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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Proposed loan to the State of Bahia of the Federative Republic of Brazil for the Rural Sustainable Development Project in the Semi- arid Region of Bahia (Pro-Semi-arid Project)**

### **(Projeto de Desenvolvimento Rural Sustentável na Região Semiárida da Bahia – Pró-semiárido)**

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Executive Board —110<sup>th</sup> Session  
Rome, 10-12 December 2013

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**For: Approval**

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Logical framework

## **Abbreviations and acronyms**

CAR	Company for Development and Regional Action
M&E	monitoring and evaluation
NGO	non-governmental organization
PAA	Food Purchase Programme
PMU	Project Management Unit
PNAE	National School Feeding Programme
PRONAF	National Programme for Strengthening Family Agriculture
PSP	Pro-Semi-arid Project
RB-COSOP	Results-based Country Strategic Opportunities Programme
RIMS	Results and Impact Management System
SEDIR	Secretariat of Development and Regional Integration

# Map of the project area

## Federative Republic of Brazil

### Rural Sustainable Development Project in the Semi-arid Region of Bahia



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 21-05-2013

# **Rural Sustainable Development Project in the Semi-arid Region of Bahia (Pro-Semi-arid Project) (Projeto de Desenvolvimento Sustentável na região semiárida da Bahia – Pró-semiárido)**

## **Financing summary**

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	State of Bahia of the Federative Republic of Brazil
<b>Lead project agency:</b>	Secretariat of Development and Regional Integration (SEDIR) of the State of Bahia
<b>Total project cost:</b>	US\$105.8 million
<b>Amount of IFAD loan:</b>	SDR 29.26 million, equivalent to US\$45.0 million
<b>Terms of IFAD loan:</b>	Ordinary
<b>Contribution of borrower:</b>	US\$50.0 million
<b>Contribution of beneficiaries:</b>	US\$10.8 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the State of Bahia of the Federative Republic of Brazil for the Rural Sustainable Development Project in the Semi-arid Region of Bahia, as contained in paragraph 48.

## Proposed loan to the State of Bahia of the Federative Republic of Brazil for the Rural Sustainable Development Project in the Semi-arid Region of Bahia (Pro-Semi-arid Project)

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. The Brazilian economy has been growing steadily over recent decades, with important progress in poverty alleviation and social inclusion. However, these achievements mask huge discrepancies within the country, with poverty concentrated in the North-East Region (Latin America's largest poverty pocket) and particularly acute in the semi-arid areas of that region. Of the 16.2 million people living in extreme poverty in Brazil, 9.6 million are in the North-East Region.
2. The agriculture sector has played a strategic role in the economic development of Brazil, but there are discrepancies between two very different segments: the developed, export-oriented segment, and the large segment of smallholder family farms with high poverty rates. Although family farming represents 85 per cent of total rural establishments in Brazil, it occupies less than 25 per cent of the cultivated rural land area.
3. In this context, Bahia has strategic importance because it is the largest state in north-east Brazil, with an area of 564.692 km<sup>2</sup> (36.2 per cent of the north-east). Its population of more than 14 million inhabitants, of whom 4 million are rural, accounts for 7.3 per cent of Brazil's population and 26.4 per cent of the north-east's. Bahia has the largest Afro-Brazilian population in Brazil, and *quilombola* (Afro-Brazilian) communities are characterized by high poverty and vulnerability.
4. Bahia has followed the nation's downward poverty trend. In 2001, roughly 50 per cent of the state's population was living in poverty and 29 per cent in extreme poverty. By 2010, these percentages had dropped sharply,<sup>1</sup> with the poor population falling to 29.1 per cent of overall population and the extremely poor to 16.1 per cent. However, gaps between urban and rural areas persist; in 2010, 47.7 per cent of Bahia's rural population was living in poverty and 29.2 per cent in extreme poverty. In other words, the current situation in rural areas is virtually the same as it was for the state as a whole in 2001.

#### B. Rationale and alignment with government priorities and the RB-COSOP

5. The main justifications for financing a project that seeks to combat poverty in the semi-arid region of Bahia are: (i) the large number of people living below the poverty line, many of whom have productive potential that could be catalysed by the project; (ii) the environmental degradation faced by the region, which underscores the need to consider productivity-enhancing actions in tandem with sustainable natural resource management; (iii) the long and fruitful partnership

<sup>1</sup> Brazilian Institute of Geography and Statistics. 2010 Population Census

that IFAD and the Government of Bahia have developed over more than 15 years, which will facilitate the project's implementation; and iv) the favourable public policy context – the resources allocated to implementing these policies are not being fully utilized by the poorest population groups, and the project can contribute to improving this situation.

6. The Pro-Semi-arid Project (PSP) is aligned with Brazilian policies for rural development and the fight against poverty. At the national level it is in line with the *Plano Brasil sem Miséria* (Brazil without Extreme Poverty Plan), which constitutes the main axis for poverty reduction, productive promotion and social inclusion. At the Bahia State level, the project is aligned with the *Programa Vida Melhor* (Better Life Programme), which is the state-level version of the *Plano Brasil sem Miséria*.
7. The project fully responds to IFAD's Strategic Framework and is consistent with the Brazil Results-based Country Strategic Opportunities Programme (RB-COSOP) aimed at increasing small farmers' commercial agricultural production and access to markets, improving the rural poor's access to off-farm employment and business activities, promoting knowledge management to improve resilience to semi-arid conditions among the rural poor, and deepening the discussion on rural poverty reduction and family farming policies.
8. IFAD's prior experience in the North-East Region in general and in the State of Bahia in particular guided the design of the project. Particularly noteworthy are lessons learned from the Dom Helder Câmara Project (which ended in 2010), a partnership between IFAD and the federal Ministry of Agrarian Development, which implemented highly successful activities in six north-eastern states. The Gente de Valor and Pro-Gavião projects, both of which were implemented in the State of Bahia, also provided valuable experience and knowledge on which to build.

