

Document: EB 2016/119/R.53
Agenda Item 14(c)(ii)
Date: 14 December 2016
Distribution: Public
Original: English

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Investing in rural people

President's report

Proposed loan to the State of Maranhão of the Federative Republic of Brazil for the Maranhão Rural Poverty Alleviation Project

Note to Executive Board representatives

For ease of reference the changes against the document earlier submitted under the Lapse of Time procedure (EB 2016/LOT/P.19), are highlighted in yellow

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Executive Board — 119th Session
Rome, 14-15 December 2016

For: Approval

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Abbreviations and acronyms


COSOP	country strategic opportunities programme
CSL	Sector Commission on Public Tenders
HDI	Human Development Index
ICO	IFAD Country Office
IICA	Inter-American Institute for Cooperation on Agriculture
LTU	local territorial unit
M&E	monitoring and evaluation
PAA	Family Farming Food Procurement Programme
PDP	production development plan
PMU	project management unit
PM&E	planning, monitoring and evaluation
PNAE	National School Feeding Programme
PRONAF	National Programme for the Strengthening of Family Farming
SAF	Secretariat for Family Farming

Map of the project area

Federative Republic of Brazil

Maranhão Rural Poverty Alleviation Project



 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.
 IFAD Map compiled by IFAD | 30-08-2016

Federative Republic of Brazil

Maranhão Rural Poverty Alleviation Project

Financing summary

Initiating institution:	IFAD
Borrower:	State of Maranhão, Federative Republic of Brazil
Executing agency:	Secretariat for Family Farming
Total project cost:	US\$40 million
Amount of IFAD loan:	SDR 14 million (equivalent to approximately to US\$20 million)
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of three years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate
Contribution of borrower:	US\$16 million
Contribution of beneficiaries:	US\$4 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the State of Maranhão of the Federative Republic of Brazil for the Maranhão Rural Poverty Alleviation Project (locally, Projeto Balaiada), as contained in paragraph 58.

Proposed loan to the State of Maranhão of the Federative Republic of Brazil for the Maranhão Rural Poverty Alleviation Project

I. Strategic context and rationale

A. Country, rural development and poverty context

1. In spite of its status as a middle-income country and the progress made in reducing poverty, Brazil continues to have a large number of poor people and is characterized by great inequalities. There are still more than 18 million people living below the poverty line, and more than 8 million living in extreme poverty. The northern and north-eastern regions remain the poorest in the country and are home to 5 million of those living in extreme poverty, 46 per cent of whom belong to households in rural areas.
2. Maranhão is the second largest state in north-east Brazil and one of the poorest in the country. It has 32 of the 50 municipalities with the lowest Human Development Index (HDI) values and the worst rankings in the vast majority of the most relevant social indicators. The proportion of the population living in poverty (39.5 per cent) and extreme poverty (25.7 per cent) is the highest in Brazil. Maranhão is also the state with the highest infant mortality rate (28 per 1,000), the second shortest life expectancy (70.4 years) and the third highest illiteracy rate (20.9 per cent). These indicators are even worse in rural areas, where 42.6 per cent of the population is extremely poor. Maranhão has the third largest black population in the country. With the second largest number of certified quilombola communities (people of African descent), it is the only state in which most of the population is rural and living in traditional quilombola communities. Maranhão is also home to 16 different indigenous groups.
3. Despite these indicators, conditions are favourable for promoting rural poverty reduction in the state by improving production among family farmers. Environmental conditions are more favourable than in the semi-arid area, and some extractive products typical of Maranhão and produced by women, notably oil extracted from the babaçu palm (*Attalea speciosa*), are in high demand. In addition, there is a favourable social, policy and institutional context for promoting initiatives to reduce rural poverty based on the transformation of agricultural production. Finally, Maranhão has strong civil society organizations interested in cooperating and participating in the implementation of rural development programmes.

