

# **AUDITED PROJECT FINANCIAL STATEMENTS**

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Project N°: 1100001619

IFAD Loan N°: 1000004339

IFAD Loan N°: 1000004338

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

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

Prepared by: Dario Rimedio

Received on: 30 November 2020

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## 1. Audit's Results

### 1.1 Independent Auditor's Report on the Project's Basic Financial Statements.

Financial statements of the Loan Agreement and other Explanatory Notes

We issued an unqualified opinion on the basic financial statements of the Loan Agreement, followed by the respective Explanatory Notes of the Project.

### 1.2 Independent Auditor's Report on the Internal Controls System.

We issued an opinion that considers the administrative procedures and the internal controls of the Project Management Unit of the Department of Agrarian Development as satisfactory and adequate in their most relevant aspects for the preparation of the Project's Financial Statements.

### 1.3 Independent Auditor's Report on Complementary Financial Information.

#### (a) Eligibility of the Presented Expenses for Disbursement

We issued an opinion that considers the included expenses in the Declarations of Expenses (SOE) and in the accountability as eligible.

#### (b) Procedures for Elaboration of Disbursements and Application for Anticipation of Funds

We issued an opinion on the adopted internal procedures for preparing of the Disbursements and Application for Anticipation of Funds, presented to FIDA, and they were considered as reliable for the approval of accountability and to support the requests for recomposition of funds.

#### (c) Operation of the designated account

We issued an opinion that considers the administrative procedures and the internal controls of the Department of Agrarian Development and the Project Management Unit as satisfactorily suitable concerning the transactions of the Designated Account, which adequately reflects the flow of used resources for the purposes of the Loan Agreement.

### 1.4 Independent Auditor's Report on the Compliance with the Loan Agreement's Clauses.

We considered that the Department of Agrarian Development (SDA) through the Project Management Unit (UGP) complied, with except, with the clauses of the Loan Agreement FIDA nº I-882-BR/E17-BR and other legal provisions applied to the Project.

### 1.5 Independent Auditor's Report on the Validity and Legitimacy of Acquisition Processes and Application for Disbursements

We issued an opinion that considers the acquisition processes of goods and hiring consultants, realized by the Department of Agrarian Development through the Project Management Unit, were accomplished in agreement with the guidelines of the International Fund for Agricultural

Development and with the Loan Agreement No. I-882-BR/E17-BR and for that reason they were judged as satisfactory.

## 2. Evaluation of Internal Controls

We evaluated the internal controls of the Project Management Unit and we considered them moderately satisfactory regarding the information registration, management and monitoring of the Loan Agreement signed by the Government of the State of Ceará and the International Fund for Agricultural Development. Our considerations and recommendations are clearly showed in the Detailed Audit Report.

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**PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT  
(PDPC) – PAULO FREIRE PROJECT**

**INDEPENDENT AUDITOR'S REPORT CONCERNING THE PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT (PDPC) – PAULO FREIRE PROJECT, PARTLY FINANCED BY THE RESOURCES OF THE LOAN CONTRACT No. I-882-BR / E17-BR OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (FIDA) FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019 EXECUTED BY THE PROJECT MANAGEMENT UNIT (UGP) OF THE DEPARTMENT OF AGRARIAN DEVELOPMENT.**

**PART II – PROJECT'S AUDIT**



## **Independent Auditor's Report on the Project's Basic Financial Statements**

To  
Government of the State of Ceará  
Department of Agrarian Development (SDA)  
Project Management Unit (UGP)

### **Opinion**

We examined the Project's basic financial statements, presented in Reais (the Brazilian official currency), which include the Statements of "Sources and Uses of Cash by Funder", "Sources and Uses of Cash by Category", "Status of Sources and Uses of Cash", "Project's Bank Reconciliation", as well as the respective Explanatory Notes, corresponding to the resources of the Productive and Capacity Development Project – Paulo Freire Project, regarding the period from January 1, 2019 to December 31, 2019, partly financed by the resources of the International Fund for Agricultural Development, through the Loan Agreement No. I-882-BR/E17-BR, prepared under the responsibility of the Project Management Unit, subordinate to the Department of Agrarian Development. These financial statements are responsibility of the program's management and it is our responsibility to express an opinion on them.

In our opinion, the aforementioned financial statements present adequately, in all relevant aspects, receipts and payments made, during the period from January 1, 2019 to December 31, 2019, according to the cash basis, and the expenses were employed in agreement with the foreseen purposes in the Loan Agreement.

### **Bases for opinion**

Our audit was conducted in accordance with the International Standards on Auditing (ISA), generally accepted auditing standards, prescribed by the Federal Accounting Council of Brazil (CFC), which are compatible with those recommended by the International Federation of Accountants (IFAC) and the Loan Agreement Guidelines. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's responsibility for the financial statement audit". We are independent from the Project Management Unit, in accordance with the relevant ethical principles set out in the Accountant's Professional Code of Ethics and professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with these standards. We believe that the obtained audit evidence is sufficient and appropriate to support our opinion.

### **Emphasis**

#### *Accounting Policies*

As described in the Explanatory Note No. 6, the financial statements of the Productive and Capacity Development Project– Paulo Freire Project were prepared according to the cash basis accounting, in



accordance with the International Financial Reporting Standards on the cash basis accounting. The cash basis accounting recognizes the transactions and the facts only when the resources (including the equivalent to the funds) are received or paid by the Entity and not when they result, derive or arise from rights or obligations. Our opinion is not modified about this matter.

*Preparation of Basic Financial Statements in electronic spreadsheets*

In accordance with the Explanatory Note No. 10, the Project's financial statements were prepared with electronic spreadsheets (Microsoft Excel), since the implementation of the computerized system for the Project's financial management had not been completed yet in the form required by the Loan Agreement FIDA No. I-882-BR/E17-BR. Our opinion is not modified concerning this fact.

**Other subjects**

The financial statements of the Productive and Capacity Development Project– Paulo Freire Project, partly financed by the Loan Agreement FIDA No. I-882-BR/E17-BR for the year ended on December 31<sup>s</sup>, 2018, were examined by other independent auditors and in accordance with the auditing standards in effect at the time of the report's issue, on May 24, 2019, expressed no caveats.

**Responsibility of the Administration and Governance for the financial statements**

The Administration of the Project Management Unit is responsible for the reliable preparation and presentation of these financial statements in agreement with the International Financial Reporting Standards and the complementary clauses and guidelines of the International Fund for Agricultural Development and the internal controls that it considered necessary for these financial statements to be free from material misstatement, independently whether it had been caused by fraud or error. In the elaboration of the financial statements, the administration is responsible for the evaluation of the UGP and the disclosing, if applicable, of the matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statement, unless the administration intends to close down the UGP. The people in charge of the governance of the UGP are those who are responsible for supervising the process of the elaboration of the financial statements.

**Auditor's responsibilities for the audit of the financial statements**

Our goals are to obtain reasonable assurance that the financial statements, taken together, are free from material misstatement, independently whether they were caused by fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the performed audit in accordance with Brazilian and international auditing standards always detects material misstatement that might exist. The misstatements can occur due to fraud or error and be relevant when, individually or combined, they can influence, within a reasonable perspective, the economic decisions made by the users based on the aforementioned financial statement.

As part of the audit, carried out in accordance with Brazilian and international auditing standards, we exercised professional judgment and maintained professional skepticism throughout the audit. Besides that:

- We identified and assessed the risks of material misstatement in the financial statements, independently whether caused by fraud or error, we planned and executed audit procedures in



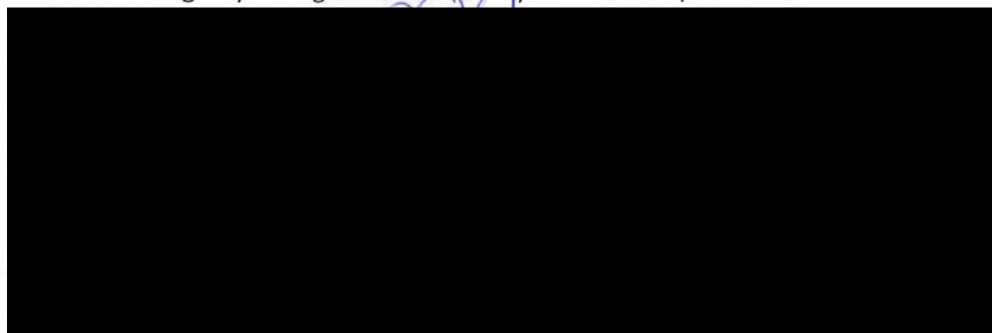
response to such risks, as well as we obtained sufficient and appropriate audit evidence to support our opinion. The risk of not detecting material misstatement due to fraud is greater than the risk of not detecting material misstatement due to error, since fraud can involve the act of tricking the internal controls, collusion, forgery, omission or intentional misrepresentation;

- We obtained an understanding of the relevant internal controls for the audit in order to map out the appropriate audit procedures to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the internal controls;
- We evaluated the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the respective disclosures made by the administration;
- We concluded on the adequacy of the use, by the administration, of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is significant uncertainty in relation to events or conditions that may raise significant doubts regarding the capacity of operational continuity of the Project. If we conclude that there is material uncertainty, we must draw attention in our audit report to the respective disclosures in the financial statements or include changes in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may lead the UGP to no longer remain in operational continuity;
- We evaluated the overall presentation, the structure and the content of the financial statements, including the disclosures and whether the financial statements represent the corresponding transactions and events in a compatible manner with the purpose of proper presentation.

We communicated with the people in charge with the governance regarding, among other aspects, the planned extent, the period of the audit and significant audit findings, including any significant deficiencies in the internal controls that we identified during our work.

Fortaleza, October 1, 2020.

**CONTROLLER AUDITORIA E ASSESSORIA CONTÁBIL S/S - EPP**  
Regional Accounting Council of the State of Ceará (CRC-CE) No. 232  
National Registry of Legal Entities (CNPJ): 23.562.663 / 0001 - 03





## Independent Auditor's Report on the Internal Controls System

To

Government of the State of Ceará  
Department of Agrarian Development (SDA)  
Project Management Unit (UGP)

### Opinion

Our audit of the Program managed by the UGP for the period from January 1, 2019 to December 31, 2019 did not reveal significant deficiencies in the conception or operation of the internal control system, which in our opinion, could adversely affect the UGP's capacity to record, process, summarize and present financial information in a coherent manner with the administration's assertions in the statements of funds received and disbursements made, as well as of investments accumulated.

Our consideration of the internal control system does not necessarily show all the subjects of the mentioned system that could be considered significant deficiencies and, therefore, it may not necessarily exhibit all the conditions to be reported that could be considered significant deficiencies, in accordance with the previous definition.