### **C. Project area and target group**

9. The PSP will operate in 30 municipalities with high incidences of poverty and vulnerability in the semi-arid area of the northern region of Bahia State. In addition to these 30 municipalities, it will also benefit some of the beneficiary population of the Gente de Valor Project (which ended in December 2012), to consolidate the economic activities promoted by this project. The PSP area, encompassing the 30 municipalities and part of the former Gente de Valor Project area, covers 95,168 km<sup>2</sup> (17 per cent of the State of Bahia): 73,800 km<sup>2</sup> (13 per cent of the State) by the 30 municipalities, and 21,368 km<sup>2</sup> (4 per cent of the State) by the Gente de Valor Project area.
10. The total population in the project area is 1,303,821 inhabitants, of whom 76 per cent (988,213) are in the 30 municipalities and 24 per cent (315,608) in the *Gente de Valor* Project area.
11. Project targeting is aligned with the IFAD Policy on Targeting. The target population totals approximately 736,292 inhabitants (55 per cent of the total population in the project area), comprising rural people (approximately 44 per cent of the total population) and people living in towns with fewer than 10,000 inhabitants (11 per cent of the total population). Approximately 33.4 per cent of the rural population in the PSP area lives in extreme poverty, and 51.8 per cent lives in poverty; these figures are well above the averages for Bahia State and the national level.
12. The PSP will directly benefit about 70,000 families involving some 250,000 people. Regarding gender equity and young people, the project will ensure equal access for women and men, reinforce the capacities of women and young people to assume leadership roles in economic and social activities, and prioritize access to technical assistance, training and capacity-building for women and young people. Quilombola

(Afro-Brazilian) communities will also be prioritized because of their vulnerability, high degree of poverty and large presence in the State of Bahia.

13. The project will work with rural communities and economic organizations. With regard to the communities, the project will focus on the poorest households within targeted municipalities, particularly those that depend on family dynamics to carry out productive activities. Special attention will be paid to the members of family farms, with a view to empowering each individual in her or his diverse roles at different points of the value chains. Project strategies prioritize women and youth, whose individual contributions are sometimes subsumed under the category of "family" that dominates in small-scale family farming.
14. The PSP will also prioritize work with small rural producers' economic organizations such as cooperatives and small farmers' associations that are already somewhat developed and have experience in processing primary products and selling in different markets, which gives them income-generating potential that can be realized in the short term. Some of these organizations have forged business ties with public and private stakeholders and channel the products of local groups to different types of commercial network; some of them aggregate smaller organizations, which can take advantage of the economies of scale and other strengths developed by the apex organizations.

#### **D. Project development objective**

15. The PSP's development objective is to contribute to the reduction of rural poverty through income generation, increased production, creation of agricultural and non-agricultural work opportunities, and human and social capital development. Its specific objectives are: (i) to strengthen the capacities of individuals and community and economic organizations in rural areas, in order to develop their productive activities and rural businesses, and to improve their access to markets and public programmes; and (ii) to support the development of sustainable and profitable productive activities and their insertion into value chains and markets, with particular focus on sustainable natural resource management. In working towards these objectives, particular attention will be paid to women and young people.

#### **E. Components/outcomes**

16. **Component 1: Human and social capital development** will promote development of the individual and associative capacities of the target population. Its main objective is to strengthen the capacities necessary to promote the sustainable development of beneficiary families, communities and economic organizations. This will be achieved mainly through the participatory formulation and implementation of development plans and business or working plans. The development plans will constitute a general framework for activities, some of which will be contained in the business and working plans to be financed by the PSP through component 2, while other activities can be financed by other sources. Component 1 will also work on enhancing the capacities of technical assistance providers and on social mobilization to reinforce beneficiaries' participation. The following will be the main areas of work under this component:
  - (a) Identification of the potential for and bottlenecks to the development of productive activities, and elaboration of proposals for enhancing production and productivity;
  - (b) Strengthening of community and economic organizations in areas such as business management, market access, governance, and participation in local fora and platforms such as municipal and territorial participatory committees (*colegiados territoriais*);
  - (c) Access to public programmes targeted at family farms, mainly public purchases of agricultural products from small farmers (e.g. the Food Purchase



Programme [PAA] and the National School Feeding Programme [PNAE] and short-term financing for family farmers from the National Programme for Strengthening Family Agriculture [PRONAF]);

- (d) Technical assistance and training for primary production, processing, management of productive units (individual and associative), entrepreneurship and access to markets;
  - (e) Skills enhancement of technical assistance service providers.
17. The capacity-building strategy will combine continuous technical assistance, which will provide beneficiaries with steady support for organizational strengthening and development of the productive base, and specialized technical assistance, focusing on issues with higher technical demand that can be solved relatively rapidly with qualified support. This strategy proved successful in the Gente de Valor and Dom Helder projects, and will be reinforced by enhancing the skills of technical assistance providers.
18. **Component 2: Productive development, market access and environmental sustainability** will finance productive investments oriented towards improvement of agricultural production, development of agroprocessing activities and non-agricultural businesses, marketing, adoption of innovative productive practices, and sustainable management of natural resources. These investments will include, among others, small irrigation systems, agroprocessing facilities, marketing infrastructure and initiatives supporting the sustainable management of natural resources linked to productive activities. In order to access this financing, productive proposals will be prepared by the beneficiaries' organizations with the support of the project through component 1. Selection of the proposals to be financed will consider technical, financial and social criteria, prioritizing proposals with higher potential for productive, environmental and business development, and ensuring efficient resource allocation to the PSP target group.
19. **Themes common to both components** include market access, complementary financing and support to innovative activities. Market access activities will focus on the institutional markets created under public purchase programmes supporting family agriculture, established by the Federal Government, and on helping poor farmers to overcome barriers to their access to these programmes; support will include assistance in meeting quality requirements, and information and knowledge about administrative procedures. Regarding the private market, the PSP's location close to the dynamic hub of Petrolina-Juazeiro (Petrolina is in the State of Pernambuco and Juazeiro in the State of Bahia) – one of the most important agricultural production and export centres in north-east Brazil – could serve as a catalyst for various PSP activities and facilitate access to productive services and infrastructure. Complementary financing activities will focus on enhancing beneficiaries' access to financing other than that available from the PSP: for example, by forging partnerships with Banco do Nordeste and Banco do Brasil to facilitate access to credit from public financing programmes such as PRONAF (the largest financing vehicle available to family farms) and other credit lines, and facilitating access to credit cooperatives and microcredit organizations. As working capital and costs will have to be fully financed by the beneficiaries, this activity will be essential. PSP will also mobilize part of its resources to finance the adoption and implementation of innovative productive practices and natural resource management, helping to open new opportunities through, for example, the establishment of learning units.