B. Rationale and alignment with government priorities and the country strategic opportunities programme (COSOP)

4. The project is aligned with state and federal government policies and programmes to reduce poverty, especially in rural areas. The Maranhão State Government is implementing the Mais IDH (Higher HDI) programme, launched in 2015, that focuses government investment on social infrastructure and support for income-generating activities in the 30 municipalities with the lowest HDI. In

addition, the federal government is implementing several support programmes, such as the family farmer credit programme through the National Programme for the Strengthening of Family Farming (PRONAF); programmes for public procurement of agricultural products by family farms, such as the Family Farming Food Procurement Programme (PAA) and the National School Feeding Programme (PNAE); and land reform programmes, such as the National Land Credit Programme.

5. The project is also aligned with the state and federal governments' objective of promoting sustainable income generation among poor rural people, who rely heavily on old-age pensions and the Bolsa Família conditional cash transfer system for their livelihoods. Thus there is a real need to develop income-generating activities, primarily agricultural, to enable poor rural people to move out of poverty sustainably.
6. In 2015, the Independent Office of Evaluation of IFAD carried out a country programme evaluation for Brazil. The recommendations of this country programme evaluation included identifying opportunities to expand IFAD activities into other states or other areas of the north-east beyond the semi-arid region. Based on this recommendation, the newly approved COSOP for Brazil (2016-2021) identified a project opportunity in Maranhão, which is located in the north-eastern region, but borders on the northern region. It is a state whose territory consists largely of transitional Amazon ecosystems inhabited by many traditional communities, including indigenous populations.
7. The project is fully aligned with IFAD's Strategic Framework 2016-2025. Moreover, its consistency with the 2016 COSOP is further strengthened in that it aims to: (i) increase and diversify beneficiaries' agricultural – especially food – production, enhancing food security; (ii) increase the value added of their products and access to markets under favourable conditions; (iii) strengthen beneficiary organizations in sustainably managing their natural resources and production systems, taking advantage of public policies and programmes, and participating in local decision-making bodies and development processes.
8. To meet these objectives, the project will draw on the lengthy experience of IFAD projects in the north-eastern region. It will also benefit from interaction with the other six IFAD projects currently under implementation in Brazil.

II. Project description

A. Project area and target group

9. The project area is 90,150 km² (27 per cent of Maranhão's total area), 54 per cent (48,920 km²) of which corresponds to prioritized municipalities. The total intervention area covers 87 municipalities.
10. The project will focus on 43 of these municipalities, including four inhabited by indigenous communities. These 43 priority municipalities have a population of 900,000, 55 per cent of which is considered rural. The target population includes some 100,000 rural families, 40 per cent of which are poor and 60 per cent extremely poor, and 12,000 additional people from indigenous communities in the four indigenous municipalities. The project will directly benefit a total of 29,700 households, of which 22,500 (in 600 communities of different types) will participate in mobilization and organizational activities; 4,600 will be leaders from other communities; and 2,600 will be trained youth from households that receive no other benefits from the project. At least 6,500 women will participate directly in productive activities, and 50 per cent of beneficiaries of the production development plans (PDPs) will be women; 1,000 households will benefit from land titling; and 700 families will be from indigenous communities.
11. In the project's priority area, 20 per cent of the population is young (aged 15-24), and 81 per cent of this group is considered vulnerable because they are poor and neither getting an education nor working. Moreover, in the 39 non-indigenous

priority municipalities, 4.67 per cent of girls aged 10-17 have children – a higher proportion than the state average (4.2 per cent). Pregnancy is one of the main reasons girls drop out of school early, a phenomenon observed in 45 per cent of adolescent girls in the project area.

12. The project target group includes households settled under the Land Reform National Education Programme, quilombola and agro-extraction communities, women babaçu coconut breakers, river dwellers, caiçara (traditional) fishers and indigenous communities. The project will give priority to women and youth, as they are the most vulnerable segments of the population and, at the same time, the main actors in the development of the territory.