### Basis for Opinion

By planning and developing our audit of the financial statements of the Productive and Capacity Development Project- Paulo Freire Project for the period from January 1, 2019 to December 31, 2019, we obtained an understanding of the current internal control system and evaluated the risk of control to determine the audit procedures, with the purpose of expressing an opinion on the financial statements of the UGP, and not to express an opinion on the effectiveness of the internal control system, the reason why we did not express it.

This report is complementary to our report on the financial statements of the Productive and Capacity Development Project- Paulo Freire Project.

### Responsibility of the Administration and Governance for Internal Control Systems

The Administration of the Project Management Unit, executor of the "Productive and Capacity Development Project- Paulo Freire Project" is responsible for establishing and maintaining a sufficient internal control system to mitigate the risks of misstatement of the financial information and to protect the assets in custody of the projects, including built construction and other acquired assets. In order to comply with this responsibility, administration's judgments and estimates are required to evaluate the expected benefits and the costs related to the policies and procedures of the internal control system. The objectives of an internal control system are to provide the administration with reasonable assurance, but not absolute, that the assets are protected against losses resulting from unauthorized uses or arrangements, that transactions are carried out in accordance with administration's authorizations and the terms of the contract and are properly recorded to allow the

preparation of reliable financial statements. Due to the inherent limitations in any internal control system, errors or irregularities may occur and not be detected.

#### **Auditor's responsibilities for the audit of the internal control systems**

Our responsibility is not to express an opinion on the effectiveness of the internal control system, but to obtain an understanding of this control to evaluate the risks and determine audit procedures in order to express an opinion on the proper preparation of the project's financial statements by means of the Project Management Unit. An audit includes examining the appropriate evidence.

Besides that, the projections of any evaluation of the structure of internal controls for future periods are under the risk that the procedures may prove to be inadequate due to changes in the conditions, or that the effectiveness of the design and operation of the policies and procedures may be deteriorated.

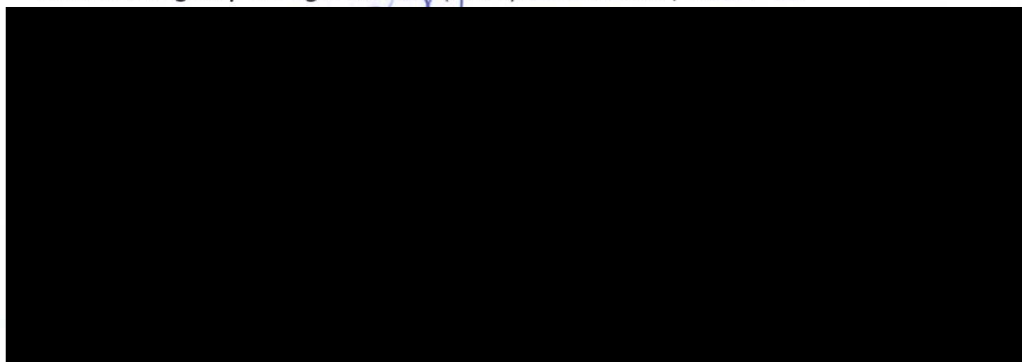
A significant deficiency is the condition in which the conception or operation of one or more elements of the internal control system does not reduce the risks of errors to a relatively low level and so errors or irregularities may occur in values that could be significant in relation to the basic financial statements of the project, and which could not opportunely be detected by the employees of the Project Management Unit, during the normal course of the functions assigned to them.

Fortaleza, October 1, 2020.

#### **CONTROLLER AUDITORIA E ASSESSORIA CONTÁBIL S/S - EPP**

Regional Accounting Council of the State of Ceará (CRC-CE) No. 232

National Registry of Legal Entities (CNPJ): 23.562.663 / 0001 - 03





**PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT  
(PDPC) – PAULO FREIRE PROJECT**

**INDEPENDENT AUDITOR'S REPORT CONCERNING THE PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT (PDPC) – PAULO FREIRE PROJECT, PARTLY FINANCED BY THE RESOURCES OF THE LOAN CONTRACT No. I-882-BR / E17-BR OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT - FIDA – FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019 EXECUTED BY THE PROJECT MANAGEMENT UNIT - UGP OF THE DEPARTMENT OF AGRARIAN DEVELOPMENT.**

**PROJECT'S BASIC FINANCIAL STATEMENTS AND EXPLANATORY NOTES FOR THE PERIOD  
FROM JANUARY 1, 2019 TO DECEMBER 31, 2019:**

- Statement of Sources and Uses of Cash by Financier, in Reais (R\$);
- Statement of Sources and Uses of Cash by Category, in Reais (R\$);
- Status of the Statement of Sources and Uses of Cash, in Reais (R\$);
- Bank Reconciliation Statement of the Paulo Freire Project, in Reais (R\$);
- Explanatory Notes to the basic financial statements of the Project.





**Statement of Sources and Uses of Cash by Financier**  
**from January 1, 2019 to December 31, 2019, in Reais (R\$)**

**Usos e Fontes de recurso por financiador**

		Anual	Acumulativa - Projeto
		Em Reais (R\$)	
<b>1</b>	<b>Saldo Inicial do Balanço</b>	<b>R\$ 4.545.413,01</b>	<b>R\$ -</b>
	Composto de:		
	Conta Designada	R\$ -	R\$ -
	Conta Designada	R\$ -	R\$ -
	Conta Operativa	R\$ -	R\$ -
	Conta Operativa	R\$ 4.545.413,01	R\$ -
<b>2</b>	<b>Entradas</b>	<b>R\$ 66.282.255,54</b>	<b>R\$ 209.336.691,84</b>
	Empréstimo I-	R\$ 4.303.605,26	R\$ 102.146.565,06
	Empréstimo E	R\$ 6.353.374,47	R\$ 24.388.644,93
	Contrapartida	R\$ 55.434.637,43	R\$ 81.133.177,09
	Contrapartida	R\$ 151.746,40	R\$ 1.524.470,40
	Outras entradas	R\$ 38.891,98	R\$ 143.834,36
<b>3</b>	<b>Saídas</b>	<b>R\$ 64.687.721,78</b>	<b>R\$ 203.251.721,72</b>
	Empréstimo I-	R\$ 5.596.099,88	R\$ 101.671.254,75
	Empréstimo E-	R\$ 5.479.048,23	R\$ 23.339.489,62
	Contrapartida	R\$ 53.360.927,27	R\$ 76.511.464,58
	Contrapartida	R\$ 151.746,40	R\$ 1.524.470,40
	Outras saídas	R\$ 99.900,00	R\$ 205.042,37
<b>4</b>	<b>Saldo ( 2 - 3)</b>	<b>R\$ 1.594.533,76</b>	<b>R\$ 6.084.970,12</b>
<b>5</b>	<b>Rendimentos (entrada)</b>	<b>R\$ 511.680,26</b>	<b>R\$ 7.684.775,07</b>
<b>6</b>	<b>Rendimentos (saída)</b>	<b>R\$ 529.761,18</b>	<b>R\$ 7.647.879,34</b>
<b>7</b>	<b>Saldo Encerrado (1 + 4 + 5- 6)</b>	<b>R\$ 6.121.865,85</b>	<b>R\$ 6.121.865,85</b>
<b>8</b>	<b>Saldo Extrato</b>	<b>R\$ 6.121.865,85</b>	<b>R\$ 6.121.865,85</b>
	Composto de:		
	Conta Designada	R\$ -	R\$ -
	Conta Designada	R\$ -	R\$ -
	Conta Operativa	R\$ -	R\$ -
	Conta Operativa	R\$ 6.121.865,85	R\$ 6.121.865,85

Contador(a) do Projeto

Coordenador(a) do Projeto



**Statement of Sources and Uses of Cash by Category**  
**from January 1, 2019 to December 31, 2019, in Reais (R\$)**

**Usos e Fontes de recurso por categoria**

		Acumulativa - Anual	Acumulativa - Projeto
		Em Reais (R\$)	
<b>1</b>	<b>Saldo Inicial do Balanço</b>	<b>R\$ 4.545.413,01</b>	<b>R\$ -</b>
	Composto de:		
	Conta Designada	R\$ -	R\$ -
	Conta Designada	R\$ -	R\$ -
	Conta Operativa	R\$ 4.545.413,01	R\$ -
<b>2</b>	<b>Entradas</b>	<b>R\$ 66.282.255,54</b>	<b>R\$ 209.336.691,84</b>
	Empréstimo	R\$ 4.303.605,26	R\$ 102.146.565,06
	Empréstimo	R\$ 6.353.374,47	R\$ 24.388.644,93
	Contrapartida ( em conta)	R\$ 55.434.637,43	R\$ 81.133.177,09
	Contrapartida 100%	R\$ 151.746,40	R\$ 1.524.470,40
	Outras Entradas	R\$ 38.891,98	R\$ 143.834,36
<b>3</b>	<b>Saídas</b>	<b>R\$ 64.687.721,78</b>	<b>R\$ 203.251.721,72</b>
	Componente 1	R\$ 33.244.476,57	R\$ 102.139.328,77
	Componente 2	R\$ 21.535.249,26	R\$ 72.403.349,71
	Gestão do Projeto	R\$ 7.808.095,95	R\$ 24.936.894,82
	Monitoramento e Avaliação	R\$ 2.000.000,00	R\$ 3.567.106,05
	Outras saídas	R\$ 99.900,00	R\$ 205.042,37
<b>4</b>	<b>Saldo ( 2 - 3)</b>	<b>R\$ 1.594.533,76</b>	<b>R\$ 6.084.970,12</b>
<b>5</b>	<b>Rendimentos (entrada)</b>	<b>R\$ 511.680,26</b>	<b>R\$ 7.684.775,07</b>
<b>6</b>	<b>Rendimentos (saida)</b>	<b>R\$ 529.761,18</b>	<b>R\$ 7.647.879,34</b>
<b>7</b>	<b>Saldo Encerrado (1 + 4 + 5- 6)</b>	<b>R\$ 6.121.865,85</b>	<b>R\$ 6.121.865,85</b>
<b>8</b>	<b>Saldo Extrato</b>	<b>R\$ 6.121.865,85</b>	<b>R\$ 6.121.865,85</b>
	Composto de:		
	Conta Designada I-882-BR	R\$ -	R\$ -
	Conta Designada E-17-BR	R\$ -	R\$ -
	Conta Operativa	R\$ 6.121.865,85	R\$ 6.121.865,85

