50	USD 6.459,13	
III.a)	Technical Assistance, Audit and Studies and Covenants with Public Institutions	R\$ 1.340.630,57	USD 340.663,31	R\$ 161.245,01	USD 41.022,20	
IV.a)	Fund for Productive Investment	R\$ 11.992.398,84	USD 2.995.359,70	-	-	
IV.b)	Environmental Credit Line	R\$ 3.012.520,13	USD 733.217,39	-	-	
V.a)	Payment of UGP Staff, Extensionists and Local Development Agents (ADL)	R\$ 8.117.492,84	USD 2.093.548,91	R\$ 962.764,86	USD 238.271,81	
V.b)	Operational costs	R\$ 269.475,08	USD 69.087,05	R\$ 517.243,13	USD 131.507,63	
IFAD's Total		R\$ 24.784.382,68	USD 6.245.770,61	R\$ 1.676.170,90	USD 419.783,45	

As there was no execution in category **IVa** of the GOV source in the referred year, just as there was no execution in category **I** of the GOV source in the second semester of the year, it was decided to present the values of the returns from referred source positivized in the first part of the DOARP in the "other revenues - if any" field, even for the returns calculated in the first semester.

The tables above were only made in a didactic way to follow the explanation model of the old accountant in the rendering of accounts of the previous semester, however, this model does not reflect the reality of the execution, and for this reason the current accountant also chose to present the returns of IFAD's source positivized in the first part of the DOARP, making the execution more reliable as presented in the table below:

Table 11 - Execution 2019.

EXECUTION 2019						
EXPENDITURE CATEGORY		IFAD		GOV		
Nº	Description	R\$	USD	R\$	USD	
I	Equipment and Vehicles	R\$ 41.865,20	USD 11.317,98	R\$ 9.331,40	USD 2.522,68	
II	Training - Courses and Workshops	R\$ 10.000,02	USD 2.576,27	R\$ 25.586,50	USD 6.459,13	
III.a)	Technical Assistance, Audit and Studies and Covenants with Public Institutions	R\$ 1.340.630,57	USD 340.663,31	R\$ 161.245,01	USD 41.022,20	
IV.a)	Fund for Productive Investment	R\$ 12.592.756,02	USD 3.211.818,75	-	-	
IV.b)	Environmental Credit Line	R\$ 3.012.520,13	USD 733.217,39	-	-	
V.a)	Payment of UGP Staff, Extensionists and Local Development Agents (ADL)	R\$ 8.117.492,84	USD 2.093.548,91	R\$ 962.764,86	USD 238.271,81	
V.b)	Operational costs	R\$ 269.475,08	USD 69.087,05	R\$ 517.243,13	USD 131.507,63	
IFAD's Total		R\$ 25.384.739,86	USD 6.462.229,66	R\$ 1.676.170,90	USD 419.783,45	

2.7 - FINANCIAL STATEMENTS

The Project is managed according to IFAD's acceptable procedures and national guidelines that establish rules of financial law for budget control, records, accounting and equity controls, through its own system where all its operations are carried out, called the Integrated Financial Management System - SIAF. However, the statements presented to the financier are prepared based on their manuals according to the financial reports generated by SIAF of bank statements, bank remittances, invoices and other documents necessary to support the information produced.

2.7.1 - SOARP - Statement of Origin and Application of Resources in the Project

This statement first presents the sources of funds to be invested in the project and then details the financial execution of expenses by source of funds according to the categories of expenses established in the loan agreement, ending with the final balance obtained through the sum of the initial balance with transfers and income in the referred period, less financial execution.

In 2019, IFAD effected disbursements in the amount of R\$ 23.025.590,17 (USD 5,815,420.76), having passed on since the beginning of the project the amount of R\$ 74.156.477,45 (USD 21,438,966.17), of which R\$ 6.420.500,00 (USD 3,000,000.00) was as an advance to start execution and the rest R\$ 67.735.977,45 (USD 18,438,966.17) as replacement for the designated account. On the other hand, the State Government contributed up to December 31, 2019 the total of R\$ 14.056.107,36 (USD 4,093,661.08), of which R\$ 5.725.853,36 (USD 1,435,939.89) only in 2019.

