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Enabling poor rural people
to overcome poverty

State of Piauí of the Federative Republic of Brazil

President's memorandum

Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semi-Árido)

Extension of the time limit for signature of the loan agreement

Note to Executive Board representatives

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Executive Board — 103rd Session
Rome, 14-15 September 2011

For: Approval

Recommendation for approval

Given the relevance of this project for the poorest areas of the State of Piauí and taking into consideration the commitment of the State's new administration to the project, it is recommended that the Executive Board approve an extension of one year – to 15 September 2012 – of the time limit for signing the loan agreement and guarantee agreement corresponding to the Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semi-Árido).

President's memorandum

Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semi-Árido) – Extension of the time limit for signature of the loan agreement

I. Background

1. At its ninety-seventh session in September 2009, the Executive Board approved a loan of SDR 12,770,903 (equivalent to approximately US\$20.0 million) to the State of Piauí of the Federative Republic of Brazil on ordinary terms, to help finance the Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semi-Árido). The project is in line with IFAD's intervention strategy, as outlined in its country strategic opportunities programme approved in September 2008.
2. **Key programme objectives.** The overall goal of the project is to contribute to reducing poverty, and particularly extreme levels of poverty, in the rural population of the semi-arid region of Piauí through improved farm and off-farm income, employment opportunities and productive assets. The specific objectives of the project are to: (a) improve the agricultural and non-agricultural production of poor producers and their access to markets and value chains; (b) strengthen the capacity of the target population, particularly young people, to generate income and gain access to labour markets; and (c) strengthen the capacities of key rural institutions.
3. **Loan signature.** The time limit for the signature of the loan agreement expires on 15 September 2011 (two years after the loan approval in September 2009).
4. The State Government needs the authorization of the Ministry of Finance and the Senate to sign the Financing Agreement. This authorization was delayed because of the following factors: (a) the Financing Agreement was negotiated in February 2010 and immediately after the negotiations the Government of the State of Piauí initiated the process to obtain the required authorization; (b) national and state elections took place in the second semester of 2010 and, according to Brazilian law, loan agreements with external financiers may not be signed during the electoral process; (c) as a result of the elections, the State of Piauí has had a new administration since January 2011; and (d) the new administration launched institutional reforms, during which the Governor halted all negotiations and signing of loan agreements with external funding.

II. Status of loan signature

5. The Latin America and the Caribbean Division has continued to follow up closely with the country authorities in view of the urgent need for loan signing, loan effectiveness and project start-up.
6. The new Governor of the State of Piauí sent IFAD an official communication ratifying his commitment to the project and requesting an extension of the time limit for the

Financing Agreement signature. In his request the Governor explains that signature has been delayed because of the national and state elections held in 2010, the change in state administration resulting from these elections, the institutional reform carried out by the new administration and the consequent delay in obtaining authorization from the Federal Government and from the Senate. Additionally, the fact that each year Senate is in recess during July and August must be taken into consideration.

7. The Government's internal approval procedures previous to the loan signing are well under way in the country and the new administration of the State of Piauí is fully committed to the project. Nonetheless, additional time is necessary to finalize the mandatory procedures established by Brazilian law.

III. Recommendation

8. Based on the information and rationale provided above, it is recommended that the Executive Board approve an extension of one year – to 15 September 2012 – of the time limit for signing the loan agreement and guarantee agreement corresponding to the Semi-arid Sustainable Development Project in the State of Piauí (Viva o Semi-Árido).