

Project Summary Information

	Date of Document Preparation: 06/06/2025	
Project Name	Recovery and Trade-Facilitation Project in Cachoeirinha, Rio Grande do Sul	
Project Number	P000986	
AllB member	Brazil	
Sector/Subsector	Multi-sector	
Alignment with	Green infrastructure; Connectivity and Regional Cooperation; Technology-enabled Infrastructure	
AllB's thematic		
priorities		
Status of	Under Preparation	
Financing		
Objective	To support the Municipality of Cachoeirinha in the State of Rio Grande do Sul with post-flood reconstruction by rehabilitating and rebuilding critical trade-enabling infrastructure that strengthens connectivity with Asia and contributes to climate mitigation through low-carbon and sustainable urban investments.	
Project Description	This project is prepared in parallel to the Post-Flood Reconstruction Project in the Municipality of Guaíba. In May 2024, the State of Rio Grande do Sul, in southern Brazil, was hit with devastating floods, which severely damaged and destroyed infrastructure throughout the region. The municipalities of Guaíba and Cachoeirinha are two municipalities located in the Porto Alegre metropolitan area. Economies of both municipalities are heavily dependent on international trade, with primary destinations being in various Asian countries. The May 2024 floods severely damaged basic infrastructure in both cities and displaced over 50,000 inhabitants. The project aims to build back the infrastructure that was damaged in each municipality, improve infrastructure resilience to prevent future flooding, and support infrastructure that will enable further trade-linked economic growth.	
	Municipality of Cachoeirinha The Program for Urban Resilience and Climate Risk Management for Cachoeirinha includes several components aimed at enhancing flood management and rebuilding critical urban and transport infrastructure, essential for the social and economic recovery of the municipality. As with Guaíba, best practices will be used in project reconstruction, and nature- based solutions will be incorporated wherever possible. Based on the approved request for financing, the program	

	includes the following components:	
A. Reconstruction of flood protection, transport and urban infrastructure affected by the floods (USD 54.05 rebuilding the failed infrastructure, improvement of existing flood protection infrastructure (e.g. dikes, pumps drainage system) and implementation of additional infrastructure to prevent future flood events.		
	B. Construction of an administrative center with an emergency/disaster management center (USD 10.10 million) – the city has no emergency response and disaster management center.	
	C. Innovation and Improvement in Risk Management and Prevention for Flooding and other natural disasters (USD 4.24 million) – implementation of a risk-management program, and a natural disaster prevention/response program.	
	D. Program and Project Management (USD 2.12 million) - to be proportionally divided into each component above.	
	Each component will be further defined during the Project's appraisal stage. in the project description.	
	The Municipality of Cachoeirinha has a population of 135,000 inhabitants and is divided into two main zones: a residential area and an industrial area. Nearly half of the municipal economy depends on light manufacturing and warehousing industry, with significant trade flows to and from Asia. The municipality experienced severe direct impacts during the May 2024 floods, including failures of several dikes, along with indirect impacts on industries, due to disruption in water and electricity supply. After the flood waters receded in early June, it became clear that the municipality suffers from an inadequate emergency response system, insufficient flood protection and supporting urban infrastructure, as well as a lack of emergency preparedness measures to effectively address future climate events.	
	While the Federal Government of Brazil allocated over USD 17 billion for recovery and reconstruction, significant gaps remain in the rehabilitation and reconstruction of damaged infrastructure. There is an urgent need to enhance climate resilience, improve disaster response, and ensure long-term sustainability.	
Expected Results	As part of the project objective indicators, the proposed indicators include: (i) measuring the reduction in travel time along key trade routes; (ii) assessing the increase in the area under enhanced flood protection; and (iii) tracking the number of people gaining access to disaster (including climate-related) early warning services. Intermediate result indicators focus on key enablers of the project's objectives and include: (i) the length of roads upgraded with climate resilience measures; (ii) the progress of viaduct construction; (iii) the total pumping station capacity; (iv) the number of municipal employees trained in disaster risk mitigation and emergency response; and (iv) the establishment of a real-time hydrological and water quality menitoring system to ophance flood warning and proparadoses.	

