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Report No: 32368-BR

PROJECT COMPLETION NOTE

ON A

LOAN

IN THE AMOUNT OF US\$44 MILLION

TO THE

FEDERATIVE REPUBLIC OF BRAZIL

FOR AN

ANIMAL AND PLANT HEALTH PROTECTION PROJECT
(LOAN 4480-BR)

May 17, 2005

**Latin America and Caribbean Region
Brazil Country Management Unit
Environmentally and Socially Sustainable Development Sector Management Unit**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: May 17, 2005)

Currency Unit = Brazilian Real (R\$)
Real 1 = US\$0.4038
US\$ 1 = R\$2.4764

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS - Country Assistance Strategy
MAS - Ministry of Agriculture and Supply
SDA - Secretariat of Agricultural Health Protection

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PROJECT COMPLETION NOTE

BRAZIL

ANIMAL AND PLANT HEALTH PROTECTION PROJECT

(Loan 4480-BR; Project ID: P055388)

1. The objective of the project was to increase Brazil's competitiveness and productivity in its agricultural and livestock sectors by: (a) eliminating or significantly controlling the incidence of animal and plant diseases which constitute trade barriers; (b) strengthening the Borrower's sanitary and phytosanitary monitoring and surveillance systems; (c) reorienting the public sector role to a regulatory, certification and inspection function and strengthening its coordinating and facilitating functions in animal and plant health protection; and (d) increasing the private sector participation in the design and delivery of animal and plant health protection services. The project would have supported the Country Assistance Strategy (CAS) objective of state modernization via decentralized state services by aiding the Secretariat of Agricultural Health Protection (SDA) to transfer day-to-day execution of agricultural health protection to the state and local levels, while maintaining a primarily coordinating role at the Federal level.

2. The proposed project was identified by the Government and the Bank in February 1998, and was prepared at the Government's request. It was appraised in June 1998, and negotiations for the proposed loan took place in August 1998. A Specific Investment Loan for US\$44 million was approved by the Board on May 27, 1999.

3. The expected effectiveness date of the loan, as agreed in the Project Appraisal Document, was August 31, 1999, and the project was to have been implemented over a period of 48 months, with an expected Closing Date of December 31, 2003. The project technical unit, the SDA, within the federal Ministry of Agriculture and Supply (MAS), prepared the project operational manual, the approval of which by the Federal Government was a condition of Loan effectiveness.

4. The signing of a Loan Agreement between the Federative Government of Brazil and the Bank requires, *inter alia*, approval from the Brazilian Senate. Following Board Approval in May 1999, loan signing was delayed as a result of the fiscal crisis in Brazil. At the same time, the MAS was restructured, ushering in a new cadre of personnel, most importantly those attached to the SDA. The Brazilian Senate approved the Loan on November 10, 1999 (Resolution 58/99). On December 1, 2000, the Borrower informed the Bank that all conditions of Loan effectiveness had been met. Subsequently, on January 17, 2001, the Ministry of Finance issued its authorization to proceed with the Loan signing. By this time, the Borrower also had signed participation agreements with three of the intended fourteen states (Paraná, Piauí, Rio Grande do Sul) in which the project was expected to be implemented.

5. On April 17, 2001, with the Loan Agreement still unsigned, the Bank formally notified the MAS that, given 23 months had elapsed since Board approval of the Loan, the Bank would establish April 30, 2001, as the final date for which Loan signing could take place. In the absence of Loan signing by this date, the Bank would cancel the operation and withdraw the Loan. Subsequent communication from the Ministry of Finance requested an additional brief period before signing could take place; as such the Bank extended this final date for Loan signing to July 31, 2001.

6. On August 1, 2001, the Bank formally notified the Government of Brazil that the Loan was canceled.