The incomes from bank accounts are also considered as government resources and in 2019 sums the total amount of R\$ 164.413,65 (USD 41.854,43), in addition to R\$ 10.368,84 (USD 2.616,27) in income from the designated account.

Aside from that, as a matter of economic counterpart, the State Government executed the amount of R\$ 967.865,19 (USD 245,330.59), with the amount of R\$ 751.046,22 (USD 190.202,40) through the State Secretariat of Administration - SEAD with the payment of the coordinator's salaries, managers and a secretary, as well as current expenses such as water, energy, internet, fixed and mobile telephony, and fuel; and R\$ 216.818,97 (USD 55,128.20) through SEIRHMA - Secretary of State of infrastructure, water resources and the environment.

Referring to the financial execution, in 2019 were enforced R\$ 27.060.910,76 (USD 6.882.013,11) of which R\$ 25.384.739,86 (USD 6.462.229,66) with IFAD's funds and R\$ 1.676.170,90 (USD 419.783,45) from the Government.

2.7.2 - PIS - Project Investment Statement

This statement consists on the presentation of the financial execution and economic counterpart by component. It is worth informing that the DIP also considers as a counterpart of the State Government the expenses incurred with SEIRHMA resources and expenses with SEAD resources, whether the payments for commissioned positions or costing expenses such as energy, water, mobile telephony, fixed telephony, package of data and vehicle supply, as previously mentioned.

2.7.3 - IFR - Interim Financial Report

This statement, just as the DOARP, presents the initial balance, the transfers made in the period, the expenses incurred by components and categories, and the final balance, per semester, year and the accumulated since the beginning of the project, comparing the budgeted values with those executed.

2.7.4 - Inversion Matrix (by expense category)

This statement details the project's expenses by expense category, confronting the total values foreseen for the financial exercise of 2019 in the POA with the executed values of the referred period.

Of the total financial resources predicted in the POA 2019, R\$ 28.515.575,77, there was a financial execution of 94.90%, which represents R\$ 27.060.910,76.

2.7.5 - Inversion Matrix (by component)

This statement details the project expenses by component, confronting the total amounts predicted for the 2019 financial year in the POA with the amounts executed in the period in question.

2.7.6 - Form 102 A SOE - Statement of Expenditure

This statement consists of the presentation of the financial execution with funds from IFAD, expense by expense in chronological order, grouped by expense category, detailed in reais and in US dollars, with emphasis on the exchange rate used. The sum of the expenses listed in this statement underlies the financial execution of the period.

2.7.7 - Form 102 A SOE (SEAD)

The same way that there is a need to present the SOE with expenses incurred with IFAD resources, we present in the same format the expenses incurred by SEAD in favor of PROCASE as an economic consideration. In this case, the expenses refer to the payment of monthly salary, 13th salary and vacations of State employees at the disposal of the project, such as the coordinator, managers, secretary and other employees; as well as operating expenses such as energy, water and sewage, fuel, etc.

The expenses were recorded according to information presented by SEAD itself through an official letter, dated on the last day of each month to which they refer and converted to the closing dollar of each month.

2.7.8 - Form 102 A SOE (SEIRHMA)

Following the same example as SEAD, we present the payments made by SEIRHMA as an economic counterpart from the State Government agreed with IFAD. In this case, payments refer to the 04 dams (Coronel Jueca, Porcos, Cacimbinha and Riacho Fundo) that the State has committed to build through SEIRHMA.

The expenses were recorded according to information presented by SEIRHMA itself by letter, on the date they were paid and converted to the dollar of the day.

2.7.9 - Form C 10 – Contract registration

Statement where the contracts and terms of cooperation entered into with PROCASE with total amounts equal to or greater than USD 100.000,00 are recorded considering their original and additive terms, detailed by expense category, sequential number, signature data, validity and no objection, specification of object, form of celebration and name of the contractor or covenant.