B. Project development objective

13. The goal of the project is to contribute to reducing rural poverty and inequalities (gender, ethnic and generational) in the State of Maranhão by promoting sustainable and inclusive development. Its key targets use the following impact indicators: (i) increase property and assets of beneficiary families by 20 per cent; (ii) reduce the child malnutrition rate by 25 per cent; and (iii) reduce the proportion of the family budget used to buy food by 20 per cent.
14. The development objective is to increase the incomes and nutrition of poor rural people and strengthen their capacity to manage their organizations and adapt to climate change in the project area. It is linked to the following expected, specific outcomes: (i) 10,500 households (70 per cent of 15,000) increase their incomes by at least 30 per cent; (ii) 5,000 families reach productivity per hectare or per animal that is 20 per cent higher than average; (iii) 4,000 families diversify their production through introduction of at least one new product; (iv) 7,000 families receive better prices for their products; (v) 1,000 families of quilombola communities and coconut breakers benefit from land titling action; and (vi) 7,000 families adopt at least one technology of adaptation to climate change in their main productive activity.

C. Components/objectives

15. Component 1. Organizational strengthening and capacity development. The objective of this component is to strengthen beneficiary capacity to participate more effectively in the local development process, better manage their organizations, reduce gender inequalities, and create opportunities for youth. The activities will be organized around the following areas:
 - (i) Mobilization and community organization, which will include teams of mobilizers working in communities, along with training activities to disseminate information on relevant public policies and programmes and their operational procedures;
 - (ii) Strengthening of capacities of economic organizations (cooperatives and associations) that work primarily in the processing and marketing of production, mainly through training and technical assistance focused on managerial issues; and
 - (iii) Gender and youth, which will involve training of beneficiaries and project personnel to promote the participation of women and youth in project and community activities, and support access by women and youth to government programmes. The project will also support the existing networks of rural technical schools, which have been successful in providing technical education for rural youth (Escolas Família Agrícola and Casas Familiares Rurais), but are grappling with serious infrastructure constraints such as lack of classrooms.
16. Component 2. Food security, productive development and market access. The objective of this component is to increase and diversify beneficiaries' agricultural production, enhancing food security, improving access to markets in

favourable conditions, and improving the sustainability of production and its adaptation to climate change. The main activities will include:

- (i) Technical assistance and training to improve productive activities, natural resource management and market access;
 - (ii) Cofinancing of productive investments in the PDPs to be prepared according to beneficiaries' profiles;
 - (iii) Cofinancing of socio-environmental investments, including environmental initiatives, and the use of renewable energy, water supply systems for human consumption, support to quilombola and traditional communities for land titling, and innovative demonstration units to promote experimentation and learning among beneficiaries; and
 - (iv) Support to indigenous communities through a specific, tailor-made strategy.
17. Component 3. Project management, planning, monitoring and evaluation (M&E), and knowledge management. This component will include all activities in administrative and financial management, planning, M&E, knowledge management, and communication of outcomes.

III. Project implementation

A. Approach

18. The project strategy involves close coordination with local and territorial platforms. As part of the work with rural communities, teams of mobilizers, jointly with technical assistance teams, will prepare a rapid (and participatory) rural appraisal in each community to define the alternatives available to improve productive and nutritional status. In this regard, the main instrument for channeling project support will be the PDP. From a productive standpoint, a differentiated strategy will be implemented for the diverse types of beneficiaries: (i) extremely poor households; (ii) households that are generally members of associations; and (iii) economic organizations such as cooperatives.
19. The main function of technical assistance will be to develop the necessary capacities to ensure the success of project-supported productive initiatives. Technical assistance teams will also support beneficiaries in accessing diverse types of markets: (i) institutional markets (PAA, PNAE and the Maranhão Family Farmers' Food Procurement Programme), which involves encouraging beneficiaries to obtain a declaration of eligibility for PRONAF and negotiating procurement contracts with municipal, state and federal government institutions; (ii) local markets, especially conventional street and agroecological fairs with a high potential to absorb beneficiary products; and (iii) regional and national markets that value agroecological and agro-extractive activities, as in the case of products derived from the babaçu palm.
20. With indigenous communities, the project approach will have the necessary flexibility to tailor its services to the situations of the communities. For example, a differentiated rapid rural appraisal for indigenous communities, integrating free, prior and informed consent and specific social and cultural analyses, will ensure that PDPs adapt to the organizational systems and dynamics specific to the diverse indigenous groups. In the context of productive and food security activities, priority will be given to supporting crops and small livestock traditionally consumed by indigenous populations. Throughout implementation, the project will maintain close relations with the Fundação Nacional do Índio, particularly with its regional office in Imperatriz.