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 Contador (a) do Projeto

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 Coordenador(a) do Projeto



**Bank Reconciliation Statement of the Paulo Freire Project  
from January 1, 2019 to December 31, 2019, in Reais (R\$)**

		Em Reais (R\$)	
<b>1</b>	<b>Saldo Inicial do Balanço</b>	<b>RS</b>	<b>4.545.413,01</b>
	Ref Dólar	RS	1.767.804,91
	Ref Euro	RS	174.829,06
	Governo Contrapartida	RS	2.547.942,38
	Governo Ref Rendimento	RS	55.036,65
	Outras fontes	-RS	200,00
	<b>31/12/2018</b>		
	Composto de:		
	Conta Designada - Dolar	RS	-
	Conta Designada - Euro	RS	-
	Conta Operativa (CC)	RS	-
	Conta Operativa (Aplicação Fin)	RS	4.545.413,01
<b>2</b>	<b>Entradas</b>	<b>RS</b>	<b>66.130.509,14</b>
	BR Empréstimo Dolar	RS	4.303.605,26
	Empréstimo Euro	RS	6.353.374,47
	Contrapartida (em conta)	RS	55.434.637,43
	Outras entradas	RS	38.891,98
<b>3</b>	<b>Saídas</b>	<b>RS</b>	<b>64.535.975,38</b>
	BR Empréstimo Dolar (aplicado)	RS	5.596.099,88
	Empréstimo Euro (aplicado)	RS	5.479.048,23
	Contrapartida (em conta - aplicado)	RS	53.360.927,27
	Outras saídas	RS	99.900,00
<b>4</b>	<b>Saldo ( 2 - 3)</b>	<b>RS</b>	<b>1.594.533,76</b>
<b>5</b>	<b>Rendimentos (entrada)</b>	<b>RS</b>	<b>511.680,26</b>
<b>6</b>	<b>Rendimentos (saída)</b>	<b>RS</b>	<b>529.761,18</b>
<b>7</b>	<b>Saldo Encerrado (1 + 4 + 5- 6)</b>	<b>RS</b>	<b>6.121.865,85</b>
<b>8</b>	<b>Saldo Extrato</b>	<b>RS</b>	<b>6.121.865,85</b>
	BR Ref Dólar	RS	475.310,29
	Ref Euro	RS	1.049.155,30
	Governo Contrapartida	RS	4.621.652,54
	Governo Ref Rendimento	RS	36.955,73
	Outras despesas	-RS	61.208,02
	<b>31/12/2019</b>		
	Composto de:		
	BR Conta Designada - Dolar	RS	-
	Conta Designada - Euro	RS	-
	Conta Operativa (CC)	RS	-
	Conta Operativa (Aplicação Fin)	RS	6.121.865,85

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Diretor do Projeto

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Contador do Projeto



## EXPLANATORY NOTES TO THE BASIC FINANCIAL STATEMENTS OF THE PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT (PDPC) – PAULO FREIRE PROJECT.

PERIOD ENDED ON DECEMBER 31, 2019.

### 1. Project's Contextualizing

The Productive and Capacity Development Project- Paulo Freire Project aims to contribute to the reduction of rural poverty in 31 (thirty-one) municipalities of Ceará by means of the human and social capital development and sustainable productive development based on income generation, in the agricultural and non-agricultural ambit, with a main focus on youth and women.

The specific objectives of the Project are as follows:

- a) To strengthen the capacities of the rural population and the community and productive organizations to identify, prioritize and solve their problems, train leaders and improve their capacity to participate in local decision-making processes;
- b) To support the establishment and strengthening of the family and community productive initiatives, increasing their capacities and skills to develop rural business and access markets, including institutional markets as the Food Acquisition Program (PAA), the Nacional School Feeding Program (PNAE) and others, and other public policies for family farming as the National Program to Strengthen Family Farming (PRONAF), National Land Credit Program (PNCF), among others.
- c) To encourage the sustainable productive development that increases the productivity of the (agricultural and non-agricultural) activities developed in communities and family units, generating income and job opportunities, taking into account the adoption and promotion of agro-ecological practices and the sustainable management of natural resources.

The Paulo Freire Project was structured in 2 (two) components, which will work on the development of capacities of people and on the productive and community organizations (Component 1), and on the support to the productive development and the environmental sustainability (Component 2). It will be the coordinated action of these 2 (two) components that will allow to reach the desired objectives.

The Project deals with direct actions in poor and extremely poor rural communities, selected in the 31 (thirty-one) municipalities covered by the Paulo Freire Project, as well as the surrounding rural population of these communities. It also serves the productive organizations (producer associations, cooperatives, associative enterprises, civil society entities etc.). In general, the work, which combines activities from both components, has a participative approach and this allows that the demand of the beneficiary public is the main guidance source for the project's action. The methodological process is initially constituted by a participative rural diagnosis, which enables a critical reading of the reality, focusing on the central themes (production, income, handling and natural resources conservation, gender equity, youth, ethnicity). This initial analysis will be translated into a Development Plan, an instrument that should contain the community demands that will be partly supported and financed by the Paulo Freire Project, although the communities and organizations may also obtain support and fundings from other sources. Considering the Development Plan as guideline of the actions, the



Investment Plans will later be designed, a tool that will consolidate the financing of the demands to be met by the Paulo Freire Project.

During the whole described process, it will always be aimed to encourage synergies and facilitate the cooperation possibilities with other sectors of the State, as well as private ones.

The execution of the Project, foreseen to last 8 (eight) years, involves resources in the amount of US\$ 80,000,000.00 (eighty million dollars), 50% (fifty percent) financed by FIDA - US\$ 40,000,000.00 (forty million dollars) and 50% (fifty percent) by State Government's own resources - US\$ 40,000,000.00 (forty million dollars). Besides that, the beneficiaries, who will be supported by the project in order to develop and perform the Development and Investment Plans, will contribute in compensation to the financing of the productive investments included in the component 2 with an amount of approximately US\$ 14, 9 million.

## 2. Project Management Unit (UGP)

The UGP is responsible for the activities of coordination, planning, institutional articulation, implementation and monitoring of the actions promoted by the Paulo Freire Project. The UGP team will closely work with the Coordinators and Technical Assistance of the Department of Agrarian Development. The principle of the project's management model is to make it part of the Department's programming as a whole, facilitating the collaboration with several activity areas of the SDA, in order to allow the fulfilment of actions, the exchange of knowledge and information resulting from the action of the Project and other projects coordinated by SDA.

## 3. Project's Coverage Areas and Components

The Project area comprises an extension of approximately 23,530 Km<sup>2</sup>, equivalent to 18.5% of the area of the State of Ceará, and covers 31 (thirty-one) municipalities in 6 (six) territories - Cariri, Sertão dos Inhamuns, Sertão dos Crateús, Sobral Sertão, Serra da Ibiapaba and Litoral Oeste / Vale do Curu, namely:

- (i) Altaneira, Antonina do Norte, Araripe, Assaré, Campos Sales, Nova Olinda, Potengi, Salitre, Santana do Cariri, Tarrafas (Cariri);
- (ii) Aiuaba, Arneiroz, Parambu, Quiterianópolis, Tauá (Sertão dos Inhamuns);
- (iii) Hidrolândia e Ipueiras (Sertão dos Crateús);
- (iv) Ipu (Serra da Ibiapaba);
- (v) Coreaú, Frecheirinha, Graça, Massapê, Moraújo, Mucambo, Pacujá, Pires Ferreira, Reriutaba, Senador Sá, Sobral rural e Varjota (Sertão de Sobral), e
- (vi) Irauçuba (Litoral Oeste/ Vale do Curu).

### COMPENENT 1: CAPACITY DEVELOPMENT

The objective of this component is to strengthen the individual and collective capacities necessary to promote sustainable development for families, communities and productive organizations in the project's coverage area. Component 1 will also strengthen the capacities of the technical teams of partner entities so that they can deliver higher quality services, and will implement a social mobilization work, with the purpose of reinforcing the participation of the beneficiary families and the project's efficiency.



The activities of this component will be organized around 7 (seven) axes: a) Training in public policies; b) Strengthening of the local initiative and leadership development; c) Capacities development for the production and handling of natural resources; d) Organizational development and training for management and marketing; e) Training of young people; f) Strengthening of the capacities of the advisory teams; and g) Mobilization and social control.

**COMPONENT 2: PRODUCTIVE DEVELOPMENT AND ENVIRONMENTAL SUSTAINABILITY** - The poverty situation in which the beneficiary families live, in many cases, prevents that the necessary and adequate investments are made to strengthen and develop their productive capacities. At the same time, there are in the project's intervention area high potential and several favorable factors for agricultural and non-agricultural activities. In this context, Component 2 of the Paulo Freire Project aims to support activities that allow an increase and intensification of production in the benefited family units, in a perspective of sustainable use of natural resources. The technical proposal of this component is designed around a more systemic view of the management of natural resources, acting in the agroecological perspective and the more selective and rational use of external supplies. Thus, the action of this component is in line with the support strategy to the family agriculture of the Department of Agrarian Development, designed according to the relationship principles with the semi-arid and the agroecology, what allows the Project, in partnership with other ongoing initiatives, to add up and contribute to the reduction of rural poverty in the semi-arid region of Ceará.

The component will finance:

i) investments to increase the productive capital in order to intensify and improve the primary and sustainable production in the family farming; ii) associative infrastructures of processing with the objective of adding value, generating income and new jobs, that may be financed depending on the production and market potential of the supported activities; iii) learning units, a training tool of production innovative practices associated with productive arrangements; and iv) environmental intervention activities.

The activities of this Component will be organized around 3 (three) axes: a) Support to the production strengthening activities, processing and commercialization of agricultural and non-agricultural products; b) Encouragement to innovative initiatives and practices; c) The promotion of activities of protection and natural resources recovery.

#### 4. Description of the Loan Agreement for the Project's financing

The Paulo Freire Project is an execution of the Department of Agrarian Development, by means of the Loan Agreement No. I-882-BR / E-17-BR of the Government of the State of Ceará (Borrower) signed with the International Fund for Agricultural Development on June 27, 2013.

The Fund will provide a financing to the borrower, which consists of a FIDA's loan on Special Drawing Right (SDR) and a Lending Fund (Trust) in Euro, which the borrower must use to implement the project in accordance with the terms and conditions specified in the Loan Agreement.

The financing consists of: (a) a loan on Special Drawing Right (SDR) of twenty million, six hundred and twenty- four thousand and four hundred and three (SDR 20,624,403). (b) a loan in Euro of five million,



nine hundred and forty-eight thousand, four hundred and eighty-two euros (EUR 5,948,482). The global financing (for both of the loans), in EURO and SDR, is granted under normal conditions and will have an eighteen-year debt maturity, including a three - year grace period starting from the date on that the Fund has determined that all precedent general conditions for withdrawals have been fulfilled.