2.7.10 - Form C 11 - Monitoring of contractual payments

In this statement, we found the details of each contract registered in C 10, informing each additive that it has undergone and each payment in national currency detailed in sequential and chronological order, amount, date, records and updating of the balance of each contract.

2.7.11 - Operational Account Reconciliation Statement - Project Resources (IFAD + Government)

We present, in the following, brief comments on Item 7 of the "Statement of Reconciliation of the Operative Account - Project Resources (IFAD + Government)", in which are presented some values related to payments recognized in the Project's Financial Statements and whose bank outflow from financial resource only occurred in 2020 and the receipt (refunds) of resources that, despite having entered the Project's bank account, were not recognized in the Project's Financial Statements in 2019, in order to provide an adequate detail of the composition of such amounts :

Table 12 - Detailment of the recognition of values

Description	GOV	IFAD	TOTAL	GOV	IFAD	TOTAL	Obs.
	R\$			USD			
Localiza's invoice CAMTZ 251840	14.100,00	21.150,00	35.250,00	3.517,96	5.276,95	8.794,91	(a)
Return of the Subproject	4.743,00	7.453,08	12.196,08	2.349,62	3.355,73	5.705,35	(b)
Return of the Subproject	2.525,96	7.736,08	10.262,04	594,71	2.383,12	2.977,83	(b)
Return of the Subproject	2.922,04	14.214,29	17.136,33	711,20	4.378,75	5.089,95	(b)
Empreender's return	756,60		756,60				(c)
Rounding			(0,02)				
Total	25.047,60	50.553,45	75.601,03	7.173,49	15.394,54	22.568,04	

- (a) Documented as expense in SOEs and statements sent to IFAD and not paid in 2019. The payment of the referred NF was made on 11/06/2020, in order to regularize this situation. The amount of R\$ 35.250,00 refers to category 5b - Operating Costs which has a paripassu of 60% IFAD (R\$ 21.150,00) and 40% GOV PB (R\$ 14.100,00).
- (b) Returns made by the Associations and whose recognition in the Project's financial statements was not made in 2019, as explained in the table below:

Table 13 - Composition of returns to be recognized (by source)

Nº of the Agreement	Returned Value	Defrayal FR 100 (GOV)	Defrayal FR 148 (IFAD)	Capital FR 100 (GOV)	Capital FR 148 (IFAD)	Income FR 100 (GOV)
031/2014	R\$ 12.196,08	R\$ 3.879,57		R\$ 863,43	R\$ 7.453,08	
042/2016	R\$ 10.262,04		R\$ 432,00		R\$ 7.304,08	R\$ 2.525,96
053/2016	R\$ 17.136,33		R\$ 1.920,00		R\$ 12.294,29	R\$ 2.922,04

- (c) Returns made in 2019 and whose recognition in the 2019 financial statements was made only in the column of values in US dollars, and was not presented in the column of values in reais.

The above amounts will be subject to adjustment and/or measurement in the Financial Statements of the second semester of 2020.