B. Organizational framework

21. The project will be implemented by the Secretariat for Family Farming (SAF) of the Government of Maranhão, which will create a dedicated project management unit

(PMU) within its institutional structure. PMU headquarters will be located in the state capital of São Luís, and five local territorial units (LTUs) will be established as part of the PMU in the territories of the project area, including one specialized LTU in the indigenous area. Due to its objectives, components and approach, the PMU will engage intensively with territorial collegiate organizations, state government institutions and a wide range of local stakeholders.

22. For the delivery of technical assistance to beneficiaries, the project will sign implementation agreements with the Maranhão Agency for Agricultural Research and Rural Extension, the Maranhão Colonization and Land Institute and with private providers. For the strengthening of organizational capacities, it will contract the services of civil society organizations already working with beneficiary communities. For off- and on-farm investments among beneficiaries, the project will transfer funds directly to beneficiary organizations, which will manage the resources and implement PDPs. Productive and small-infrastructure investments will comply with health and environmental regulations, and the project will cooperate with the Secretariat of the Environment and Natural Resources, and the State Agency for the Agricultural Defense of Maranhão.

C. Planning, M&E, learning and knowledge management

23. Planning for project activities will be integrated with the planning processes of SAF, the Maranhão Agency for Agricultural Research and Rural Extension and the Maranhão Colonization and Land Institute. Selection of activities should take place through a participatory analysis and planning process involving all stakeholders: the PMU, the five LTUs, territorial committees, beneficiaries, and community and economic organizations, including agro-extraction, quilombola and indigenous households, particularly women and youth.
24. The PMU will be responsible for M&E activities through its planning, monitoring and evaluation (PM&E) unit consisting of a coordinator and two advisors. The PMU will have a PM&E unit committee comprised of, at least, the project director and the PM&E unit coordinator. In each LTU, the regional manager will be responsible for providing the PMU with the data and information needed for project M&E. M&E of activities and outcomes will be closely linked to project planning and management. The main instruments of M&E activities will be: (i) the project's logical framework and indicators; (ii) annual workplan; (iii) M&E information system; (iv) technical progress reports; (v) baseline study; (vi) systemization of experiences by topic; and (vii) impact assessment study. The project should have an M&E system that shows progress in the logical framework's main indicators, in line with the country programme's M&E system managed by the IFAD Country Office (ICO). The M&E system will also have a section of impact indicators.
25. The project will promote agroecological production technologies and institutional arrangements that are innovative in Maranhão, and will support dissemination of successful innovative practices. It will promote learning and discussion through systematization, based on M&E data, aimed at analysing the key factors and contextual conditions that explain the outcomes obtained. The project will also liaise with: horizontal cooperation platforms; other IFAD-supported projects in Brazil; the Forum of State Secretaries of Family Agriculture and Rural Development of north-east Brazil and Minas Gerais for policy dialogue and policy engagement; and national and regional programmes supporting knowledge management, South-South and triangular cooperation, partnership-building, policy engagement and scaling up of successful experiences and practices.

D. Financial management, procurement and governance

26. Financial management. SAF, through a PMU, will be responsible for financial management of all project resources, including flow of funds, disbursement, internal controls, accounting, financial reporting and audit. A financial/administrative manager, experienced in projects financed with external funds, will be appointed to carry out financial management functions. This position will be

supported by an accountant, a budget expert and by other units within SAF. The project will use the standard financial management software used by all public entities in the State of Maranhão, in addition to an accounting system specifically designed to comply with IFAD requirements.

