



Project Summary Information

Date of Document Updating: 09/10/25	
Project Name	Recovery and Trade-Facilitation Project in Cachoeirinha, Rio Grande do Sul
Project Number	P000986
AIIB member	Brazil
Sector/Subsector	Multi-sector
Alignment with AIIB's thematic priorities	Green infrastructure; Connectivity and Regional Cooperation; Technology-enabled Infrastructure
Status of Financing	Under Preparation
Objective	To restore and upgrade trade-enabling infrastructure affected by the floods in the municipality of Cachoeirinha, Rio Grande do Sul, to improve connectivity and enhance climate and flood resilience.
Project Description	In May 2024, the State of Rio Grande do Sul in southern Brazil was hit by devastating floods that severely damaged and destroyed infrastructure throughout the region. The municipality of Cachoeirinha, located in the Porto Alegre metropolitan area, was among the hardest hit. Its economy is heavily dependent on imports and exports, with primary destinations in various Asian countries. The floods displaced over 50,000 inhabitants and caused severe damage to basic infrastructure. The Project aims to build back better the infrastructure damaged in Cachoeirinha, improve resilience to prevent future flooding, and support infrastructure that will enable further trade-linked economic growth. Best practices will be applied in reconstruction, and nature-based solutions will be incorporated wherever possible. The Project components comprise: A. Reconstruction of Flood Protection, Transport, and Urban Infrastructure – Rebuilding failed infrastructure, improving existing flood protection systems (such as dikes, pumps, and drainage), and implementing additional infrastructure to prevent future flood events. B. Construction of an Administrative Center with an Emergency/Disaster Management Center – Establishing a dedicated facility for emergency response and disaster management. C. Innovation and Improvement in Risk Management and Prevention for Flooding and Other Natural Disasters –

	Implementing a risk-management program and a natural disaster prevention/response program. D. Program and Project Management – Providing management support across all components. Cachoeirinha has a population of about 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, with significant trade flows to and from Asia. The May 2024 floods caused multiple dike failures and disrupted water and electricity supply, affecting residents and industry. After the floodwaters receded in early June, it became clear that the municipality faced inadequate emergency response capacity, insufficient flood protection and supporting urban infrastructure, and a lack of preparedness measures for future climate events. While the Federal Government of Brazil allocated over USD 17 billion for recovery and reconstruction, significant gaps remain. There is an urgent need to strengthen climate resilience, improve disaster response, and ensure long-term sustainability.
Expected Results	The Project is expected to cut travel time along trade routes from 20 to 12 minutes, expand flood protection to 1.43 km², and provide early warning coverage to over 111,000 residents. It will rehabilitate or build 22.9 km of climate-resilient roads, increase urban runoff pumping capacity to 54,000 m³/h, and requalify 278,000 m² of green spaces. Two new emergency coordination centers will be established, and municipal capacity will be strengthened through a GIS system, a flood monitoring system, and 300 disaster-management training sessions.
Environmental and Social Category	A
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 (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.

	Stakeholder Engagement and Information Disclosure: Inclusive and meaningful stakeholder engagement was central throughout ESMPF and ESIA preparation. The process involved affected communities and other stakeholders identified and will be strengthened over time. A Stakeholder Engagement Plan (SEP) (link) will guide consultation throughout the project lifecycle, specifying culturally appropriate strategies and clear responsibilities for managing engagement and feedback. Sub-projects' ES 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 applied and updated as needed to address project-specific issues, guided by the GRM document prepared for the Project (link). The GRM includes 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, 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.		
Cost and Financing Plan	Total: USD88.15 million AIIB: USD70.52 million Municipality of Cachoeirinha: USD17.63 million		
Borrower	Municipality of Cachoeirinha		
Guarantor	Ministry of Finance of Brazil		
Implementing Entity	Municipality of Cachoeirinha		
Estimated date of loan closing	June/2031		
Contact Points:	AIIB	Borrower	Implementation Organization

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Date of Concept Decision	May 22, 2025		
Date of Appraisal Decision	August 7, 2025		
Estimated Date of Financing Approval	Q4 2025		

Independent Accountability Mechanism	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 likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRMs or AIIB Management's processes. For information on how to make submissions to the PPM, please visit: https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html
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