3 - CONCLUSION

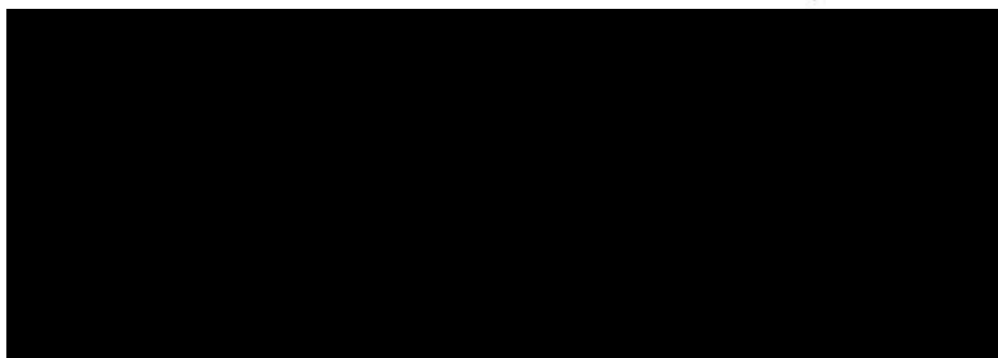
Considering the total forecast foreseen in the POA2019 of R\$ 33.370.766,32, of which R\$ 26.498.148,84 are IFAD's financial resources, R\$ 2.017.426,93 are financial resources from the Government of Paraíba, R\$ 845.838,73 are economic counterpart from SEAD and R\$ 4.009.351,82 are economic counterpart from SEIRHMA, until December 31, 2019 PROCASE executed the amount of R\$ 28.028.775,95, between IFAD's financial resources, the State Government's financial counterpart and the economic counterpart the equivalent to 83.99% of the budget, resulting in the unrealized balance of R\$ 5.341.990,37, equivalent to 16.01%.

Due to the divergence of point of view in the analysis of Accountability, the returns from the sources FIDA and GOV in 2019, mentioned in item 2.6 of this document (even those of the first semester), were transported to the first part of the DOARP "other revenues - if any" field, preserving the execution and treating returns as inputs, without having to subtract them from execution.

It was necessary to correct minor misconceptions in the rendering of accounts in the first half of the year, such as: mistakenly duplicate data in Form 102 A SOE (SEAD), correction of the dollar quotation in Form 102 A SOE (SEIRHMA), quotations of government's transfers, correction of the conversion value from Real (R\$) to Dollar (USD) referring to the payment of the company PATAC on 04/23/2019, in addition to others already addressed previously.

With regard to the administrative and financial arrangements that impact financial management, PROCASE has improved its controls and records, rectifying previous procedures and improving its methodology.

João Pessoa, November 19, 2020.



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**PART III – INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
CLAUSES OF THE LOAN AGREEMENT**

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH THE CLAUSES
OF THE LOAN AGREEMENT**

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To
Paraíba State Government
State Secretariat for Family Agriculture and Semi-Arid
Development – SEAFDS
Project Management Unit – PMU/PROCASE
João Pessoa – PB

Qualified Opinion

In addition to the examination of an independent audit on the accounts of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, for the period from January 1, 2019 to December 31, 2019, based on which we issue an independent audit report about the Project accounts (pages nºs 5 to 9 of this report), dated on November 12, 2020, we have examined the compliance, by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, with the clauses in IFAD Loan Agreement Nº I-798-BR.

In our opinion, except for the clause and item mentioned in the section below entitled “Basis for qualified opinion”, to the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, complied, in all relevant aspects, during the period from January 1, 2019 to December 31, 2019, with the clauses of Loan Agreement IFAD Nº I-798-BR and the General Conditions for IFAD Loans.

Basis for qualified opinion

As mentioned in Item 4. of the Management Letter (Page nº 113 of this report), to the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, partially complied with the conditions contained in the following clauses of IFAD Loan Agreement Nº I-798-BR and the General Conditions:

1. Item 4.1. of the Management Letter (Page nº 113) – Clause partially fulfilled. Article VIII, Item 8.02. (a) of IFAD Agreements general conditions, since PMU/PROCASE has not completed the customization of the Project information management system, according to the Fund Project Monitoring and Evaluation Guide.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE CLAUSES OF THE LOAN AGREEMENT

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 conformity with such standards, are described in the following section, entitled "Responsibility of the Independent Auditor". We are independent of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, the State Secretariat for Agricultural and Fisheries Development – SEDAP and the other executors and co-executors of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, in accordance with the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Brazilian Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Project Management Responsibility

A State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, are responsible for the implementation of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, as established in the clauses of IFAD Loan Agreement Nº I-798-BR and the General Conditions for IFAD Loans.