27. Flow of funds. There shall be a designated account opened by and held in the name of the borrower. It shall be in United States dollars and shall be used exclusively for the deposit of loan proceeds. In addition, there shall be an operating project account opened by SAF in a bank selected by the borrower. This account shall be in Brazilian real and shall be used for the deposit of resources from the designated account and counterpart funds.
28. Retroactive financing and start-up costs. As an exception to the General Conditions for Agricultural Development Financing, specific expenditures incurred from August 2016 to the date of entry into force of the financing agreement may be considered eligible, up to the amount of US\$500,000, for activities relating to: (i) recruitment of key personnel; (ii) preparation of the project implementation manual; (iii) procurement of the accounting system; (iv) the baseline study; and (v) training. To be considered eligible, activities to be financed by retroactive financing and their respective category of expenditures will require prior "no objection" from IFAD. For expenses for reimbursement to be recognized, the borrower must submit them to IFAD for reimbursement once disbursement conditions have been met.
29. In addition, funding for start-up costs may be used for early programme activities.
30. Audit. The annual consolidated financial statements of the project will be independently audited, in line with terms of reference approved by IFAD, and in accordance with International Standards on Auditing and IFAD Guidelines on Project Audits. Annual audit reports will be submitted to IFAD within six months of the end of each fiscal year. The project will also submit audit reports for review to the Secretariat for Transparency and Control of the State of Maranhão.
31. Procurement. The PMU will be responsible for procurement and contracts through SAF's Sector Commission on Public Tenders (CSL), pursuant to the procurement and contract guidelines of IFAD – and to national standards to the extent that these are acceptable to IFAD. The PMU team and SAF's Legal Advisory Unit will support the actions of the CSL in all tendering procedures. The CSL will submit tendering documents to IFAD through the PMU for its non-objection, as necessary.

E. Supervision

32. The project will be supervised directly by IFAD, pursuant to its policy on supervision and implementation support. The main objectives of supervision will be to monitor progress in project implementation and ensure compliance with the loan agreement. Implementation support will focus on providing assistance to project staff in specific technical matters. A supervision mission will be programmed annually and will be supplemented by implementation support missions.
33. Prior to the start of each year, the PMU will submit an annual workplan and budget to IFAD for the upcoming project year. The plan will contain a detailed description of project activities, their sources of funding and how funds will be used, an 18-month procurement plan for the first year and a 12-month plan for the remaining years.
34. A midterm review will be conducted at the midpoint of the project implementation period. Its objective will be to identify key challenges and recommend necessary modifications to ensure that the project realizes its expected outcomes.

IV. Project costs, financing and benefits

A. Project costs

35. Total project costs (investment cost and incremental recurrent costs, including physical and price contingencies) are estimated at US\$40 million, of which US\$20 million (50 per cent of total costs) will be financed by an IFAD loan; about US\$4 million (10 per cent) by contributions from beneficiaries (both in-kind and in-cash) and US\$16 million (40 per cent of project costs) by state government counterpart funds.
36. As part of the counterpart funds, the National Bank of Economic and Social Development will contribute up to US\$7 million from its non-reimbursable financing for investments in production projects, in partnership with the State of Maranhão. The funds allocated for project management represent some 14 per cent of total project costs.
37. Table 1 summarizes project costs by component and source of financing.

Table 1
Project costs by component and financier
(Thousands of United States dollars)

Component	IFAD loan		Beneficiaries		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Organizational strengthening and capacity development	4 648	24	-	-	4 648	29	9 296	24
2. Food security, productive development and market access	12 155	62	4 000	100	8 491	53	24 646	62
3. Project management, planning, M&E and knowledge management	2 861	14	-	-	2 861	18	5 722	14
Total	19 664	50	4 000	10	16 000	40	39 664	100

B. Project financing

38. Table 2 summarizes project costs by expenditure category and source of financing.

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

Expenditure category	IFAD loan		Beneficiaries		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancies/ technical assistance	9 054	46	119	3	9 667	60	18 840	47
2. Grants and subsidies	6 397	33	3 555	89	1 359	8	11 312	29
3. Goods, services and inputs	561	3	133	3	870	5	1 564	4
4. Training and workshops	1 392	7	-	-	1 392	9	2 783	7
5. Civil works	-	-	193	5	452	3	645	2
6. Salaries and operating costs	2260	11	-	-	2260	14	4520	11
Total	19 664	50	4 000	10	16 000	40	39 664	100

C. Summary of benefits and economic analysis

39. The project's target group will be composed of small farmers, and of quilombola and indigenous communities actively involved in productive activities. The project will focus on rural poverty reduction, and the estimated number of direct beneficiaries is 29,700 households.