## II. Project implementation

### A. Approach

20. **Project approach.** Capitalizing on experience gained in the Gente de Valor and Pró-Gravião projects, the PSP will involve the target group in: (i) community

development efforts; (ii) the strengthening of economic organizations (cooperatives, producers' associations, cooperative enterprises); and (iii) joint activities with the rural population in general. A central element of the project's approach will be beneficiaries' participation in identifying, planning and implementing priority activities. A second major element will be the administration of investment funds, for which beneficiaries must be directly responsible.

## **B. Organizational framework**

21. **Key implementing partners.** The lead project agency will be the Secretariat of Development and Regional Integration (SEDIR) of Bahia, through the Company for Development and Regional Action (CAR), which was also the lead project agency for the Gente de Valor Project. The PSP will be implemented by a Project Management Unit (PMU) consisting of a coordination office, a regional office and four local offices responsible for implementing field activities. For the provision of technical assistance and other services, partnerships will be fostered, mainly with government agencies to ensure synergies with other public programmes, beneficiaries' organizations to guarantee ownership, NGOs, financial agencies such as Banco do Nordeste and Banco do Brasil, specialized institutions such as Embrapa, state agencies such as the Agricultural Development Agency of Bahia State, and other institutions.
22. **Implementation responsibilities.** The PMU will be responsible for the day-to-day implementation of field activities, administrative and financial management, and project reporting. It will maintain an operational relationship with IFAD, while SEDIR and CAR will be responsible for institutional relations with IFAD. The PMU will have its own technical staff, part of which will be CAR personnel, and will have support from CAR's Financial Management Unit and Bidding Committee. Project audits will be conducted by the Bahia State Audit Court. All PMU personnel will be selected through competitive processes based on their professional qualifications, experience and profile, which must be suited to the needs of the project.

## **C. Planning, monitoring and evaluation, learning and knowledge management**

23. The planning and monitoring and evaluation (M&E) system will be practical and will build on the systems currently used by CAR to monitor all the projects under its responsibility, with adaptations to respond to the PSP's requirements and ensure compatibility with IFAD's Results and Impact Management System (RIMS). The M&E system will be a tool for project management and accountability, and will be participatory, paving the way for the involvement of beneficiaries. During project design, a working plan for developing this system early in the implementation stage was agreed.
24. For the systematization, dissemination and exchange of good practices, the project will build synergies with IFAD's Knowledge Management Programme in the North-East Semi-arid Region of Brazil and will share experiences and lessons learned with other IFAD-funded projects. Knowledge management activities will contribute to the scaling up of activities and experiences from previous projects, especially the Gente de Valor and Dom Hélder Câmara projects.

## **D. Financial management, procurement and governance**

25. The PMU will be responsible for financial management and procurement. It will receive support from CAR's Financial Management Unit for financial management and accounting activities, disbursements, internal oversight, operation of the designated and operational accounts (see paragraph 27), and preparation of financial statements and accounts, including the arrangements for audits. It will also receive assistance from the Standing Committee on Procurement for purchases, and from the Bahia State Audit Court for annual audits. These agencies

and institutions have extensive experience in implementing projects funded by IFAD and by other national and international financing institutions.

26. SEDIR and CAR will be responsible for guaranteeing the funds required under the State's Annual Budget Law and Multiannual Plan and the corresponding counterpart contributions throughout the life of the project. The accounting systems used will facilitate the presentation of information in the financial statements, identifying funding sources and expenditures by component and category, semi-annually, annually and cumulatively over the project's lifetime.
27. Funds will be disbursed by IFAD in United States dollars and managed via: (i) a designated account in United States dollars, held in the name of the Government of Bahia (via the Secretariat of the Treasury) in a commercial bank acceptable to IFAD; and (ii) an operational account in Brazilian Reais, for expenditures in reais and the internalization of funds from the designated account. Arrangements for fund monitoring and accounting will be detailed in the project's financial management manual.
28. The following planned measures are intended to provide adequate financial management of the IFAD loan: (i) annual independent audits in accordance with international auditing standards and IFAD guidelines; (ii) direct supervision and implementation support from IFAD; and (iii) transparent mechanisms for allocating financial resources to beneficiaries, including safeguards against elite capture.

#### **E. Supervision**

29. The project will be directly supervised by IFAD, in line with the IFAD Policy on Supervision and Implementation Support. Direct supervision by IFAD will contribute to improving project performance and achievement of the expected impacts and outcomes of project activities. In collaboration with the PMU and the main project stakeholders, IFAD will therefore provide direct implementation support, with special attention to social, productive and environmental dimensions, and issues such as the targeting and participation of young people and women.

### **III. Project costs, financing and benefits**

#### **A. Project costs**

30. Total project cost will be approximately US\$105.8 million over six years, broken down into 42.6 per cent for human and social capital development (component 1), 38.5 per cent for productive development, market access and environmental sustainability (component 2), 9.7 per cent for project management, 3.0 per cent for M&E and knowledge management, and 6.2 per cent correspond to unallocated resources.

#### **B. Project financing**

31. The project will be financed by the Government of Bahia, contributing US\$50 million (47.3 per cent); IFAD, through a loan of US\$45 million (42.5 per cent) to the State of Bahia; and the beneficiaries, contributing US\$10.8 million (10.2 per cent) under component 2.
32. IFAD will finance part of each expenditure category and subcategory but will not finance taxes or levies, which will be paid in full by the Government of Bahia. Details are given in the table below.