The Borrower will pay the amount of the loan principal in consecutive, equal, half-yearly thirty installments, the payment currency of the loan in SDR will be in US Dollars and the payment currency for the loan in Euro will be in Euro. The loan in SDR and Euro will be subject to interest on the principal at an equal rate to the FIDA's Reference Interest Rate. The principal and interest payments will be on the dates of May 15 and November 15.

The Project has an execution deadline of approximately 8 (eight) years, starting on June 27, 2013 and ending on December 31, 2020, lasting around ninety months.

## 5. Project Budget in US Dollars

### Inicial Budget:

Categoria de Despesa	FIDA		Estado do Ceará		Beneficiários		Total	
	Valor (US\$)	%	Valor (US\$)	%	Valor (US\$)	%	Valor (US\$)	%
<b>Componente 1: Desenvolvimento de Capacidades</b>	20.208.508	61,12%	12.854.780	38,88%	-	0,00%	33.063.288	34,83%
<b>Componente 2: Desenvolvimento Produtivo e Sustentabilidade Ambiental</b>	17.465.145	35,03%	17.465.145	35,03%	14.923.196	29,93%	49.853.485	52,52%
<b>Gestão do Projeto</b>	2.006.347	19,28%	8.400.076	80,72%	-	0,00%	10.406.423	10,96%
✓ Equipamentos e veículos	-	0,00%	374.686	100,00%	-	0,00%	374.686	0,39%
✓ Pessoal	1.844.574	20,00%	7.378.295	80,00%	-	0,00%	9.222.869	9,72%
✓ Custo operacional	161.774	20,00%	647.094	80,00%	-	0,00%	808.868	0,85%
<b>Monitoramento e Avaliação</b>	320.000	20,00%	1.280.000	80,00%	-	0,00%	1.600.000	1,69%
<b>TOTAL</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>14.923.196</b>	<b>15,72%</b>	<b>94.923.196</b>	<b>100,00</b>

### Current Budget:

Categoria de Despesa	FIDA		Estado do Ceará		Beneficiários		Total	
	Valor (US\$)	%	Valor (US\$)	%	Valor (US\$)	%	Valor (US\$)	%
<b>Componente 1: Desenvolvimento de Capacidades</b>	22.115.364	66,40%	11.193.021	33,60%	-	0,00%	33.308.385	35,09%
<b>Componente 2: Desenvolvimento Produtivo e Sustentabilidade Ambiental</b>	15.782.624	34,41%	15.163.697	33,06%	14.923.196	29,93%	45.869.517	48,32%
<b>Gestão do Projeto</b>	1.811.655	20,00%	7.246.620	80,00%	-	0,00%	9.058.275	9,54%
<b>Monitoramento e Avaliação</b>	290.357	21,00%	1.092.296	79,00%	-	0,00%	1.382.653	1,46%
<b>Não Alocado</b>	-	0,00%	5.304.366	100,00%	-	0,00%	5.304.366	5,59%
<b>TOTAL</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>40.000.000</b>	<b>42,14%</b>	<b>14.923.196</b>	<b>15,72%</b>	<b>94.923.196</b>	<b>100</b>

### 6. Accounting Policies

The UGP's accounting policy consists in preparing the Project's Financial Statements, based on the cash-basis accounting. According to this procedure, revenues and expenses are recognized at the time cash is received or paid. The Project is subject to the provisions of the Law 4.320 / 64 and its amendments, which establishes rules of financial law for budgetary, accounting and equity controls and records, through the State Government's own system in which all operations of them are registered.

The accounting records of the operations resulting from the execution of the Project are registered in a highlighted and separated manner from the other records that do not involve the loan proceeds, by means of the Results-Based Government Management System (S2GPR), capable of faithfully presenting the situation and results of the resources financial operations or account groups of the Executors, in accordance with the generally accepted accounting principles, and in agreement with the Federal Law No. 4.320 of March 17, 1964, State Law No. 9.809 of December 18, 1973 (Accounting Code of the State of Ceará) and the International Accounting Standards, issued by the International Federation of Accountants (IFAC). In addition to this Accounting system, information from the following systems will be used: Contracts and Agreements Monitoring System (SACC); Integrated Programs Monitoring System (SIAP); Integrated Budget and Financial System (SIOF) and the Equity System (SISPAT).



## 7. Bank Accounts:

### ACCOUNT IDENTIFICATION

**Designated account**, in US Dollars, at Caixa Econômica Federal (CEF), in Fortaleza, **National Registry of Legal Entities (CNPJ)**

**Designated Account**, in Euros, at Caixa Econômica Federal, in Fortaleza, **National Registry of Legal Entities No.** /

**Loan Agreement Operating Account**, in Reais, at Caixa Econômica Federal, in Fortaleza, **National Registry of Legal Entities**

**Beneficiary / Lender's Current Account** in Reais, at a Bank indicated by them, **Beneficiary / Lender's CNPJ**

### ON THE ACCOUNTS

This account was opened in US Dollars and is held by the Borrower at Caixa Econômica Federal in Fortaleza under the CNPJ of the Government of the State of Ceará (Department of the Treasury - SEFAZ). It is intended for the deposits (disbursements or repayments) from FIDA, directly debited from the Loan Account in SDR converted into US Dollars, and for the bank investment income, which then become Borrower's resources.

This account was opened in Euros and is held by the Borrower at Caixa Econômica Federal in Fortaleza under the CNPJ of the Government of the State of Ceará (Department of the Treasury). It is intended for the deposits (disbursements or repayments) from FIDA, directly debited from the Loan Account, and for the bank and investment income, which then become Borrower's resources.

Managed by the Government of the State of Ceará (by means of the Department of the Treasury) and, by delegation, by the Department of Agrarian Development. In Reais, this account is intended for the deposits of credits of the Closing of Exchange Contracts of the Loan's Designated Account and for income, which then become the Borrower's resources and for the deposits of compensating credits and income. In this way, it includes resources from FIDA, converted into Reais, and the matching funds to pay expenses, also in Reais.

Managed by the Beneficiary / Lender, in accordance with the work plan. In this account, payments resulting from the execution of works and of the supply of goods and / or services to the Project are deposited.

## 8. Currency Conversion

The transactions occurred in the Project are recorded in Dollars, Euros and Reais, as determined by the Loan Agreement. The amount of resources for the beginning of the Project's work, as well as others that may occur, were deposited in Dollars and Euros into the Designated Accounts and from them on transferred in Reais into the Operating Account, which is managed by the Project. The Financial Statements of the Project are made in Dollars and Reais, and the conversion from Reais into Dollars is based on the rate of the internalization day.

## 9. Inventories

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

## 10. Financial Statements

The Financial Statements allow the financial control of the funds received and applied from the Project according to the layout desired by FIDA. The mentioned Statements are prepared in Microsoft Excel Spreadsheets based on financial transactions realized by the S2GPR and the Bank Reconciliation of the Designated and Operating Accounts.

**Note 1:** On March 31, 2017, the Project got the authorization for the rupture of the *pari-passu*, by means of the revision of the Letter to the Borrower.

**Note 2:** Due to the rise in the value of the Dollar, the Financial Report "Total Cost x Expenses" was updated to new amounts of Reais (Total Project Cost) by using the average rate of internalizations/expenses accumulated up to 2018, as much for FIDA resources as for the matching funds.

Gastos (até 2018)	R\$	USD	Taxa
FIDA	113.935.596,26	33.137.005,93	3,438
Contrapartida	24.523.261,31	8.163.336,11	3,004
<b>Total</b>	<b>138.458.857,57</b>	<b>41.300.342,04</b>	

## 11. Disbursed amounts of the matching funds in the period

The matching funds of the Project are realized by means of deposits made by the Government of the State of Ceará into the Loan Operating Account and by the Beneficiaries into the accounts of the agreements and in access to other public policies. In 2019, R\$ 55,434,637.43 were deposited into the Project account, and the amount of R\$ 7,576,303.55 related to Beneficiaries was recorded.

## 12. Amount of Resources disbursed by FIDA in 2019

In 2019, the following values were disbursed:



Data Desembolso	Empréstimo	Valor (moeda empréstimo)	Data Internalização	Valor (R\$)	Taxa Cambial
02/04/2019		576.187,61	10/04/2019	2.197.503,26	3,814
02/04/2019		112.899,11	10/04/2019	485.353,27	4,299
23/05/2019		1.100.000,00	28/05/2019	4.931.300,00	4,483
05/09/2019		210.121,40	13/09/2019	936.721,20	4,458
09/09/2019		519.000,00	13/09/2018	2.106.102,00	4,058
<b>Total</b>		<b>2.518.208,12</b>		<b>10.656.979,73</b>	

### 13. Bank and investment income

The bank and investment income earned from the Loan resources are collected by the Department of the Treasury and are recognized as State revenue and transferred from the operating account into the State Treasury account. The project keeps track of the income from the resources in the operating account and transferred into the State account, however no bank and investment income occurred in the designated accounts because all the disbursement resources were under the tutelage of SEFAZ.

### 14. Productive Investment Plans (PIP)

The UGP has an analytical control that includes the lists of all PIPs that received funds until December 31, 2019 and the record of the compensation of the beneficiaries.

This report contains information over each PIP, such as: region, municipalities, the entity that provides technical assistance, the community name, CNPJ, the transfer amount and its compensation, the instrument number formalized with the State, the cash inputs in their installments and their respective receipt dates and the record of the compensation by the beneficiaries, which is declaratory at the moment and will be confirmed in the Final Accountability of the PIP.

In the mentioned report the following results are highlighted (Total Report):

- a) 31 Municipalities;
- b) 600 Communities;
- c) 533 Associations;
- d) Total transfer: R\$ 95,742,334.30;
- e) Total matching funds: R\$ 13,354,506.80;
- f) Total amount of the 1st installment: R\$ 57,315,675.15;
- g) Total amount of the 2nd installment: R\$ 11,308,926.89;
- h) Total execution of the matching funds: R\$ 2,308,385.25.

### 15. Hired entities for the co-execution of the Paulo Freire Project (PPF)

The Paulo Freire Project has hired the Inter-American Institute for Cooperation on Agriculture (IICA) and the Agropolos do Ceará Institute through a technical cooperation project and management contract respectively. These institutions work in partnership with PPF and they carry out almost all the activities and the payroll of the Project.