40. The project will generally benefit women, youth and men directly involved in farming and agro-extraction activities. At least 6,500 women will be directly involved in productive activities. Indirect beneficiaries will include people employed in product processing and value added activities. Property and assets of beneficiary families should be increased by 20 per cent; child malnutrition will be reduced by 25 per cent; and the proportion of family budget used to buy food should be reduced by 20 per cent by the end of the project.
41. The economic viability of project interventions was analysed through seven productive models representative of the activities to be promoted: (i) a babaçu oil processing plant; (ii) goat/sheep-rearing; (iii) a fruit-processing cooperative; (iv) household hen-rearing; (v) household guinea-fowl-rearing; (vi) a cassava flour plant; and (vii) an aquaculture and fish nursery. These models were used as building blocks for the economic evaluation of the entire project. The project's internal or economic rate of return was estimated at 21.45 per cent for the base-case scenario. Its net present value, with a discount of 12 per cent, is R\$40.94 million (US\$11.7 million).

D. Sustainability

42. The project includes the following mechanisms to promote the sustainability of its effects and impacts:
 - (i) Simple productive and technological models tailored to local conditions, as vegetable and small livestock production are two of the main productive areas targeted. These can make use of biological inputs and entail low costs. Moreover, local market demand is high for the products that will receive project support (e.g. vegetables, honey, poultry, sheep and goats, fish, and babaçu oil).
 - (ii) Natural resource management practices. The project will seek to reduce the incidence of environmental problems and harmful environmental practices, such as slash-and-burn clearing, forest fires, deforestation and water shortages.
 - (iii) Organizational capacity-building. The project includes action to strengthen the managerial capacity of community and economic organizations through technical assistance and through training leaders in management, good governance, and organizational and methodological aspects.
 - (iv) Institutional strengthening. Through planning, M&E, knowledge management, and communication, the project will strengthen the capacity of key state institutions essential for support to rural poverty reduction.

E. Risk identification and mitigation

43. The risks of the project are considered moderate. The main risks that must be considered are: (i) political and policy risks: changes in the political context could delay congressional approval and the start-up of implementation, and could affect the budgets and approaches of the federal policies and programmes with which the project is expected to coordinate; (ii) weakness of the implementing agency in areas of M&E; (iii) lack of experience and capacity in the Maranhão state government to implement complex projects with international financial organizations; (iv) fiduciary risk: based on Brazil's 2015 Transparency International Corruption Perceptions Index score of 38 and due to weaknesses of the implementing agency in the area of financial management, the project's fiduciary risk has been rated as medium. The measures highlighted in section IV. D, along with close implementation support, are considered sufficient to mitigate fiduciary risks; (v) risks of operating in indigenous communities; and (vi) climate change risks, which could affect production volumes and the achievement of production, nutritional and income goals.

44. To mitigate these risks, measures have been agreed with the Maranhão State Government, aimed at ensuring a rapid start-up of project activities and smooth running of the process of approval and, signature of the loan and guarantee agreements. The project will employ a careful approach in its work with indigenous communities, starting with a limited approach through a pilot intervention. IFAD's country team is monitoring the progress of project approval closely and continuously, in coordination with federal authorities in Brasilia, to minimize the risk of slippages in the project and loan approval schedule. ICO Brazil has launched a uniform M&E information technology system in the country, which should help reduce problems related to weaknesses of the executing agency. SAF has already participated in exchanges and capacity-building in M&E promoted by ICO Brazil.

V. Corporate considerations

A. Compliance with IFAD policies

45. As mentioned in section I.B, the project fully responds to IFAD's Strategic Framework 2016-2025 and is consistent with the 2016 COSOP for Brazil.
46. The project will include a gender strategy aimed at strengthening women's participation in decision-making bodies – as well as their access to markets, technical assistance and financing for productive investments – and supporting women groups and organizations dedicated to agricultural and non-agricultural activities. The project will also implement capacity-building activities in gender equality for those involved in project implementation and technical assistance, and includes clear logical framework indicators to measure the impact on women of the proposed activities.
47. The project's social and environmental category is B – project activities are not expected to negatively impact the environment or the traditions and habits of indigenous communities. Restoration of degraded lands, selective harvesting, storage and distribution of native seeds, and restoration and protection of the riparian forest are among the many mitigation measures against environmental risks. The climate risk category is moderate: project activities are not susceptible to climate variability and the environmental activities are only moderately vulnerable to periods of rain or drought, while these phenomena will be mitigated by the financing of small-scale infrastructure for water storage in project activities.