Table  
**Expenditure by category**  
(Millions of United States dollars)

Category of expenditure	IFAD		Government of Bahia		Beneficiaries		Total	
	US\$	%	US\$	%	US\$	%	US\$	%
1. Technical assistance and training for beneficiaries - Human and social capital development	21.3	47.4	23.7	52.6			45.1	42.6
2. Credit and grants for productive investments including civil works, equipment and other goods - Productive development, market access and environmental sustainability	14.2	34.8	15.7	38.7	10.8	26.5	40.7	38.5
3. Salaries, office equipment and operating costs - Project management	4.8	47.4	5.4	52.6			10.2	9.7
4. Monitoring and evaluation	1.5	47.4	1.7	52.6			3.2	3.0
5. Unallocated	3.2	47.4	3.5	52.6			6.6	6.2
<b>Total</b>	<b>45.0</b>	<b>42.5</b>	<b>50.0</b>	<b>47.3</b>	<b>10.8</b>	<b>10.2</b>	<b>105.8</b>	<b>100.0</b>

### C. Summary benefit and economic analysis

33. **Main categories of benefits generated.** The project will directly benefit about 70,000 rural families, with an average of 3.55 people per family, representing roughly 250,000 people. Approximately 38,000 of these families will receive technical assistance, 36,000 will be supported with productive investments, and all 70,000 will receive training and assistance to enable them to take advantage of public programmes in support of family farming. In addition, 210 community organizations and 54 economic organizations will receive technical assistance to strengthen them and enhance their sustainability, and 105 professionals will receive training to improve their ability to provide higher quality technical assistance to small rural producers. All project activities will prioritize women's participation, to achieve gender equity, and the creation of opportunities for youth. In addition to the 70,000 beneficiary families, in its early years the project will work with some of the economic organizations supported by the Gente de Valor Project, to consolidate and increase the sustainability of ventures supported by that project.
34. The PSP aims to reduce rural poverty by 30 per cent in the intervention area and by 70 per cent among the beneficiaries of productive investments, increasing family assets by 35 per cent and the incomes of beneficiary families by at least 30 per cent.
35. **Economic and financial viability.** Eight models representing farm and non-farm activities have been developed in line with the agroecological characteristics and economic and financial potential of the project area. The project is expected to have a significant impact on the productivity of these systems; the financial internal rate of return is estimated at 26 per cent and the economic internal rate of return at 29 per cent.

### D. Sustainability

36. The PSP is based on an existing, sustainable institutional framework in which the executing agency is a permanent government institution in the State of Bahia. The presence of pro-poor policies, programmes and projects at the state and national

levels increases the likelihood of positive and sustainable impact. The capacity-building implemented by the project will remain after the project's conclusion, contributing to the sustainability of the productive development investment supported by the project. This sustainability will be enhanced by the synergies achieved with many existing partners. When the project finishes, most activities will continue to be carried by CAR, other government bodies, NGOs and – particularly – beneficiary producers' organizations.

## **E. Risk identification and mitigation**

37. **Main risks and mitigation measures.** The risks facing the project are considered low. One risk relates to climate change, especially the occurrence of droughts, which will be reduced through enhancing production systems adapted to semi-arid conditions, and investments in water and natural resource management. Another risk is having insufficient human resources capable of providing high-quality technical assistance services; this risk will be addressed through component 1 by training technicians, improving their technical assistance skills and forging partnerships with organizations that have the capacity to provide qualified technical assistance services. A third risk pertains to the cumbersome approval process in Brazil for projects financed by international loans to state governments, which could create delays; this risk will be reduced through close scrutiny of this process and the strong involvement and experience of the Government of Bahia.
38. **Environmental classification.** Environmental issues are an integral part of the project and will be taken into account in both components. Actions will focus mainly on sustainable agriculture, adoption of agroecological practices, natural resource management, meeting environmental requirements, and wastewater and residue management. The project is considered of low environmental risk, in category B.

## **IV. Corporate considerations**

### **A. Compliance with IFAD policies**

39. The project's objectives and approach are aligned with IFAD's policies and Strategic Framework. The project is also fully consistent with the current RB-COSOP, as its core features include: (i) focus on semi-arid areas; (ii) a target group composed of poor, rural farm and non-farm producers and workers, with special attention to women and young people; (iii) development of farm and off-farm income and work opportunities; and (iv) knowledge management.

### **B. Alignment and harmonization**

40. The project is aligned with Brazilian policies for rural development and the fight against poverty. At the national level it is in line with the *Plano Brasil sem Miséria* (Brazil without Extreme Poverty Plan), which constitutes the main axis for poverty reduction, productive promotion and social inclusion, and takes into special consideration government programmes such as PRONAF and public food purchase programmes such as PAA and PNAE. In addition, the project is aligned with the *Programa Vida Melhor* (Better Life Programme), which corresponds, at the state level, to the *Plano Brasil sem Miséria*.

### **C. Innovation and scaling up**

41. Innovation is a cornerstone of the project and will open up new paths for production, processing and marketing. The project will pay special attention to identifying, testing and introducing innovations, by upgrading and diversifying existing productive and organizational systems and practices. It will work with beneficiary households to set up participatory productive learning units, which will serve as tools for teaching and training on productive and environmental innovations. Operations with business and working plans at the community level are another innovative feature of the project's work with smallholder farmers. The

project will facilitate access to existing public policies and programmes for family farms, which are not yet benefiting small farmers as much as they could. The project will also have an investment facility geared towards innovative experiences.

42. In terms of scaling up, the project will phase in its interventions and progressively adapt and scale up its operations according to the results achieved. The project approach has the potential to be replicated and scaled up in other areas of the State of Bahia, and in other states with similar potential and constraints. Particular attention will be paid to promoting knowledge-sharing activities with other IFAD-funded projects in Brazil, including by building synergies with IFAD's Knowledge Management in the Northeastern Semi-arid Region of Brazil Programme.
43. The project can also be seen as a scaling up of two successful projects previously implemented by IFAD: the Dom Hélder Câmara Project and the Gente de Valor Project. This scaling up will be possible thanks to the success achieved by those projects in terms of: (i) innovative productive activities under a sustainable agriculture approach; (ii) strengthening of the capacities and production of community and economic organizations; and (iii) inclusion of a broad range of external partners – such as research institutions, the private sector and labour unions – in the implementation process.

#### **D. Policy engagement**

44. Direct participation in discussion platforms for exchanging knowledge is foreseen, which will be essential in enabling the project to benefit from other successful experiences in rural development. In order to boost knowledge management, linkages will be established with IFAD-funded projects in other Brazilian states, to promote continuous exchange on productive topics and participatory methodologies. Knowledge management activities based on concrete experiences will feed discussions on public policies for small family farms.