The technical cooperation project of IICA was signed on August 21, 2015 and will remain in effect until June 30, 2021 and the management contract of the Agropolos do Ceará Institute was signed on February 1, 2017 and remained in effect until December 31, 2019.

The IICA and Agropolos presents monthly their accountability reports on expenses incurred. The accountability documentation is filed at the Paulo Freire Project headquarters.

The execution monitoring of these instruments is highlighted below and it includes the contracted values divided by components of the PPF, the transferred values, the expenses and balances.

#### ACOMPANHAMENTO DA EXECUÇÃO - PCT IICA

TOTAL - RECEBIDO até 31/12/2019			
Categoria	Valor	FIDA	ESTADO
CAT 1	R\$ 6.944.331,39	R\$ 5.815.068,95	R\$ 1.129.262,44
CAT 2	R\$ 164.590,00	R\$ 83.940,90	R\$ 80.649,10
CAT 3	R\$ 10.244.540,76	R\$ 2.071.209,84	R\$ 8.173.330,92
CAT 4	R\$ 229.040,00	R\$ 48.098,40	R\$ 180.941,60
TAXA TIN	R\$ 1.560.938,71	R\$ -	R\$ 1.560.938,71
<b>TOTAL</b>	<b>R\$ 19.143.440,86</b>	<b>R\$ 8.018.318,09</b>	<b>R\$ 11.125.122,77</b>

SALDO ATÉ 31/12/2019			
Categoria	Valor	FIDA	ESTADO
CAT 1	R\$ 1.182.342,75	R\$ 2.242.635,99	-R\$ 1.060.293,24
CAT 2	R\$ 84.590,00	R\$ 43.140,90	R\$ 41.449,10
CAT 3	-R\$ 443.291,16	R\$ 36.366,65	-R\$ 479.657,81
CAT 4	R\$ 229.040,00	R\$ 48.098,40	R\$ 180.941,60
TAXA TIN	R\$ 238.553,48	R\$ -	R\$ 238.553,48
<b>TOTAL</b>	<b>R\$ 1.291.235,07</b>	<b>R\$ 2.370.241,95</b>	<b>-R\$ 1.079.006,88</b>

TOTAL - GASTOS até 31/12/2019			
Categoria	Valor	FIDA	ESTADO
CAT 1	R\$ 5.761.988,64	R\$ 3.572.432,96	R\$ 2.189.555,68
CAT 2	R\$ 80.000,00	R\$ 40.800,00	R\$ 39.200,00
CAT 3	R\$ 10.174.215,93	R\$ 2.034.843,19	R\$ 8.139.372,74
CAT 4	R\$ -	R\$ -	R\$ -
100% Estado	R\$ 513.615,99	R\$ -	R\$ 513.615,99
TAXA TIN	R\$ 1.322.385,23	R\$ -	R\$ 1.322.385,23
<b>TOTAL</b>	<b>R\$ 17.852.205,79</b>	<b>R\$ 5.648.076,14</b>	<b>R\$ 12.204.129,65</b>

Rendimentos	R\$
2015	R\$ 12.537,44
2016	R\$ 165.819,86
2017	R\$ 134.800,27
2018	R\$ 22.193,25
2019	R\$ 3.713,15
<b>SALDO COM RENDIMENTO</b>	<b>R\$ 1.630.299,04</b>

#### ACOMPANHAMENTO DA EXECUÇÃO - Agropolos

CONTRATADO			
	FIDA	ESTADO	TOTAL
COMP 1	R\$ 7.222.889,85	R\$ 5.541.024,80	R\$ 12.763.914,65
COMP 2	R\$ 702.415,04	R\$ 1.656.446,40	R\$ 2.358.861,44
GESTÃO	R\$ 197.845,30	R\$ 754.909,90	R\$ 952.755,20
M&A	R\$ 291.309,62	R\$ 2.344.029,80	R\$ 2.635.339,42
100% ESTADO	R\$ -	R\$ 1.484.934,80	R\$ 1.484.934,80
	<b>R\$ 8.414.459,81</b>	<b>R\$ 11.781.345,70</b>	<b>R\$ 20.195.805,51</b>

REPASSADO			
	FIDA	ESTADO	TOTAL
COMP 1	R\$ 7.222.889,84	R\$ 5.541.024,78	R\$ 12.763.914,62
COMP 2	R\$ 702.415,04	R\$ 1.656.446,38	R\$ 2.358.861,42
GESTÃO	R\$ 197.845,30	R\$ 754.909,90	R\$ 952.755,20
M&A	R\$ 291.309,62	R\$ 2.344.029,76	R\$ 2.635.339,38
100% ESTADO	R\$ -	R\$ 1.484.934,80	R\$ 1.484.934,80
	<b>R\$ 8.414.459,80</b>	<b>R\$ 11.781.345,62</b>	<b>R\$ 20.195.805,42</b>

GASTO			
	FIDA	ESTADO	TOTAL
COMP 1	R\$ 6.296.266,12	R\$ 3.859.001,81	R\$ 10.155.267,93
COMP 2	R\$ 1.609.296,52	R\$ 1.546.186,85	R\$ 3.155.483,37
GESTÃO	R\$ 189.872,58	R\$ 759.490,30	R\$ 949.362,88
M&A	R\$ 498.221,76	R\$ 1.874.262,80	R\$ 2.372.484,56
100% ESTADO	R\$ -	R\$ 1.484.934,80	R\$ 1.484.934,80
	<b>R\$ 8.593.656,97</b>	<b>R\$ 9.523.876,57</b>	<b>R\$ 18.117.533,54</b>

SALDO			
	FIDA	ESTADO	TOTAL
COMP 1	R\$ 926.623,72	R\$ 1.682.022,97	R\$ 2.608.646,69
COMP 2	-R\$ 906.881,48	R\$ 110.259,53	-R\$ 796.621,95
GESTÃO	R\$ 7.972,72	R\$ 4.580,40	R\$ 3.392,32
M&A	-R\$ 206.912,14	R\$ 469.766,96	R\$ 262.854,82
100% ESTADO	R\$ -	R\$ -	R\$ -
	<b>-R\$ 179.197,17</b>	<b>R\$ 2.257.469,05</b>	<b>R\$ 2.078.271,88</b>

Rendimentos	R\$
Gastos Bancários	R\$ 110.437,09
<b>Saldo FINAL</b>	<b>R\$ 2.444.509,06</b>



## 16. Main Results in the Period

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

## 17. Subsequent Events

The Government of the State of Ceará decreed "Social Isolation" on March 19, 2020. The UGP team follows the guidelines / recommendations of the Government that has adopted the Tele Trabalho (home office) as a modality that preserves contacts and maintains certain safety in relation to Corona Virus contamination (COVID-19).

The State Government has ordered the agencies to adopt a 35% to 50% reduction in expenses. In the case of SDA, an economic reduction of 35% was negotiated. However, this reduction has neither affected the payroll costs nor the number of employees, the context presents us a perspective of restructuring in the PPF team. The costs and expenses decrease related to the administrative area of the project is estimated about 10% to 20%. Considering that the release and execution of FIDA resources have exceeded 95%, we have a scenario that directly refers to the State's financial contributions. Up to the present time, we cannot measure the reduction in investment contributions, because although there have been all these cuts/decrease in expenses, the Project is a priority for the State Government. We have recently received funds for the execution of the productive investment plans and the continuous technical assistance, but not enough yet for the planned in the Annual Operating Plan (POA). However, in 2019, the Government honored the commitments with FIDA, mainly in the 2nd semester.

The impacts from the COVID 19 Pandemic on the families served by the project, from the "social isolation" on, may reveal situations as the reduction in the volume of accountability of the beneficiaries, since this activity requires the presence of the continuous technical assistance service, through the technicians who are responsible for monitoring the families in the communities. It is certain that the pandemic will impact the execution of the PPF in the period after the closing of 2019, as well as the planning of the final stage of the project's conclusion.

Lydiane Mourão Mota  
Administration and Public Finance Specialist  
Accountant – CRC 019975/0

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## Independent Auditor's Report on the Complementary Financial Information

To  
Government of the State of Ceará  
Department of Agrarian Development (SDA)  
Project Management Unit (UGP)

### Opinion

We also examined the complementary financial information of the Project that includes the accountability forms (Declarations of Expenses - SOE/SS) attached to the Applications for Withdrawals and the operation of the Designated and Operating Accounts, concerning the period from January 1, 2019 to December 31, 2019 regarding the Project of Productive Development and Capacity- Paulo Freire Project, signed between the Government of the State of Ceará and the International Fund for Agricultural Development, executed by the Project Management Unit of the Department of Agrarian Development. The complementary financial information that goes with the basic financial statements is presented for the purpose of further analysis and/or managerial support to the statements, which were submitted to the same audit procedures applied to the basic financial statements of the Project.

In our opinion, the complementary financial statements adequately present, in all material aspects, the receipts and payments made during the period from January 1, 2019 to December 31, 2019, according to the cash basis accounting, as well as the expenses applied to the purposes foreseen in the FIDA Loan Agreement No. I-882-BR / E17-BR.

In our point of view, the expenses incurred by the Department of Agrarian Development, through the Project Management Unit and presented in the accountability forms by means of the Declarations of Expenses - SOE No. 20, 21 and 22, for the expenses incurred from January 1, 2019 to December 31, 2019, are eligible and reliable to support requests for reconstitution of funds, in accordance with the requirements established by the FIDA Loan Agreement No. I-882-BR / E17 -BR. The internal procedures adopted by the Project Management Unit for the preparation of the accountability reports, submitted to FIDA from January 1, 2019 to December 31, 2019, are satisfactorily reliable to support requests for reconstitution of funds, in accordance with the requirements established by the Loan Agreement.

In our opinion, the Project Management Unit has adopted appropriate administrative procedures and internal controls to the management of the designated accounts No. \_\_\_\_\_ in American Dollar and in Euro, held at the Caixa Econômica Federal S.A Bank (Branch 0919), which adequately reflect, in all relevant aspects, the flow of funds to these accounts, which took place from January 1, 2019 to December 31, 2019, and the funds transferred to the Operative Account No. \_\_\_\_\_ in Reais, held at the same bank branch and which were exclusively used for the payment of eligible expenses in the field of the Productive and Capacity Development Project- Paulo Freire Project, as stipulated in the FIDA Loan Agreement No. I -882-BR / E17-BR signed on June 27, 2013.