B. Alignment and harmonization

48. The project is aligned with Brazilian policies for rural development and the fight against poverty. At the national level, it is aligned with the "Plano Brasil sem Miséria" (Brazil without Extreme Poverty) – the main axis for poverty reduction, productive promotion and social inclusion. Within this framework, productive and social inclusion policies are particularly relevant to the project, especially the Territorial Development Policy, PRONAF and the public purchases programmes such as PAA and PNAE.
49. It is also aligned with the state government Mais IDH (Higher HDI) programme, launched in 2015, that focuses government investment on social infrastructure and support for income-generating activities in the 30 municipalities with the lowest HDI values.
50. The project will continue to promote partnerships with municipal governments, seeking opportunities for coordination and cofinancing of investments in rural communities. It will also benefit from close cooperation with the National Bank of Economic and Social Development social fund. Regarding international development partners, the Inter-American Institute for Cooperation on Agriculture (IICA), Food and Agriculture Organization of the United Nations and United Nations Development Programme will be partners in knowledge management and policy dialogue activities, through the United Nations Development Programme-led International Policy Centre for Inclusive Growth and the IFAD/IICA knowledge-management SEMEAR Programme, among other initiatives. The project

will forge partnerships with social organizations and NGOs, in particular those representing the interests of family farming and rural workers, women and traditional communities.

C. Innovations and scaling up

51. Technological innovations should focus primarily on sustainable agroecological practices and the development of new productive activities in connection with better management of natural resources. Examples include technologies for rational use of water and new investments to promote access to water, allowing households to engage in vegetable production, improving family nutrition and increasing income through the local sale of these products.
52. Efforts in knowledge management and the communication of results will involve promoting thematic systematization, analysing key explanatory factors for the outcomes obtained and integrating these into the M&E system. Project innovations and their outcomes will be discussed in policy dialogue platforms – such as the Forum of State Secretaries of Family Agriculture and Rural Development of north-east Brazil and Minas Gerais – to promote their scaling up. The project will also link efforts with the new SEMEAR International programme, which will be operational in 2017-2019.

D. Policy engagement

53. The main policies to be supported by the project are: (i) territorial development; (ii) technical assistance and rural extension; (iii) rural credit; (iv) marketing for family farming products; and (v) land reform.
54. The project will contribute to the enhancement of public policies and programmes by: (i) strengthening coordination in the implementation of existing public policies and programmes; and (ii) feeding policy dialogue aimed at enhancing or adjusting public policies and programmes. Synergies among project knowledge management, M&E activities, policy dialogue promoted by the Forum of State Secretaries, and the activities of South-South and triangular cooperation promoted by IFAD's SEMEAR International programme will further ensure linkages between project activities and public policies at state, federal and international levels.

VI. Legal instruments and authority

55. A financing agreement between the State of Maranhão 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. A copy of the negotiated financing agreement and guarantee agreement will not be tabled at this session. The Board is requested to approve the project proposal subject to the completion of the negotiations of the financing agreement and guarantee agreement before 31st March 2017. A copy of the negotiated financing agreement and guarantee agreement will be tabled at the April 2017 Board session, as well as any substantive changes to the terms presented to the Board at this Session.
56. The State of Maranhão 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.
57. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

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

RESOLVED: that the Fund shall provide a loan on ordinary terms to the State of Maranhão of the Federative Republic of Brazil in the amount of fourteen million three hundred thirteen thousand Special Drawing Rights (SDR 14 313 000) 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 and guarantee agreement

To be tabled at the Executive Board session in April 2017 after negotiations.