Independent Auditors Responsibility

Our objectives are to obtain reasonable assurance regarding compliance with the clauses of IFAD Loan Agreement Nº I-798-BR by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, and issue an audit report containing our opinion. Reasonable assurance is a high level of confidence, but not a guarantee that the audit performed in accordance with the Brazilian and international auditing standards always detects any existing material non-compliances (full or partial). Noncompliances (full or partial) may be due to fraud or error and are considered material when, individually or as a whole, they can influence, within a reasonable perspective, the decisions of users based on the situation of noncompliance (full or partial) with the clauses in IFAD Loan Agreement Nº I-798-BR by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE.

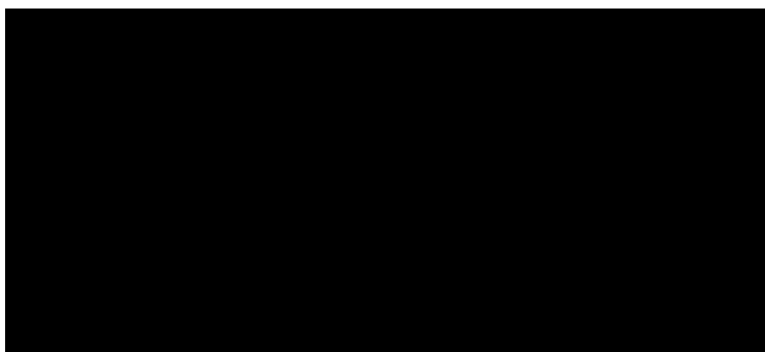
As part of an audit performed in accordance with Brazilian and international auditing standards, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition to this:



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE CLAUSES OF THE LOAN AGREEMENT

- We have identified and evaluated the compliance of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, of the clauses in IFAD Loan Agreement N° I-798-BR, as well as obtained adequate and sufficient audit evidence to substantiate our opinion;
- We have obtained an understanding of the internal controls that are relevant to the audit in order to plan audit procedures that would be appropriate to the circumstances, but not in order to express an opinion on the effectiveness of the internal controls maintained under compliance by State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, with the clauses of IFAD Loan Agreement N° I-798-BR and the General Conditions for IFAD Loans.

We have communicated with the heads of the Project Management Unit – PMU/PROCASE, associated to the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, regarding, inter alia, the planned scope, the time of the audit and the significant audit findings, including any significant deficiencies in the internal controls that we identified during our work.



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**PART IV – INDEPENDENT AUDITORS' REPORT ON SELECTION, PROCUREMENT,
AND HIRING PROCEDURES**



**INDEPENDENT AUDITORS' REPORT
ON SELECTION, PROCUREMENT,
AND HIRING PROCEDURES**

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To
Paraíba State Government
State Secretariat for Family Agriculture and Semi-Arid
Development – SEAFDS
Project Management Unit – PMU/PROCASE
João Pessoa – PB

Unqualified opinion

In addition to the examination of an independent audit on the accounts of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, for the period from January 1, 2019 to December 31, 2019, based on which we issue an independent audit report about the Project accounts (pages nºs 5 to 9 of this report), dated on November 12, 2020, we have examined the compliance, by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, of the conditions in IFAD Loan Agreement Nº I-798-BR and IFAD guidelines for the procurement of goods (Diretrizes para la adquisición de bienes en el ámbito de los proyectos) based on the Procurement Plan.

In our opinion, the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, has complied, in all material respects, with the procedures for the purchase of goods, hiring construction and selecting and hiring consultants, carried through the period from January 1, 2019 to December 31, 2019, established in the Loan Agreement Nº I-798-BR and IFAD guidelines, in accordance with the definitions on the Purchase Plan.

Basis for unqualified opinion

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 conformity with such standards, are described in the following section, entitled "Responsibility of the Independent Auditor". We are independent of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, the State Secretariat for Agricultural and Fisheries Development – SEDAP and the other executors and co-executors of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, in accordance with the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Brazilian Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT ON SELECTION, PROCUREMENT, AND HIRING PROCEDURES

Project management responsibility

A State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, are responsible for the procurement of goods, hiring services and the selection and hiring of consultants in accordance with the conditions foreseen in IFAD Loan Agreement N° I-798-BR, in IFAD's *Diretrizes para la adquisición de bienes en el ámbito de los proyectos* and in accordance with the Procurement Plan.