#### **V. Legal instruments and authority**

45. A project financing agreement between the State of Bahia of the Federative Republic of Brazil and IFAD, and a separate guarantee agreement between the Federative Republic of Brazil and IFAD will constitute the legal instruments for extending the proposed financing to the borrower. Copies of the negotiated financing and guarantee agreements are attached as an annex.
46. The State of Bahia of the Federative Republic of Brazil is empowered under its laws to receive financing from IFAD, and the Federative Republic of Brazil is empowered under Brazilian law to guarantee the loan.
47. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

#### **VI. Recommendation**

48. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on ordinary terms to the State of Bahia of the Federative Republic of Brazil in an amount equivalent to twenty-nine million two hundred and sixty thousand special drawing rights (SDR 29,260,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

**Negotiated financing agreement: "Rural sustainable development project in the Semi-arid Region of Bahia – Pro-Semi-arid Project (*Projeto de Desenvolvimento Rural Sustentável na Região Semiárida da Bahia – Pró-Semiárido*)"**

(Negotiations concluded on 21 November 2013)

Loan Number: \_\_\_\_\_

Project Title: Rural sustainable development project in the semiarid Region of Bahia – Pro-semiarid Project (the "Project")  
(*Projeto de Desenvolvimento Rural Sustentável na Região Semiárida da Bahia – Pró-Semiárido*)

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The State of Bahia (the "Borrower") of the Federative Republic of Brazil

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

**Section A**

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2), and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended (the "General Conditions").
2. The General Conditions and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement, the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions set forth in this Agreement.
4. The Loan is to be guaranteed by the Federative Republic of Brazil (the "Guarantor") on terms and conditions set forth in an agreement, of even date, to be entered into by the Fund and the Federative Republic of Brazil (the "Guarantee Agreement").

**Section B**

1. The amount of the Loan is twenty-nine million two hundred and sixty thousand Special Drawing Rights (SDR 29 260 000).
2. The Loan is granted on ordinary terms, and shall have a maturity period of eighteen (18) years, including a grace period of three (3) years starting from the date on which the Fund has determined that all general conditions precedent to withdrawal have

been fulfilled (Section E paragraph 2 below). The Fund shall then communicate to the Borrower the amortization schedule. The Borrower shall repay the principal amount of the Loan in 30 equal semi-annual consecutive instalments; the final instalment amount may vary due to rounding.

3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 January.
5. The Loan shall be subject to interest on the principal amount of the Loan outstanding at a rate equal to the IFAD Reference Interest Rate in SDR.
6. Payments of principal and interest shall be payable on each 15 April and 15 October.
7. There shall be a Designated Account in USD opened by and held in the name of the Borrower, through the Secretariat of Treasury – SEFAZ.
8. There shall be a Project Account in local currency managed by the Borrower through the Companhia de Desenvolvimento e Ação Regional (hereinafter “CAR”)/Secretaria de Desenvolvimento e Integração Regional do Estado da Bahia (hereinafter “SEDIR”), for the benefit of the Project, where Loan proceeds and counterpart resources shall be lodged, in a Bank acceptable by the Fund.
9. The Borrower shall provide counterpart financing for the Project in the amount of fifty million United States Dollars (USD 50 000 000), which shall include the payment of Taxes.

### **Section C**

1. The Lead Project Agency shall be the SEDIR.
2. The following are designated as additional Project Parties: CAR, and any other entity identified by CAR and acceptable to the Fund.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date will be established as specified in the General Conditions.

### **Section D**

The Loan will be administered and the Project will be supervised by the Fund.

### **Section E**

1. The following is designated as an additional ground for the suspension of the right of the Borrower to request withdrawals from the Loan Account: The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.



2. The following are designated as additional general conditions precedent to withdrawal:

- (a) the Guarantee Agreement shall have been duly signed, and the signature thereof by the Guarantor shall have been duly authorised by all necessary administrative and governmental action;
- (b) IFAD shall have provided the no objection to the final version of the PIM;
- (c) the Project Management Unit (PMU) shall have been established in accordance with the PIM;
- (d) IFAD shall have provided the no objection to the appointment of the Project Coordinator; and
- (e) IFAD shall have provided the no objection to the subsidiary agreement between the Lead Project Agency and CAR, referred to in paragraph 6, Section II of Schedule 1 hereto.

3. Any amendment(s) to this Agreement shall only be made by mutual agreement between the Borrower and the Fund, after having obtained the Guarantor's concurrence to such amendment(s), including in respect of the Project Completion Date and the Financing Closing Date.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President  
International Fund for  
Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Borrower:

The Governor of the State of Bahia  
Av. Luis Viana Filho, s/n  
3a. Avenida N. 390  
Centro Administrativo da Bahia – CAB  
41745-005 Salvador, Bahia, Brazil

This agreement, dated \_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Fund, two (2) for the Borrower and one (1) for the Guarantor.

STATE OF BAHIA  
OF THE FEDERATIVE REPUBLIC OF BRAZIL

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Governor

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

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Kanayo F. Nwanze  
President

## Schedule 1

### *Project Description and Implementation Arrangements*

#### **I. Project Description**

1. *Target Population.* The Project shall focus on populations living in rural areas and in villages with less than 10 000 inhabitants, whose economic activities and social dynamics are mostly rural, specifically small-holder family farmers, with or without land, working in the agricultural or non-agricultural sectors, with potential to develop sustainable agricultural practices and rural businesses. Special consideration shall be given to women, young people and the most vulnerable Afro-Brazilian rural communities (*quilombos*). The Project will work with community and economic organisations, all of which composed by small rural producers.
2. *Goal.* The Project goal is to contribute to rural poverty reduction in thirty (30) municipalities in the semiarid region of north-central Bahia State. The Project's development objective is to contribute to the reduction of rural poverty through income generation, production increase, creation of agricultural and non-agricultural work opportunities and human and social capital development, with particular attention to women and youth.
3. *Project Area.* The Project shall target the following thirty (30) municipalities in five (5) territories in the semiarid north-central Bahia: (i) the municipalities of Caem, Capim Grosso, Jacobina, Miguel Calmon, Mirangaba, Ourolândia, Saúde, Serrolândia, Umburanas, and Várzea Nova in the Piemonte da Diamantina territory; (ii) the municipalities of Andorinha, Antônio Gonçalves, Caldeirão Grande, Campo Formoso, Filadélfia, Jaguarari, Pindobaçu, Ponto Novo, and Senhor de Bonfim in the Piemonte Norte de Itapicuru territory, (iii) the municipalities of Itiúba and Queimadas in the Sisal territory; (iv) the municipality of Casa Nova, Curaçá, Juazeiro, Remanso, Sento Sé, Sobradinho and Uauá in the Sertão do São Francisco territory; and (v) the municipalities of Quixabeira and Várzea do Poço in the Bacia do Jacuípe territory. Besides the interventions in the Project area, the Project will also support the consolidation of economic activities promoted by the IFAD-supported Gente de Valor Project in municipalities included in the following territories: (i) Sisal, (ii) Semiárido Nordeste II, (iii) Litoral Norte e Agreste Baiano, (iv) Vitória da Conquista, (v) Itaparica and Médio Rio de Contas.
4. *Objectives.* The specific objectives of the Project are:
  - (a) To strengthen the capacities of individuals as well as of community and economic organisations in rural areas, to develop their productive activities and rural business, and to improve their access to markets and public programmes; and
  - (b) To support the development of sustainable and profitable productive activities and their insertion into value chains and markets, with particular focus on sustainable natural resource management.
5. *Components.* The Project will have two components, one aimed at building the capacity of individuals, local community and economic organisations (component 1) and the other at supporting productive development, market access and environmental sustainability (component 2). Common themes relate to both components.