### Basis for Opinion

We carried out our compliance audit in agreement with the auditing and procedures standards prescribed by the Federal Accounting Council of Brazil, which are compatible with the International Auditing Standards, issued by the International Federation of Accountants, in accordance with the Section 800 of the International Auditing Standards, especially regarding to the cash basis accounting



adopted for the implementation of projects financed by external resources and national matching funds, and with the requirements of FIDA, specifically the Policies on the Audit of Projects and Entities and the Guidelines for Financial Statements Preparation and Independent Audit Requirements. Those standards require us to plan and execute the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes the analysis of the evidence, on a test basis, which supports the values and contained information in the financial statements. An audit also includes an assessment of the accounting principles used and the material accounting estimates made by the program management, as well as an assessment of the presentation of the financial statements taken as a whole. We believe that our audit provides a reasonable basis for expressing an opinion.

#### **Administration and governance responsibility for the complementary financial information**

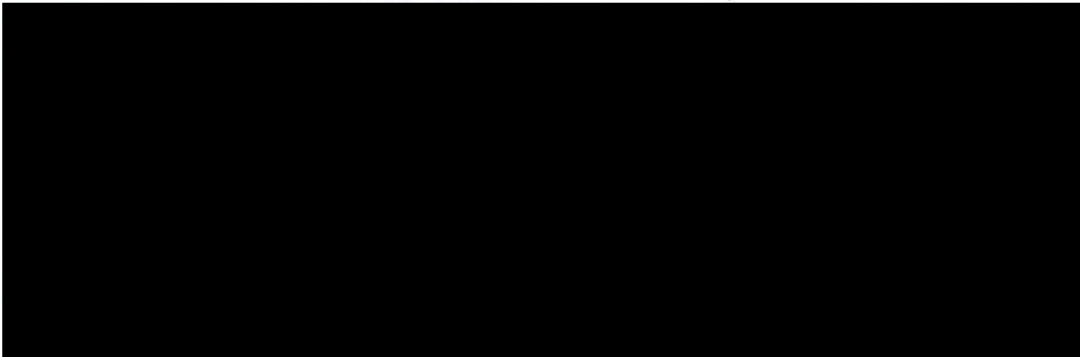
The Department of Agrarian Development, through the Project Management Unit (UGP) is responsible for the preparation of the complementary financial information, in accordance with the financial reporting guidelines for projects financed by the International Fund for Agricultural Development and the internal controls that the Department of Agrarian Development, through the Project Management Unit, determined as necessary to allow the preparation of the complementary financial information free from material misstatement, independently whether it was caused by fraud or error.

#### **Auditor's responsibilities for the audit of the complementary financial information**

Our objectives are to obtain reasonable assurance that the complementary financial information of the Productive and Capacity Development Project- Paulo Freire Project is free from material misstatements, independently whether they were caused by fraud or error, and to issue an audit report that contains our opinion. Reasonable security is a high level of security, but not a guarantee that the audit, carried out in accordance with Brazilian and international auditing standards, always detects possible material misstatements. Misstatements can arise due to fraud or error and are considered material, whether individually or jointly, they can influence, within a reasonable perspective, the economic decisions taken by the users on the basis of the mentioned financial statements.

Fortaleza, October 1, 2020.

**CONTROLLER AUDITORIA E ASSESSORIA CONTÁBIL S/S - EPP**



**PRODUCTIVE AND CAPACITY DEVELOPMENT PROJECT(PDPC) – PAULO FREIRE  
PROJECT**

**INDEPENDENT AUDITOR'S REPORT CONCERNING THE PRODUCTIVE AND  
CAPACITY DEVELOPMENT PROJECT (PDPC) – PAULO FREIRE PROJECT, PARTLY  
FINANCED BY THE RESOURCES OF THE LOAN CONTRACT No. I-882-BR / E17-BR  
OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (FIDA) FOR  
THE PERIOD OF JANUARY 1, 2019 TO DECEMBER 31, 2019 EXECUTED BY THE  
PROJECT MANAGEMENT UNIT (UGP) OF THE DEPARTMENT OF AGRARIAN  
DEVELOPMENT.**

**COMPLEMENTARY FINANCIAL INFORMATION OF THE PROJECT FOR THE PERIOD FROM  
JANUARY 1, 2019 TO DECEMBER 31, 2019:**

- Financial Disclosure of Total Cost x Expenses, in Reais (R\$);
- Financial Disclosure of the Annual Operating Plan (POA) x Expenses, in Reais (R\$);
- Summary Table of the Execution with Beneficiary, in US Dollars;
- General Balance of the Project, in Reais and US Dollars;
- Summary Balance of the Project Loans, in Reais, US Dollars and Euro.



## Financial Disclosure of Total Cost x Expenses, in Reais (R\$)

### Custo Total X Gasto

Componentes	I-882 BR					
	No período			Acumulado		
	Contratado	Executado	%	Contratado	Executado	%
Componente 1	60.999.795,66	R\$ 5.198.480,86	9%	R\$ 60.999.795,66	R\$ 54.496.448,75	89%
Componente 2	43.264.903,54	R\$ 361.537,80	1%	R\$ 43.264.903,54	R\$ 42.595.565,34	98%
Gestão do Projeto	4.966.661,55	R\$ 36.081,22	1%	R\$ 4.966.661,55	R\$ 4.092.260,00	82%
Monitoramento e Avaliação	794.879,24	R\$ -	0%	R\$ 794.879,24	R\$ 486.980,62	61%
<b>TOTAL</b>	<b>R\$ 110.026.240,00</b>	<b>R\$ 5.596.099,88</b>	<b>5%</b>	<b>R\$ 110.026.240,00</b>	<b>R\$ 101.671.254,71</b>	<b>92%</b>

Componentes	E-17 BR					
	No período			Acumulado		
	Contratado	Executado	%	Contratado	Executado	%
Componente 1	15.039.902,83	R\$ 1.562.545,36	10%	R\$ 15.039.902,83	R\$ 13.274.501,54	88%
Componente 2	11.000.807,64	R\$ 3.482.080,06	32%	R\$ 11.000.807,64	R\$ 8.956.924,98	81%
Gestão do Projeto	1.262.387,76	R\$ 434.422,81	34%	R\$ 1.262.387,76	R\$ 1.108.063,10	88%
Monitoramento e Avaliação	203.461,76	R\$ -	0%	R\$ 203.461,76	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 27.506.560,00</b>	<b>R\$ 5.479.048,23</b>	<b>20%</b>	<b>R\$ 27.506.560,00</b>	<b>R\$ 23.339.489,62</b>	<b>85%</b>

Componentes	TOTAL FIDA					
	No período			Acumulado		
	Contratado	Executado	%	Contratado	Executado	%
Componente 1	76.039.698,50	6.761.026,22	9%	R\$ 76.039.698,50	R\$ 67.770.950,29	89%
Componente 2	54.265.711,18	3.843.617,86	7%	R\$ 54.265.711,18	R\$ 51.552.490,32	95%
Gestão do Projeto	6.229.049,32	470.504,03	8%	R\$ 6.229.049,32	R\$ 5.200.323,10	83%
Monitoramento e Avaliação	998.341,00	-	0%	R\$ 998.341,00	R\$ 486.980,62	49%
<b>TOTAL</b>	<b>R\$ 137.532.800,00</b>	<b>R\$ 11.075.148,11</b>	<b>8%</b>	<b>R\$ 137.532.800,00</b>	<b>R\$ 125.010.744,33</b>	<b>91%</b>

**Custo Total X Gasto**

Componentes	Contrapartida					
	No período			Acumulado		
	Contratado	Executado	%	Contratado	Executado	%
Componente 1	R\$ 33.624.617,49	R\$ 26.483.450,35	79%	R\$ 33.624.617,49	R\$ 34.368.378,48	102%
Componente 2	R\$ 45.552.808,48	R\$ 17.691.631,40	39%	R\$ 45.552.808,48	R\$ 20.850.859,40	46%
Gestão do Projeto	R\$ 21.769.352,68	R\$ 7.337.591,92	34%	R\$ 21.769.352,68	R\$ 19.736.571,72	91%
Monitoramento e Avaliação	R\$ 3.281.334,16	R\$ 2.000.000,00	61%	R\$ 3.281.334,16	R\$ 3.080.125,43	94%
Não Alocado	R\$ 15.934.687,19	R\$ -	0%	R\$ 15.934.687,19	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 120.162.800,00</b>	<b>R\$ 53.512.673,67</b>	<b>45%</b>	<b>R\$ 120.162.800,00</b>	<b>R\$ 78.035.935,03</b>	<b>65%</b>

Componentes	TOTAL					
	No período			Acumulado		
	Contratado	Executado	%	Contratado	Executado	%
Componente 1	R\$ 113.513.787,66	R\$ 33.244.476,57	29%	R\$ 113.513.787,66	R\$ 102.139.328,77	90%
Componente 2	R\$ 103.746.923,05	R\$ 21.535.249,26	21%	R\$ 103.746.923,05	R\$ 72.403.349,72	70%
Gestão do Projeto	R\$ 30.367.684,29	R\$ 7.808.095,95	26%	R\$ 30.367.684,29	R\$ 24.936.894,82	82%
Monitoramento e Avaliação	R\$ 4.635.317,81	R\$ 2.000.000,00	43%	R\$ 4.635.317,81	R\$ 3.567.106,05	77%
Não Alocado	R\$ 15.934.687,19	R\$ -	0%	R\$ 15.934.687,19	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 268.198.400,00</b>	<b>R\$ 64.587.821,78</b>	<b>24%</b>	<b>R\$ 268.198.400,00</b>	<b>R\$ 203.046.679,36</b>	<b>76%</b>

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Contador(a) do Projeto

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Coordenador(a) do Projeto



## Financial Disclosure of the Annual Operating Plan (POA) x Expenses, in Reais (R\$)

### POA X Gasto

Componentes	I-882 BR		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 6.450.527,44	R\$ 5.198.480,86	81%
Componente 2	R\$ 955.205,96	R\$ 361.537,80	38%
Gestão do Projeto	R\$ 93.840,00	R\$ 36.081,22	38%
Monitoramento e Avaliação	R\$ -	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 7.499.573,40</b>	<b>R\$ 5.596.099,88</b>	<b>75%</b>

Componentes	E-17 BR		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 1.612.631,86	R\$ 1.562.545,36	97%
Componente 2	R\$ 3.820.823,85	R\$ 3.482.080,06	91%
Gestão do Projeto	R\$ 375.360,00	R\$ 434.422,81	116%
Monitoramento e Avaliação	R\$ -	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 5.808.815,71</b>	<b>R\$ 5.479.048,23</b>	<b>94%</b>