Responsibility of the independent auditors

Our objectives are to obtain reasonable assurance regarding the purchase of goods and hiring services and consultants, by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, in accordance with the conditions of IFAD Loan Agreement N° I-798-BR, in IFAD's *Diretrizes para la adquisición de bienes en el ámbito de los proyectos* and in accordance with the Procurement Plan, and issue a report with our opinion. Reasonable assurance is a high level of confidence, but not a guarantee that the audit performed in accordance with the Brazilian and international auditing standards always detects the purchase of goods and hiring services that present any existing material noncompliances (full or partial). Noncompliances (full or partial) may be due to fraud or error and are considered material when, individually or as a whole, they can influence, within a reasonable perspective, the decisions of users based on the situation of noncompliance (full or partial) of IFAD's Loan Agreement conditions N° I-798-BR, of IFAD's *Diretrizes para la adquisición de bienes en el ámbito de los proyectos* and the Procurement Plan by State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE.

As part of an audit performed in accordance with Brazilian and international auditing standards, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition to this:

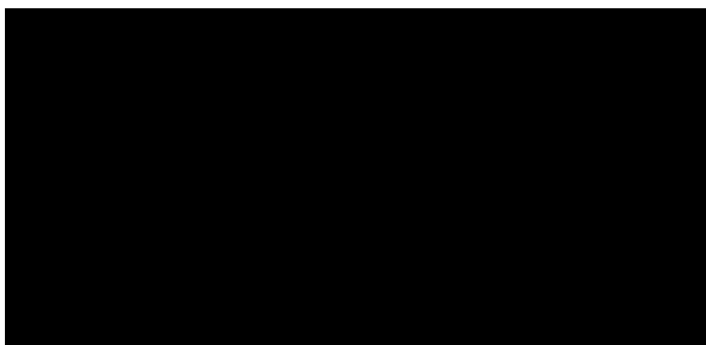
- We have identified and evaluated the compliance of the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, with the terms of IFAD Loan Agreement N° I-798-BR, of IFAD's *Diretrizes para la adquisición de bienes en el ámbito de los proyectos* and the Procurement Plan, as well as obtained adequate and sufficient audit evidence to substantiate our opinion;



INDEPENDENT AUDITORS' REPORT ON SELECTION, PROCUREMENT, AND HIRING PROCEDURES

- We have obtained an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not, in order to express an opinion on the effectiveness of the internal controls maintained on compliance, by the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, of the conditions in IFAD Loan Agreement Nº I-798-BR, of the *Diretrizes para la adquisición de bienes en el ámbito de los proyectos* for IFAD and the Procurement Plan.

We have communicated with the heads of the Project Management Unit – PMU/PROCASE, associated to the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS, regarding, inter alia, the planned scope, the time of the audit and the significant audit findings, including any significant deficiencies in the internal controls that we identified during our work.



**PARAÍBA STATE GOVERNMENT
STATE SECRETARIAT FOR FAMILY AGRICULTURE
AND SEMI-ARID DEVELOPMENT – SEAFDS
PROJECT MANAGEMENT UNIT – PMU/PROCASE**

**PART V - INDEPENDENT AUDITORS' REPORT ON THE APPLICATION OF AGREED-
UPON PROCEDURES**

REPORT ON AGREED-UPON PROCEDURES

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To
Paraíba State Government
State Secretariat for Family Agriculture and Semi-Arid
Development – SEAFDS
Project Management Unit – PMU/PROCASE
João Pessoa – PB

Dear Sirs:

We have applied the procedures previously agreed upon with you, in accordance with the procedures presented in the “*Term of Reference (TR) for Contracting Consulting (Legal Entity) to Conduct an Independent Financial Audit and Factual Conclusions of PROCASE*”, described below, for the application of specific procedures about the disbursement request statements and the statement and reconciliation of the designated account, as well as: (i) other procedures related to these statements; (ii) the disbursement requests submitted to IFAD, part of the statement of disbursement request; and (iii) the activities of the account or accounts associated with the project, including the initial advance, the replenishments, interests that may apply to outstanding balances and balances from the end of the financial year, corresponding to the period from January 1, 2019 to December 31, 2019. Our work was carried out in accordance with NBC TSC 4400 standards on related services, issued by the Brazilian Federal Accounting Council - CFC, applicable to work on agreed-upon procedures. The procedures were applied with the sole purpose of assisting the State Secretariat for Family Agriculture and Semi-Arid Development – SEAFDS and by the State Secretariat for Agricultural and Fisheries Development – SEDAP, through the Project Management Unit – PMU/PROCASE, in its evaluations regarding the regularity, accuracy of presentation and eligibility of the amounts that make said statements, as well as the ability to provide supporting documentation of said values, within the scope of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE and in accordance with the provisions of IFAD Loan Agreement Nº I-798-BR and General Conditions for IFAD Loans. These procedures are summarized in Item 1. below, and the respective factual findings and possible exceptions identified are presented in Item 2. below.

1. List of agreed-upon procedures applied:

1.1. Procedures related to the statements of disbursement requests:

- 1.1.1. Determine whether the equivalence in the currency of the designated account was established by applying the exchange rate at the time of transfers to the operational account;
- 1.1.2. Determine if the goods and services were purchased through the declaration of expenses mechanism according to the stipulated limit;
- 1.1.3. Determine whether expenditures declared through expenditure reporting procedures have been authorized, classified and supported with due documentation and appropriately;
- 1.1.4. Determine any inadmissible expenses.

REPORT ON AGREED-UPON PROCEDURES

1.2. Procedures related to the statement and reconciliation of the designated account:

- 1.2.1. Prove the accuracy of the reconciliation or reconciliations of the designated account;
- 1.2.2. Confirm that the designated account or accounts have been maintained in accordance with the provisions of the funding agreement.

2. Factual findings resulting from the application of agreed-upon procedures:

As a result of the application of the agreed-upon procedures, described in Item 1., above, we present our factual findings related to the application of these procedures, as follows:

2.1. Procedures related to the statements of disbursement requests: Determine whether the equivalence in the currency of the designated account was established by applying the exchange rate at the time of transfers to the operational account.

2.1.1. Factual Findings

PMU/PROCASE receives IFAD resources in Designated Account nº [redacted] in United States dollars, and requests the Treasury Department, through a letter, to carry out the conversion of the resources received, within an average of five days, made in conjunction with Banco do Brasil, and these resources are transferred to Operating Account Nº [redacted], that are later transferred to Account [redacted], in order to make the respective payments of the project expenses in the current year.

We found that the exchange rate conversion of IFAD resources, transferred from the Designated Account in U.S. dollars (US\$) to the Designated Account in Reals (R\$), is carried out based on the exchange rate of the respective exchange agreement.

2.1.2. Identified Exceptions

We have not identified exceptions.

REPORT ON AGREED-UPON PROCEDURES

2.2. Procedures related to the statements of disbursement requests: Determine if the goods and services were purchased through the declaration of expenses mechanism according to the stipulated limit.

2.2.1. Factual Findings

We analysed the processes of acquisition of goods and services, as well as the processes of contractual additives, completed in 2019, through the examination of the supporting documentation provided by UGP and we found that the goods and services purchased in 2019 with resources from the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE are in line with the forecasts and limits stipulated in Loan Agreement N°. I-798-BR and in the IFAD Standards and Guidelines for Procurement and Contracts.

2.2.2. Identified Exceptions

We have not identified exceptions.

2.3. Procedures related to the statements of disbursement requests: Determine whether expenditures declared through expenditure reporting procedures have been authorized, classified and supported with due documentation and appropriately.