### 5.1. *Component 1. Human and social capital development.*

5.1.1. This component shall promote the development of individual and associative capacities of the target population. Its main objective is to strengthen associative and individual capacities necessary to promote the sustainable development of beneficiary families, communities and economic organisations. This will be done mainly through the participatory formulation and implementation of development plans and business or working plans. Each working and business plan must define a specific set of investments and capacity-building activities to be undertaken with Project support. Working plans will correspond to community organizations, while business plans will correspond to economic organizations.

5.1.2. The Component will also support the capacity enhancement of technical assistance providers and social mobilisation, with the purpose of reinforcing the participation of beneficiaries. In furtherance of this, opportunities for cooperation with the private sector will be sought. The following will be the main lines of action under this Component:

- (a) Strengthening of community and economic organizations in themes such as business management, market access, governance, participation in local forums and platforms such as municipal and territorial collegiates;
- (b) Identification of potentials and bottlenecks for the development of productive activities and elaboration of productive proposals;
- (c) Access to public programmes targeted to family farmers, mainly public purchases of agricultural products from small farmers and financing targeted at family-farmers (PRONAF);
- (d) Technical assistance (TA) and training for primary production, processing, management of productive units (individual and associative), entrepreneurship and access to markets;
- (e) Enhancement of the skills of TA services providers; and
- (f) Sustainable management of natural resources as part of the productive activities and as a strategy for adaptation to climate change.

### 5.2. *Component 2. Productive development, market access and environmental sustainability.*

5.2.1. The purpose of Component 2 is to support initiatives that will help boost and intensify production while promoting sustainable use of natural resources, bearing in mind the need to operate in semiarid conditions.

5.2.2. The component will finance investments oriented towards the improvement of agricultural production, development of agro-processing activities and non-agricultural businesses, marketing, adoption of innovative productive practices and sustainable management of natural resources. The investments will include, among others, small irrigation systems, productive development, agro-processing facilities, storage and packaging infrastructure, handicraft and other non-agricultural activities, infrastructure and initiatives aimed at the sustainable management of natural resources linked to productive activities such as protection of environmental resources and restoration of degraded areas, as well as access to water. In order to avail of this financing, proposals will be prepared by the beneficiaries' organisations with Project support. The selection of the proposals to be financed will consider technical, financial and social criteria, aiming at prioritising those with higher potential in productive, environmental and business development terms, and ensuring efficient resource allocations to the Project target group. All productive initiatives to be financed by the Project shall include additional counterpart resources, in cash or in kind, to be financed by the beneficiaries.

5.2.3. Component 2 will be implemented around three complementary lines of action: (a) development of the productive potential, (b) sustainable use of natural resources, and (c) improvement of conditions for access to markets.

5.3. *Common themes to both Components.* The Project shall promote market access, complementary financing and innovative activities as themes common to both Components 1 and 2. The focus will be on institutional markets created under public purchase programmes established by the Federal Government and directed to family agriculture, aimed mainly at helping poor farmers to overcome barriers to access such programmes by providing assistance to meet quality requirements, information and knowledge about administrative procedures. The Project will also support access to local and national markets, mainly providing technical assistance to diversify the production, improve the quality and respond to market demand, while also financing storage and packaging infrastructure.

5.4. Under both components, the Project shall ensure equal access conditions to women and men, reinforce women's and youngsters' capacities to play leadership roles in economic and social activities, and prioritise their access to technical assistance, training and capacity building.

## **II. Implementation Arrangements**

### 1. *The Lead Project Agency.*

1.1. The Project shall be implemented under the overall responsibility of SEDIR, in its capacity as Lead Project Agency, through CAR.

1.2. CAR will receive support from a management agency to be contracted following a transparent and competitive process, pursuant to national (Federal and State) legislation to the extent consistent with IFAD's Project Procurement Guidelines, to administer staffing, service and other types of contracts required for Project implementation.

### 2. *The Project Management Unit (PMU).*

2.1. The Project will be executed by a PMU consisting of: (i) a coordination office based in Salvador, (ii) a regional management office located in the municipality of Juazeiro, (iii) and four local offices responsible for field activities in the municipalities of Juazeiro, Senhor de Bonfim, Jacobina and Capim Grosso.

2.2.1. *Coordination office:* Under the supervision of CAR's Executive Director, the PMU's coordination office will be in charge of leading Project execution, drafting the annual work plans and budget (AWPBs), guiding the work of the regional and local offices, ensuring that activities included in the Project and in the AWPBs are carried out and objectives met, coordinating activities with State agencies and other partners, preparing activity reports, submitting progress reports to the Borrower and maintaining operational relations with IFAD, while SEDIR and CAR will be responsible for institutional relations with IFAD.

2.2.2. *Regional management office:* The regional management office will be responsible for coordinating and overseeing the work of local offices, other institutions and technicians working on Project implementation; monitoring of Project field work; ensuring coordination with other local stakeholders engaged in activities that complement those of the Project; and representing the Project in local forums for dialogue and participation, such as Territorial Development Collegiates.