Componentes	TOTAL - FIDA		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 8.063.159,30	R\$ 6.761.026,22	84%
Componente 2	R\$ 4.776.029,81	R\$ 3.843.617,86	80%
Gestão do Projeto	R\$ 469.200,00	R\$ 470.504,03	100%
Monitoramento e Avaliação	R\$ -	R\$ -	0%
<b>TOTAL</b>	<b>R\$ 13.308.389,11</b>	<b>R\$ 11.075.148,11</b>	<b>83%</b>

Componentes	Contrapartida		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 29.124.623,48	R\$ 26.483.450,35	91%
Componente 2	R\$ 18.348.335,69	R\$ 17.691.631,40	96%
Gestão do Projeto	R\$ 7.486.119,83	R\$ 7.337.591,92	98%
Monitoramento e Avaliação	R\$ 2.000.000,00	R\$ 2.000.000,00	100%
<b>TOTAL</b>	<b>R\$ 56.959.079,00</b>	<b>R\$ 53.512.673,67</b>	<b>94%</b>

Componentes	Contrapartida - Outros Programas do Governo		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 82.535.956,29	R\$ 68.713.040,58	83%
Componente 2	R\$ 4.320.922,78	R\$ 3.600.768,98	83%
<b>TOTAL</b>	<b>R\$ 86.856.879,07</b>	<b>R\$ 72.313.809,56</b>	<b>83%</b>

POA X Gasto

	Contrapartida - Beneficiarios		
	Acumulado		
	Planejado - POA	Executado	%
Planos de Investimento	R\$ 2.312.436,55	R\$ 2.445.575,75	106%
Acesso a outras fontes	R\$ 38.335.204,80	R\$ 5.130.727,80	13%
<b>TOTAL</b>	<b>R\$ 40.647.641,35</b>	<b>R\$ 7.576.303,55</b>	<b>19%</b>

Componentes	TOTAL		
	Acumulado		
	Planejado - POA	Executado	%
Componente 1	R\$ 119.723.739,07	R\$ 101.957.517,15	85%
Componente 2	R\$ 27.445.288,28	R\$ 25.136.018,24	92%
Gestão do Projeto	R\$ 7.955.319,83	R\$ 7.808.095,95	98%
Monitoramento e Avaliação	R\$ 2.000.000,00	R\$ 2.000.000,00	100%
Contrapartida Beneficiarios	R\$ 40.647.641,35	R\$ 7.576.303,55	19%
<b>TOTAL</b>	<b>R\$ 197.771.988,53</b>	<b>R\$ 144.477.934,89</b>	<b>73%</b>

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Contador (a) do Projeto

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Coordenador (a) do Projeto



### Summary Table of the Execution with Beneficiary, in US Dollars

CATEGORIA DE INVESTIMENTO	ORÇAMENTO (USD)				EXECUTADO ATÉ 31/12/2019 (USD)				
	FIDA	CEARA	BENEFICIARIO	TOTAL	FIDA	CEARA	BENEFICIARIO	TOTAL	%
Componente 1	22.115.364,05	11.193.020,63	0,00	33.308.384,68	20.009.881,26	9.003.405,88		29.013.287,14	87%
Componente 2	15.782.623,83	15.163.697,41	14.923.196,00	45.869.517,24	14.074.126,67	5.200.748,23	1.952.205,60	21.227.080,50	46%
Gestão do Projeto	1.811.654,91	7.246.619,65	0,00	9.058.274,56	1.641.768,91	6.093.428,12		7.735.197,03	85%
Monitoramento e Avaliação	290.357,21	1.092.296,17	0,00	1.382.653,38	182.120,99	898.256,44		1.080.377,43	78%
Não Alocado	0,00	5.304.366,14	0,00	5.304.366,14	0,00	0,00		0,00	0%
<b>TOTAL</b>	<b>40.000.000,00</b>	<b>40.000.000,00</b>	<b>14.923.196,00</b>	<b>94.923.196,00</b>	<b>35.907.897,83</b>	<b>21.195.838,67</b>	<b>1.952.205,60</b>	<b>59.055.942,10</b>	<b>62%</b>

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Contador(a) do Projeto

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Coordenador(a) do Projeto

**General Balance of the Project, in Reais and US Dollars**

**Saldo Geral do Projeto**

Acumulado até 31/12/2019

<b>1 Entradas</b>	<b>R\$</b>	<b>209.192.857,48</b>	<b>\$</b>	<b>58.888.730,64</b>
Empréstimo I-882-BR	RS	102.146.565,06	S	29.390.612,35
Empréstimo E-17-BR	RS	24.388.644,93	S	6.894.710,76
Contrapartida (em conta)	RS	81.133.177,09	S	22.061.690,55
Contrapartida 100%	RS	1.524.470,40	S	541.716,98
<b>2 Saídas</b>	<b>R\$</b>	<b>203.046.679,35</b>	<b>\$</b>	<b>57.103.741,81</b>
Empréstimo I-882-BR	RS	101.671.254,75	S	29.273.483,14
Empréstimo E-17-BR	RS	23.339.489,62	S	6.634.420,00
Contrapartida (em conta)	RS	76.511.464,58	S	20.654.121,69
Contrapartida 100%	RS	1.524.470,40	S	541.716,98
<b>3 Saldo ( 1 - 2)</b>	<b>R\$</b>	<b>6.146.178,13</b>	<b>\$</b>	<b>1.784.988,83</b>
Empréstimo I-882-BR	RS	475.310,31	S	117.129,21
Empréstimo E-17-BR	RS	1.049.155,31	S	260.290,76
Contrapartida (em conta)	RS	4.621.712,51	S	1.407.568,86
Contrapartida 100%	RS	-	S	-

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Contador (a) do Projeto

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Coordenador(a) do Projeto



## Summary Balance of the Project Loans, in Reais, US Dollars and Euro

### SALDO/RESUMO DOS EMPRÉSTIMOS

Empréstimo	Data	Moeda do Empréstimo ( EURO)			Taxa de Câmbio	Reais (R\$)		
		Desembolso	Gastos	Saldo		Valor	Gastos	Saldo
Empréstimo E-17-BR - D1	17/12/2013	600.000,00	600.000,00	0,00	3,200	1.920.000,00	1.920.000,00	0,00
Empréstimo E-17-BR - D2	06/01/2016	189.190,00	189.190,00	0,00	4,380	828.652,20	828.652,20	0,00
Empréstimo E-17-BR - D3	20/01/2016	199.604,17	199.604,17	0,00	4,429	884.046,87	884.046,87	0,00
Empréstimo E-17-BR - D4	16/02/2017	422.858,94	422.858,94	0,00	3,279	1.386.554,46	1.386.554,46	0,00
Empréstimo E-17-BR - D5	20/06/2017	99.892,47	99.892,47	0,00	3,700	369.602,14	369.602,14	0,00
Empréstimo E-17-BR - D6	12/12/2017	327.499,40	327.499,40	0,00	3,880	1.270.697,67	1.270.697,67	0,00
Empréstimo E-17-BR - D7	22/12/2017	560.810,00	560.810,00	0,00	3,891	2.182.111,71	2.182.111,71	0,00
Empréstimo E-17-BR - D8	16/02/2018	353.146,09	353.146,09	0,00	4,117	1.453.725,88	1.453.725,88	0,00
Empréstimo E-17-BR - D9	21/06/2018	424.818,70	424.818,70	0,00	4,312	1.831.818,23	1.831.818,23	0,00
Empréstimo E-17-BR - D10	21/12/2018	1.347.641,72	1.347.641,72	0,00	4,384	5.908.061,30	5.908.061,30	0,00
Empréstimo E-17-BR - D11	10/04/2019	112.899,11	112.899,11	0,00	4,299	485.353,27	485.353,27	0,00
Empréstimo E-17-BR - D12	28/05/2019	1.100.000,00	1.074.919,89	25.080,11	4,483	4.931.300,00	4.818.865,88	112.434,12
Empréstimo E-17-BR - D13	13/09/2019	210.121,40	0,00	210.121,40	4,458	936.721,20	0,00	936.721,20
<b>TOTAL E-17-BR</b>		<b>5.948.482,00</b>	<b>5.713.280,49</b>	<b>235.201,51</b>		<b>24.388.644,93</b>	<b>23.339.489,61</b>	<b>1.049.155,32</b>

Empréstimo	Data	Moeda do Empréstimo (DÓLAR EQUIVALENTE)			Taxa de Câmbio
		Desembolso	Gastos	Saldo	
Empréstimo E-17-BR - D1	17/12/2013	824.994,65	824.994,65	0,00	2,3273
Empréstimo E-17-BR - D2	06/01/2016	207.389,58	207.389,58	0,00	3,9956
Empréstimo E-17-BR - D3	20/01/2016	216.931,01	216.931,01	0,00	4,0752
Empréstimo E-17-BR - D4	16/02/2017	439.816,31	439.816,31	0,00	3,1526
Empréstimo E-17-BR - D5	20/06/2017	112.069,98	112.069,98	0,00	3,2980
Empréstimo E-17-BR - D6	12/12/2017	387.988,44	387.988,44	0,00	3,2751
Empréstimo E-17-BR - D7	22/12/2017	662.090,58	662.090,58	0,00	3,2958
Empréstimo E-17-BR - D8	16/02/2018	432.674,35	432.674,35	0,00	3,3599
Empréstimo E-17-BR - D9	21/06/2018	498.309,92	498.309,92	0,00	3,6761
Empréstimo E-17-BR - D10	21/12/2018	1.528.355,26	1.528.355,26	0,00	3,8656
Empréstimo E-17-BR - D11	10/04/2019	126.447,11	126.447,11	0,00	3,8384
Empréstimo E-17-BR - D12	28/05/2019	1.225.292,12	1.197.355,34	27.936,78	4,0246
Empréstimo E-17-BR - D13	13/09/2019	232.351,45	0,00	232.351,45	4,0315
<b>TOTAL E-17-BR</b>		<b>6.894.710,76</b>	<b>6.634.422,53</b>	<b>260.288,23</b>	