2.3.1. Factual Findings

We examined 82% of the expenses paid in 2019 with resources from the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, through the analysis of the respective supporting documentation of the amounts evidenced in the Project Statements of Expenditure (SOEs), attentive to their documentary skills, compliance with internal payment controls, their due prior authorization and eligibility within the Project scope, as well as for the proper classification of expenditure in the Categories and Components of the Project, provided for in Loan Agreement N° I-798-BR.

2.3.2. Identified Exceptions

We have not identified exceptions.

REPORT ON AGREED-UPON PROCEDURES

2.4. Procedures related to the statements of disbursement requests: Determine any inadmissible expenses.

2.4.1. Factual Findings

After examining, by sampling, the supporting and corroborating documentation of the expenses paid with resources from the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE in 2019, with a percentage coverage of 82% of the total expenses of the period, attentive to their documentary skills and the appropriate classification of expenses, we found that these expenses are eligible under PROCASE, in accordance with the provisions of Loan Agreement N^o I-798-BR.

2.4.2. Identified Exceptions

We have not identified exceptions.

2.5. Procedures related to the statement and reconciliation of the designated account: Prove the accuracy of the reconciliation or reconciliations of the designated account.

2.5.1. Factual Findings

We analysed the reconciliation form of the account designated "*Designated Account Reconciliation Statement*", for the period 01.01.2019 to 31.12.2019, we compared the balances of the accounts maintained by the Project and other amounts presented in the said form, with the respective bank statements (in U.S. dollars – US\$) and other supporting documents, as well as checking the accuracy and records of the amounts transferred to the Project Operating Account, and we note the accuracy of the values presented in that conciliation.

2.5.2. Identified Exceptions

We have not identified exceptions.

REPORT ON AGREED-UPON PROCEDURES

2.6. Procedures related to the statement and reconciliation of the designated account: Confirm that the designated account or accounts have been maintained in accordance with the provisions of the funding agreement.

2.6.1. Factual Findings

We have examined the transactions of Designated Accounts nºs and , maintained in Banco do Brasil SA (in US dollars - US\$), together with Operating Accounts nºs (Current and Investment Account), (Current and Investment Account), all maintained at Agency nº in Banco do Brasil SA (in reais - R\$), for the period from 01.01.2019 to 12.31.2019, we verified the transfers of funds received from IFAD to the Project Operating Account (in Reals), looking at the reflection of its transactions in the financial records of the Project, and we found that these accounts were maintained and used in accordance with the provisions of IFAD Loan Agreement Nº I-798-BR.

2.6.2. Identified Exceptions

We have not identified exceptions.

REPORT ON AGREED-UPON PROCEDURES

Considering that the procedures listed in Item 1., above (and the corresponding factual findings, described in item 2., earlier) do not constitute an audit work or limited review, conducted in accordance with auditing or review standards applicable in Brazil, we do not express in this report any assurance on the disbursement requests statements and on the statement and reconciliation of the designated account, such as: (i) other procedures related to these statements; (ii) the disbursement requests submitted to IFAD, part of the request for disbursement statement; and (iii) the activities of the account or accounts associated with the project, including the initial advance payments, the replenishments, interests that may incur on pending balances and balances for the end of the financial year.

In case we had applied additional procedures or performed an audit or review of the related financial resources, processes and associated internal controls, in accordance with the auditing or review standards applicable in Brazil (NBC TAs or NBC TRs), other subjects could have come to our knowledge, which would have been reported.

Our report is intended solely for the purpose described on the first paragraph of this report and for your information, and it should not be used for any other purpose or distributed to third parties who have not taken responsibility for the sufficiency of, or who have not agreed with the above procedures. This report relates exclusively to the items specified above, applied to the disbursement request statements, and to the statement and reconciliation of the designated account of the Sustainable Development Project of Cariri, Seridó and Curimataú – PROCASE, partially funded by IFAD Loan Agreement Nº I-798-BR, signed with IFAD, for the period from January 1, 2019 to December 31, 2019, and does not extend to other statements of resources, processes and/or controls of said Project.