Environmental and	A
Social Category	
Environmental and Social Information	Applicable Policy and Categorization: The Bank's Environmental and Social Policy (ESP) including the Environmental and Social Standards (ESSs), and the Environmental and Social Exclusion List (ESEL) will be applicable to this Project. An initial review has determined that ESS 1 (Environmental and Social Assessment and Management) is applicable for evaluating the environmental and social impacts of project activities. ESS 2 (Involuntary Resettlement) is also likely to be relevant, while ESS 3 (Indigenous Peoples) will not apply. The Project has been classified as Category A under AIIB's ESP. This classification reflects the potential for significant environmental and social (E&S) risks during the construction and/or operational phases, necessitating comprehensive impact assessments and robust mitigation measures to manage environmental and social concerns effectively.
	Environmental and Social Instruments: Due to the Project's phased and multi-sectoral design, with subprojects indicative, the Municipality is required to prepare an Environmental and Social Management Planning Framework (ESMPF). The ESMPF will provide guidelines for identifying, screening, assessing, managing, and monitoring E&S risks for each subproject. It will also outline institutional roles, responsibilities, stakeholder engagement strategies, grievance redress mechanisms, cost estimation, and scheduling for implementing mitigation measures. The ESMPF will be finalized and disclosed before project approval. Subproject E&S instruments providing more detailed analyses of E&S impacts and risks, and mitigation measures for individual subprojects will be prepared in accordance with the ESMPF following project approval.
	Environmental Aspects: With a focus on sustainable urban development and a view to "building back better", incorporating nature-based solutions where possible, the Project is expected to yield multiple environmental benefits including improved drainage, flood control and disaster response, and overall resilience to climate change impacts. Potential adverse impacts during construction include vegetation removal, soil erosion and compaction, sedimentation of waterways, pollution from spills and improper waste management, and biodiversity impacts in wetlands or other nearby habitats/ecosystems. These will be mitigated in accordance with the ESMPF and relevant subproject E&S instruments. During operations there may be increased noise associated with constructed/reconstructed transport infrastructure. Furthermore, new flood protection infrastructure has the potential to significantly alter the hydrology of the area and cause downstream impacts. Designs will be informed by detailed studies including relevant baseline surveys and the necessary mitigation measures incorporated.
	Social and Gender Aspects: Social benefits of the Project include improved access to services, enhanced quality of life, and increased local employment. Involuntary resettlement is expected to be minimal but, if necessary, will be managed under ESS 2. Construction-related disturbances such as noise, dust, and restricted access may temporarily affect nearby communities. These will be mitigated through dust suppression, noise control, and proactive stakeholder communication.

Despite temporary disruptions, the Project will provide long-term socio-economic benefits including job creation, skills development, and infrastructure improvement. Enhancing urban resilience, particularly to flooding, is a key expected outcome. Additionally, both the construction and operational phases may pose risks such as gender-based violence (GBV) and sexual harassment. To address these risks, a GBV and Sexual Harassment Management Plan will be developed and incorporated into the ESMPF. This plan will outline measures to prevent, mitigate, and respond to gender-related risks while ensuring a safe and inclusive work environment.
Occupational Health and Safety, Labor, and Employment: Public sector workers in Brazil benefit from strong labor protections under national law, including competitive wages and comprehensive benefits. The Municipality will screen subprojects for labor compliance and will exclude blacklisted entities. The ESMPF will set out procedures to mitigate health, safety, and labor risks, and ensure site-level monitoring. Compliance with Brazil's rigorous occupational safety laws will be reinforced through regular site visits and inspections.
Stakeholder Engagement and Information Disclosure: Inclusive and meaningful stakeholder engagement will be central throughout ESMPF and ESIA preparation. The process will involve affected communities and other stakeholders identified and will be strengthened over time. A Stakeholder Engagement Plan (SEP) will guide consultation throughout the project lifecycle, specifying culturally appropriate strategies and clear responsibilities for managing engagement and feedback. E&S documents will be publicly disclosed in a timely and appropriate manner by the Client and the Bank in accordance with AIIB policy.
Project Grievance Redress Mechanism (GRM): The Municipality has an existing GRM, which will be reviewed and updated to address project-specific issues. It will include accessible channels for both community members and workers to raise grievances. A contractor-level grievance system will also be established for labor-related concerns. Public consultations will ensure that stakeholders are aware of and understand how to access the GRMs and the Project-affected People's Mechanism (PPM) of the Bank.
Monitoring and Reporting Arrangements: The Project Implementing Unit (PIU) established at the municipal level will have primary responsibility for monitoring the progress and performance of the Project and will report to the Bank through the submission of annual progress reports in a format agreed between the Client and the Bank. AIIB will conduct monitoring,

submission of annual progress reports in a format agreed between the Client and the Bank. AIIB will conduct monitoring, including in-country supervision missions twice a year, for managing and monitoring impacts and ensuring compliance throughout the project lifecycle, and periodic technical review visits to provide necessary implementation support at various project stages. More details on monitoring and reporting arrangements will be determined with the Client during project appraisal.

Cost and	Total: USD 88.15 million				
Financing Plan	AIIB: USD70.51 million				
	Municipality of Cachoeirinha: USD17.64 million				
Borrower	Municipality of Cachoeirinha				
Guarantor	Ministry of Finance of Brazil				
Implementing	Municipality of Cachoeirinha				
Entity					
Estimated date of	June/2031				
loan closing					
Contact Points:	AIIB	Borrower	Implementation Organization		
Name	Manuel Benard	Cristian Wasem Rosa	Paulo Garcia		
Title	Senior Investment Officer	Mayor	Planning Secretary		
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Date of Concept	05/22/25				
Decision					
Estimated Date of	Q3 2025				
Appraisal Decision					
Estimated Date of	Q3 2025				
Financing					
Approval					

Independent Accountability	The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are	
Mechanism	Ikely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns can addressed satisfactorily through Project-level GRMs or AIIB Management's processes. For information on	
	make submissions to the PPM, please visit: <u>https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html</u>	