

 Early Warning System

AIIB-000986

Brazil: Recovery and Trade-Facilitation Project in Cachoeirinha, Rio Grande do Sul



Quick Facts

Countries	Brazil
Specific Location	City of Cachoeirinha
Financial Institutions	Asian Infrastructure Investment Bank (AIIB)
Status	Proposed
Bank Risk Rating	A
Borrower	Municipality of Cachoeirinha, Cristian Wasem Rosa
Sectors	Construction
Investment Type(s)	Loan
Investment Amount (USD)	\$ 70.51 million
Loan Amount (USD)	\$ 70.51 million
Project Cost (USD)	\$ 70.51 million



Project Description

According to the AIIB, the objective is 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.

This project is prepared in parallel to the Post-Flood Reconstruction Project in the Municipality of Guaiba. 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 Guaiba 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 Guaiba, 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 million) - rebuilding the failed infrastructure, improvement of existing flood protection infrastructure (e.g. dikes, pumps, water 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.



Early Warning System Project Analysis

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 (ES) risks during the construction and/or operational phases of the sub-projects, necessitating comprehensive impact assessments and robust mitigation measures to manage environmental and social concerns effectively.

Environmental and Social Instruments: Due to the Project’s urgency, a phased ES approach is applied. The Municipality of Cachoeirinha has prepared an Environmental and Social Management Planning Framework (ESMPF), which provides guidelines for identifying, screening, assessing, managing, and monitoring ES risks for each subproject. It also outlines institutional roles, responsibilities, stakeholder engagement strategies, grievance redress mechanisms, cost estimation, and scheduling for implementing mitigation measures. The ESMPF is disclosed on AIIB’s website ([link](#)) together with the Project Environmental and Social Impact Assessment ([link](#)). Subproject ES instruments providing more detailed analyses of ES 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. These will be mitigated in accordance with the ESMPF and relevant subproject ES 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. In this regard, a Resettlement Planning Framework has been prepared ([link](#)). 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 prepared as part of the subproject environmental and social management plans. 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. The ESMPF sets 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.



Investment Description

- Asian Infrastructure Investment Bank (AIIB)



Contact Information

AIIB

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ACCESS TO INFORMATION

You can submit an information request for project information at: <https://www.aiib.org/en/contact/information-request/index.html>.

ACCOUNTABILITY MECHANISM OF AIIB

The AIIB has established the Accountability Mechanism for Project-Affected People (PPM). The PPM provides “an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB’s failure to implement the ESP in situations when their concerns cannot be addressed satisfactorily through Project level GRMs or AIIB Management processes.” Two or more project-affected people can file a complaint. Under the current AIIB policy, when the bank co-finances a project with another development bank, it may apply the other bank's standards. You can refer to the Project Summary Information document to find out which standards apply. You can learn more about the PPM and how to file a complaint at: <https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html>.

The complaint submission form can be accessed in Arabic, Bahasa Indonesia, Bengali, Chinese, English, Tagalog, Hindi, Nepali, Russian, Turkish, or Urdu. The submission form can be found at: <https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/submission/index.html>.



Bank Documents

- [Project Summary \(June 6, 2025\)](#) [\[Original Source\]](#)