2.2.3. *Local offices:* Four (4) local offices will also be set up, whose main function will be to provide Project beneficiaries with continuous technical assistance and training.

Moreover, each local office will coordinate the activities to be executed by other institutions in its geographical area of coverage.

2.3. *Functions of the PMU.* The PMU, mainly through the coordination office, shall be responsible for financial administration and execution, general and administrative coordination, budgetary, financial and accounting management, as well as Project reporting.

2.4. *Selection of personnel.* All personnel in the Project coordination, regional management and local offices will be selected following a transparent and competitive process by the management agency referred to in paragraph 1.2 of Section II of Schedule 1 hereto on the basis of their professional qualifications, experience and profile, which must be suited to the needs of the Project.

3. *Project Steering Committee.* The CAR Administrative Board presided over by the head of the SEDIR whose composition comprises representatives of SEDIR and other State Secretariats and institutions (including Secretariat of Planning), will serve as the Project's Steering Committee. Its functions will be to provide strategic orientation for Project implementation; approve the AWPBs and annual reports; periodically monitor activities; review audits; and sponsor coordination with other State activities, programmes and projects.

4. *Territorial Development Collegiates.* The PMU will participate in the Territorial Development Collegiates of the territories included in the Project area. Depending on the degree of participation required and the agenda of these collegiates, the PMU may be represented by members of the local offices, the regional management or Project coordination office. The purpose of PMU participation in these collegiates will be to report on progress in Project execution, obtain feedback on its operations, receive input for the preparation of the AWPBs, report back to the local level, and connect the Project with the activities of government entities, social and producers' organizations, civil society groups and private-sector institutions.

5. *Project Implementation Manual.* The Project will be executed, *inter alia*, as provided for in the Project Implementation Manual to be prepared by CAR and submitted to the Fund for its no objection, which shall detail, among other things: (i) eligibility criteria for communities, economic organisations and beneficiaries; (ii) mechanisms for selecting communities and economic organisations; (iii) guidelines for the design of development plans and working and business plans; (iv) procedures regarding the formulation, assessment and approval of development plans and working and businesses plans; (v) rules for accessing financial support for productive investment; (vi) monitoring and accounting of funds transferred to organisations for productive investments; and (vii) guidance for the implementation of each component.

6. *Subsidiary Agreement.* The Lead Project Agency shall enter into a subsidiary agreement with CAR for the implementation of the activities under the Project assigned thereto ("Subsidiary Agreement"). The Subsidiary Agreement shall clearly specify the scope of the work to be undertaken, expected targets, the estimated budget for specific activities and shall: (i) be submitted to the Fund for its prior approval; and (ii) specify that the CAR shall maintain a register of assets (e.g. goods and equipment) acquired with the proceeds of the Financing and that at completion of the Project implementation, such assets will be transferred to CAR. The Subsidiary Agreement may not be modified without the prior consent of the Fund.

## Schedule 2

### Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category of expenses	Amount of the Loan (in SDR)	% of eligible expenses to be financed by IFAD
I. Human and social capital development – technical assistance and training for beneficiaries	13 880 000	47,4%
II. Productive development, access to markets and environmental sustainability – credit in grants for productive investment including civil works, equipment and other goods	9 210 000	47,4% net of beneficiaries' contributions
III. Project management, office equipment and operating costs	3 145 000	47,4%
IV. Monitoring and evaluation	975 000	47,4%
Unallocated	2 050 000	
<b>TOTAL</b>	<b>29 260 000</b>	

(b) The terms used in the Table above are defined as follows:

*Category 1: Human and social capital development.* Eligible Expenditures under Component 1 including technical assistance and training for beneficiaries, social mobilisation, training for technical assistance providers and equipment, vehicles and operating costs necessary to provide technical assistance through local offices.

*Category 2: Productive development, access to markets and environmental sustainability.* Eligible Expenditures under Component 2, including productive investments.

*Category 3: Project management.* Eligible Expenditures for the operation of the PMU including equipment and operating costs corresponding to the coordination office in Salvador and the regional management office.

*Category 4: Monitoring and evaluation.* Eligible Expenditures for the establishment and operation of the Project monitoring and evaluation system including consultants, equipment and miscellaneous services costs.

**Negotiated guarantee agreement: "Rural sustainable development project in the Semi-arid Region of Bahia – Pro-Semi-arid Project (*Projeto de Desenvolvimento Rural Sustentável na Região Semiárida da Bahia – Pró-Semiárido*)"**

(Negotiations concluded on 21 November 2013)

Loan Number: \_\_\_\_\_

Project Title: Rural sustainable development in the semiarid Region of Bahia – Pro-semiarid Project (the "Project") (*Projeto de Desenvolvimento Rural Sustentável na Região Semiárida da Bahia - Pró-Semiárido*)

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Federative Republic of Brazil (the "Guarantor")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

**Section A**

1. The following documents collectively constitute an integral part of this Agreement: this document, the Project Financing Agreement (the "Financing Agreement") of even date herewith between the Fund and The State of Bahia of the Federative Republic of Brazil (the "Borrower"), and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended (the "General Conditions"). For the purposes of this Agreement, the terms defined in the General Conditions and the Financing Agreement have the respective meanings set forth therein.

2. By the Financing Agreement, the Fund has agreed to extend to the Borrower a Financing which consists of a loan of twenty-nine million two hundred and sixty thousand Special Drawing Rights (SDR 29 260 000), on the terms and conditions set forth in the Financing Agreement.

3. The Guarantor, in consideration of the Fund's entering into the Financing Agreement with the Borrower, has agreed to guarantee such payment obligations of the Borrower, and agrees to remain fully bound until full payment of such obligations. In cases of amendments to the Financing Agreement, the Borrower must obtain the prior approval of the Guarantor to any modification or amendment to the Financing Agreement.

4. The Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the payment of interest and other charges on, the Financing due under the Financing Agreement.



**Section B**

5. In the event of default by the Borrower, the Fund shall not be required to exhaust its remedies against the Borrower prior to enforcing its rights against the Guarantor.

**Section C**

6. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

President  
International Fund for  
Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Guarantor:

The Minister of Finance  
Procuradoria-Geral da Fazenda Nacional  
Esplanada dos Ministérios Bloco P,  
8 andar  
70048-900, Brasilia, DF,  
Brazil

This agreement, dated \_\_\_\_\_, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund, two (2) for the Borrower and one (1) for the Guarantor.