Empréstimo	Data	Moeda do Empréstimo (DÓLAR)			Taxa de Câmbio	Reais (R\$)		
		Desembolso	Gastos	Saldo		Valor	Gastos	Saldo
Empréstimo I-882-BR - D1	16/12/2013	3.200.000,00	3.200.000,00	0,00	2,3410	7.491.200,00	7.491.200,00	0,00
Empréstimo I-882-BR - D2	06/01/2016	800.000,00	800.000,00	0,00	4,0550	3.244.000,00	3.244.000,00	0,00
Empréstimo I-882-BR - D3	08/07/2016	766.003,08	766.003,08	0,00	3,3200	2.543.130,23	2.543.130,23	0,00
Empréstimo I-882-BR - D4	16/02/2017	412.716,92	412.716,92	0,00	3,1010	1.279.835,17	1.279.835,17	0,00
Empréstimo I-882-BR - D5	20/06/2017	1.818.541,84	1.818.541,84	0,00	3,3300	6.055.744,33	6.055.744,33	0,00
Empréstimo I-882-BR - D6	27/10/2017	1.836.873,78	1.836.873,78	0,00	3,2470	5.964.329,16	5.964.329,16	0,00
Empréstimo I-882-BR - D7	11/12/2017	3.255.070,48	3.255.070,48	0,00	3,2920	10.715.692,02	10.715.692,02	0,00
Empréstimo I-882-BR - D8	20/12/2017	1.400.000,00	1.400.000,00	0,00	3,2860	4.600.400,00	4.600.400,00	0,00
Empréstimo I-882-BR - D9	16/02/2018	2.055.719,21	2.055.719,21	0,00	3,3240	6.833.210,65	6.833.210,65	0,00
Empréstimo I-882-BR - D10	04/05/2018	951.263,73	951.263,73	0,00	3,5400	3.367.473,60	3.367.473,60	0,00
Empréstimo I-882-BR - D11	25/06/2018	3.916.453,06	3.916.453,06	0,00	3,7850	14.823.774,83	14.823.774,83	0,00
Empréstimo I-882-BR - D12	15/06/2018	5.000.000,00	5.000.000,00	0,00	3,7800	18.900.000,00	18.900.000,00	0,00
Empréstimo I-882-BR - D13	18/09/2018	2.882.802,64	2.882.802,64	0,00	4,1710	12.024.169,81	12.024.169,81	0,00
Empréstimo I-882-BR - D14	10/04/2019	576.167,61	576.167,61	0,00	3,8140	2.197.503,26	2.197.503,26	0,00
Empréstimo I-882-BR - D15	13/09/2019	519.000,00	401.870,79	117.129,21	4,0580	2.106.102,00	1.630.791,67	475.310,33
<b>TOTAL I-882-BR</b>		<b>29.390.612,35</b>	<b>29.273.483,14</b>	<b>117.129,21</b>		<b>102.146.565,07</b>	<b>101.671.254,74</b>	<b>475.310,33</b>

TOTAL	USD		
	DESEMBOLSO	GASTOS	SALDO
	36.285.323,11	35.907.905,67	377.417,44

TOTAL	R\$		
	DESEMBOLSO	GASTOS	SALDO
	126.535.210,00	125.010.744,35	1.524.465,65

Contador (a) do Projeto

Coordenador(a) do Projeto



## **Independent Auditor's Report on Compliance with the Contract Terms of the Loan Agreement**

To  
Government of the State of Ceará  
Department of Agrarian Development (SDA)  
Project Management Unit (UGP)

### **Opinion**

We audited the financial statements of the "Productive and Capacity Development Project- Paulo Freire Project", carried out by the Department of Agrarian Development, through the Project Management Unit for the period from January 1, 2019 to December 31, 2019, and we issued our respective report on them. In connection with our audit, we examined compliance with the clauses and contractual articles established in the respective loan agreement, in force on December 31, 2019 and other agreements signed between the parties, Laws and other existing legal provisions for the Project.

In our opinion, except for the clauses of the items mentioned in the section below, entitled "Basis for qualified opinion", the Department of Agrarian Development, through the Project Management Unit, complied, in all aspects during the period from January 1, 2019 to December 31, 2019, with the terms of the Loan Agreement No. I-882-BR / E17-BR signed between the Government of the State of Ceará and the International Fund for Agricultural Development, on June 27, 2013.

On the basis of our review, nothing came to our attention to lead us to identify that the Project Management Unit had not been in compliance with the terms, Laws and regulations of the Loan Agreement, for the period from January 1, 2019 to December 31, 2019.

### **Basis for qualified opinion**

We carried out our audit in accordance with the International Auditing Standards. These standards require due planning and audit execution in order to obtain reasonable assurance that the Department of Agrarian Development, through the Project Management Unit, complies with all clauses pertinent to the respective contracts and other agreements signed between the parties, laws and other existing legal provisions for the Project. The audit includes the evidence – based analysis of the appropriate evidence. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

The Department of Agrarian Development, through the UGP, did not comply with the conditions contained in the following clauses of the Loan Agreement:

1. Article VIII, Section 8.02, Letter "a", of the General Conditions of the Contract, to establish and keep consequently an information management system in compliance with the Fund's Project Monitoring and Evaluation Guide with which it will continuously monitor the Project. However, the financial statements of the project were manually prepared in Excel spreadsheets. The UGP justified that the "DATAFIDA" system will be developed and expanded to serve all projects financed by FIDA and that it

does not consider the non-compliance with this clause as irreversible because the State's Government Transparency Portal, linked to the State Controller's Office, allows the access by any and all citizens to information on expenditures and investments made by the State.

2. Section B, No. 8, of the Loan Agreement, as a result of not having fulfilled the contractual compensation commitment causing the financial imbalance of the *paripassu*. The UGP justified that there is an accumulated imbalance of the *paripassu* in prior years, but this resource will be balanced in the final period of the project's execution. In 2019, the effort to compress the goal achieved its best performance compared to previous years.

#### **Administration and governance responsibility for compliance with the project's contractual clauses**

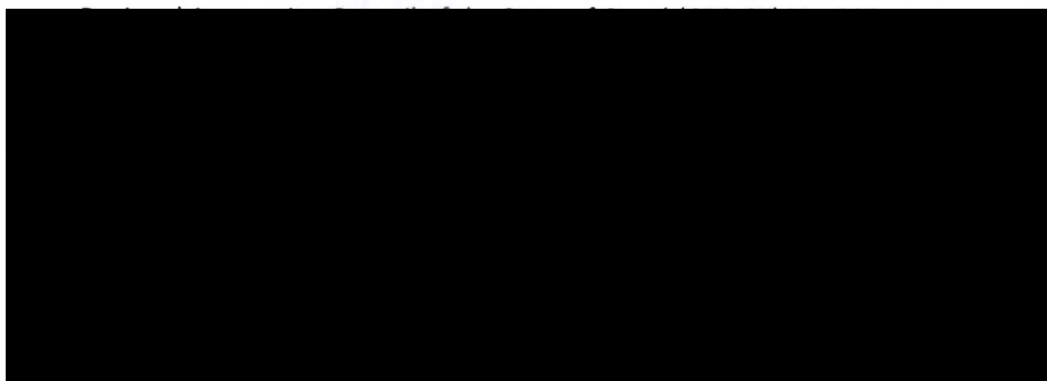
The Department of Agrarian Development, through the Project Management Unit - UGP are responsible for the execution of the program in accordance with the clauses established in the Loan Agreement between the International Fund for Agricultural Development and the Government of the State of Ceará, as well as the provisions, laws and regulations that cover the mentioned Contract.

#### **Auditor's responsibilities for the compliance audit of the project's contractual clauses**

Our responsibility is to express an opinion on the fulfillment of the provisions, clauses, laws and regulations that cover the execution of the mentioned loan agreement executed between the Department of Agrarian Development, through the Project Management Unit, and the International Fund for Agricultural Development. These standards require us to plan and execute the audit to obtain reasonable assurance that they were complied with what was established for the execution of the Productive and Capacity Development Project- Paulo Freire Project. An audit includes examining the appropriate evidence based on the available documentation for the audit in the period.

Fortaleza, October 1, 2020.

**CONTROLLER AUDITORIA E ASSESSORIA CONTÁBIL S/S - EPP**





## **Independent Auditor's Report on the Validity and Legitimacy of the Procurement Processes and Disbursement Requests**

To  
Government of the State of Ceará  
Department of Agrarian Development (SDA)  
Project Management Unit (UGP)

### **Opinion**

In addition to the independent audit examination of the accounts of the Productive and Capacity Development Project- Paulo Freire Project, signed between the State Government of Ceará and the International Fund for Agricultural Development and executed by the Project Management Unit of the Department of Agrarian Development. We also examined the applications for disbursement and the processes for acquisition of goods, contracting of construction works and consulting services, carried out by the executor during the period ended on December 31, 2019. The examination included verifying the reasonableness of them, as well as the validity and qualification of the expenses presented in the disbursement justifications for the mentioned period.

In our opinion, the processes for the acquisition and contracting of construction works, goods and services were carried out in accordance with the applicable rules, and the supporting documentation of the incurred expenses, corresponding to the applications for disbursement for the examined period, are reasonably presented and represent valid and eligible expenses of the project.

### **Basis for Opinion**

We executed our audit in accordance with the International Auditing Standards (NIA), the Generally Accepted Auditing Standards, prescribed by the Federal Accounting Council of Brazil, and the requirements determined by the Bank. These standards require due planning and execution of the audit to obtain reasonable assurance that the executor complied with the general provisions and standards in the terms of the Loan Agreement of the Internacional Fund for Agricultural Development. The executed audit included the evidence-based examination of the selection and contracting processes for goods, construction works and services, the values and information regarding the presented applications for disbursement, which are part of the statement of funds and disbursements made, as well as of the accumulated investments in the examined period.

During the course of our work, we examined the applications number 20, 21 and 22 for withdrawals and funds to be sent to the International Fund for Agricultural Development, including the supporting documentation (payment and contract processes), entries and values conversion in Reais to US Dollars. These analyzes comprised around 62% of the balances recorded in these applications for withdrawal and funds. The expenses incurred are supported through bidding processes whose contracts were amended in 2019, and which have FIDA's "non - objection" to legitimize the funds disbursed in the execution of the Paulo Freire Project.

**Administration and governance responsibility for the procurement processes and application for disbursements**

The Department of Agrarian Development, through the Project Management Unit, is responsible for the acquisition of assets, contracting of construction works and for the selection and hiring of consultants according to the conditions established in the Loan Agreement. It regulates the legal relations between the Government of the State of Ceará and the Internacional Fund for Agricultural Development, as well as other guidelines, laws and regulations covering the Government of the State of Ceará.

#### **Auditor's responsibility for the audit of procurement processes and application for disbursements**

Our responsibility is to express an opinion on whether the Department of Agrarian Development, through the Project Management Unit, acquired assets and hired consultants in accordance with the terms of the Loan Agreement and in compliance with the guidelines, laws and regulations for the selection and hiring of consultants by FIDA and the Government of the State of Ceará. We conducted our audit in order to obtain reasonable assurance that they were complied with what was established for the execution of the Productive and Capacity Development Project - Paulo Freire Project.

Fortaleza, October 1, 2020.

**CONTROLLER AUDITORIA E ASSESSORIA CONTÁBIL S/S - EPP**