FEDERATIVE REPUBLIC OF BRAZIL

\_\_\_\_\_  
*Authorized Representative*

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## Logical framework

Hierarchy of Results	Indicators	Means of Verification	Assumptions/Risks
<b>GOAL</b> Contribute to rural poverty reduction in 30 municipalities in the semi-arid region of north-central Bahia	<b>In the project area and at project conclusion:</b> <ul style="list-style-type: none"> <li>• 30% reduction in rural poverty in the project area and 70% reduction among beneficiaries of productive investments (MDG)</li> <li>• 35% increase in the assets of families attended by the Project with technical assistance and productive investments (<b>RIMS level 3</b>)</li> </ul>	<ul style="list-style-type: none"> <li>• IBGE statistics</li> <li>• Baseline</li> <li>• RIMS reports</li> <li>• Final evaluation</li> <li>• M&amp;E system reports</li> <li>• Interviews with project beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Policies that promote rural poverty reduction are followed</li> </ul>
<b>DEVELOPMENT OBJECTIVE</b> Contribute to rural poverty reduction by generating income, increasing production and creating job opportunities in agricultural and non-agricultural activities, and by developing human and social capital, with a special focus on women and youth	<ul style="list-style-type: none"> <li>• 70,000 families directly benefit from the Project (<b>RIMS 1.8.1, 1.8.2</b>)</li> <li>• At least a 50% increase in volume of production of family farms benefiting from productive investment (<b>RIMS 2.2.2</b>)</li> <li>• 80% of families receiving technical assistance and productive investments raise their average income by at least 30% (<b>baseline</b>)</li> <li>• At least 50% of beneficiaries are women and youth</li> </ul>		<ul style="list-style-type: none"> <li>• Policies that promote rural poverty reduction are followed</li> </ul>
<b>Component 1–Human and Social Capital Development</b>			
<b>RESULT 1</b> Family farmers—especially youth and women—and their community and economic organizations have strengthened their capacities to develop productive activities and rural businesses, enhance their access to markets and to public programmes	<b>In the project area and at project conclusion:</b> <ul style="list-style-type: none"> <li>• 264 community and economic organizations strengthened with appropriate organizational structure, governance, legally established and with accounting and management systems (<b>RIMS 1.6.4, 1.6.5</b>);</li> <li>• 80% of community and economic organizations strengthened by the Project are sustainable (<b>RIMS 2.6.3</b>)</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline</li> <li>• Final evaluation</li> <li>• RIMS reports</li> <li>• M&amp;E system reports</li> <li>• Information and by-laws of the organizations and associations</li> <li>• Interviews with beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of technical assistance teams to guarantee quality services</li> <li>• Technical assistance responds to market and project needs</li> <li>• Government programmes for rural poverty reduction are followed</li> <li>• Interest and participation of communities and economic organizations</li> </ul>
<b>Output 1.1</b> Project beneficiaries and their organizations receive continuous specialized technical assistance and training.	<ul style="list-style-type: none"> <li>• 38,000 families receive technical assistance (continuous and/or specialized)</li> <li>• 105 technicians receive training to improve the quality of technical assistance services, of whom at least 40% are women</li> </ul>		
<b>Output 1.2</b> Beneficiary organizations strengthened in terms of production, management, and access to markets	<ul style="list-style-type: none"> <li>• 264 development plans prepared and submitted for consideration and financing by the Project and other sources, from which 210 working plans (community</li> </ul>		

	<p>organizations) and 54 business plans (economic organizations), (<b>RIMS 1.4.4; 1.4.5</b>)</p> <ul style="list-style-type: none"> <li>• 720 community leaders trained, at least 50% women and/or young people</li> <li>• 120 women groups supported and consolidated as productive organizations</li> <li>• Women's participation increased in at least 50% of strengthened organizations</li> <li>• At least 60% of families benefiting from productive investments gain access to public programmes such as Pronaf (financing), Harvest Insurance (<i>SeguroSafra</i>) and/or institutional markets/public purchases (PNAE, PAA, PAA Milk Programme, etc.) (<b>RIMS 2.3.2</b>)</li> </ul>		
<p><b>Output 1.3</b> Project beneficiaries improve their access to markets, including institutional markets/public purchases (PAA, PNAE, etc.), and to public programmes that support family farming (Pronaf, etc.)</p>			
<p><b>Component 2—Productive Development, Access to Markets, and Environmental Sustainability</b></p>			
<p><b>RESULT 2</b> Family farmers—especially women and youth—have developed sustainable and profitable productive investments, are inserted in value chains and access markets in better conditions</p>	<p><b>In the project area and at project conclusion:</b></p> <ul style="list-style-type: none"> <li>• 35,803 families benefiting from productive investments financed by the Project and at least 80% of those investments are operational at project conclusion (<b>RIMS 1.6.8</b>)</li> <li>• At least 50% of the economic activities/rural enterprises supported with associative investments headed by women and/or youth</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline</li> <li>• Final assessment</li> <li>• RIMS reports</li> <li>• M&amp;E system reports</li> <li>• Information and by-laws of the organizations and associations</li> <li>• Interviews with beneficiaries</li> <li>• Beneficiaries' production and sales records</li> <li>• Qualitative studies on topics such as the use of new production technologies and sustainable resource management</li> </ul>	<ul style="list-style-type: none"> <li>• Service providers deliver quality goods and services</li> <li>• Government programmes for rural poverty reduction are followed</li> <li>• Suitable measures are adopted to cope with droughts and/or whether phenomena</li> </ul>
<p><b>Output 2.1</b> Family farmers access productive investments to increase their production and productivity, add value and access markets</p>	<ul style="list-style-type: none"> <li>• 50% of products generated by the productive investments undergo a value-adding stage</li> <li>• At least a 50% increase in sales of beneficiaries' products as a result of productive investments and support for accessing markets</li> <li>• 70% of investments implement agro-ecological practices, soil conservation or sustainable management of the Caatinga biome</li> <li>• 100% of processing units comply with state environmental regulations;</li> <li>• At least 20% of activities financed in Component 2 are innovative.</li> </ul>		
<p><b>Output 2.2</b> Project beneficiaries adopt innovative practices and technologies, and employ ecological and sustainable productive practices</p>			