Logical framework

Results hierarchy	Verification Methods				Assumptions			
	Code	Indicator	Baseline	Goal	Source	Frequency	Responsibility	Hypotheses and Risks
Goal To contribute to rural poverty reduction in the state of Maranhão.	00.00.01	1) Property and assets of the beneficiary families increased by 20% (RIMS 3rd level); 2) Child malnutrition rate is reduced by 25% (RIMS 3rd level); 3) The proportion of family budget used to buy food is reduced by 20% (RIMS 3rd level).	A	A+20%	<ul style="list-style-type: none"> Project M&E System; Census from IBGE; Systematizations by thematic area of intervention Baseline Research and Final evaluation assessment. 	1st. year 4th. year 7th. year	PM & E Project Unit, with the assistance of hired consultants and support of IMESC - MA	Continuity of public policies and programs that support rural poverty reduction
	00.00.02		Xx%=B	B-25%				
	00.00.03		Xx%=C	C-20%				
Development Objectives Increase income and nutrition of poor rural people and strengthen their capacity to manage their organizations and adapt to climate change in the project area	00.00.04	4) 29,700 families receive project services. (RIMS 1.8.1), of which 22,500 (in 600 communities of different types) benefit mobilization and organizational activities, 4,600 are leaders from other communities, and 2,600 are trained youth from other households. 15,000 of these households benefit from technical assistance and 13,400 of them also benefit from productive investments; 1,000 households are quilombolas; 700 are indigenous families. 4.1) 10,500 households (70% of 15,000) increase their income by at least 30%; 4.2) 5,000 families reach productivity per hectare or per animal 20% higher than the average of the area or city where they are; 4.3) 4,000 families diversify their production by the introduction of at least one new product, compared with the situation before the Project; 4.4) 7,000 families receive better prices for their products.	0	29,700	<ul style="list-style-type: none"> Project M&E System; Technical Progress Report; AWPB; Systematizations by thematic area of intervention; Baseline Final evaluation assessment. 	Per year	PM & E Project Unit, with the assistance of hired consultants and support of IMESC - MA	Continuity of public policies and programs that support rural poverty reduction and commercialization of products of family farming; Mechanisms to adapt to existing climate change.
			0					
			0	10,500				
			0	5,000				
			0	4,000				
Component 1: Organizational Strengthening and capacity development								
Product 1: Community mobilization and organization. Mobilize families and strengthen community organizations to better participate in local decision platforms	01.01.01	5) 600 community organizations benefit from mobilization actions (RIMS 1.6.4), of which: 40 women's organizations 10 indigenous organizations	0	600	<ul style="list-style-type: none"> Project M&E System; Technical Progress Report; AWPB; Systematizations by thematic area of intervention; Baseline Final evaluation assessment. 	Per year	PM&E Project Unit	
			0	40				
			0	10				
Product 2: Strengthening organizations. Strengthen capacities of		6) 100 organizations (cooperatives and associations) strengthened, with functioning organizational structure and governance.			<ul style="list-style-type: none"> Project M&E System; Technical Progress Report; 	Per year	PM&E Project Unit	Continuity of public policies and programs that support rural

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economic organizations (cooperatives and associations) that work with production, processing, product marketing and other services.	01.02.01		0	100	<ul style="list-style-type: none"> • AWPB; • Systematizations by thematic area of intervention; • Baseline • Final evaluation, assessment. 			poverty reduction and commercialization of products of family farming;
Product 3: Gender and youth. Ensure gender and youth mainstreaming, promote women's participation and opportunities for young people in the activities of the Project.	01.03.01	7) 1,300 women leaders trained in community organization;	0	1,300	<ul style="list-style-type: none"> • Project M&E System; • Technical Progress Report; • AWPB; • Systematizations by thematic area of intervention; • Baseline; • Final evaluation assessment. 	Per year	PM&E Project Unit	Continuity of public policies and programs in the State of Maranhão
	01.03.02	8) 2,700 rural youth trained by schools of Pedagogy of Alternation.	0	2,700				
Component 2. Food security, productive development, and market access								
Product 1: Technical Assistance - TA. Improve beneficiaries' productive activities, ensure the success of PDPs and improve marketing of their production.	02.01.01	9) 15,000 families are supported with direct TA (RIMS 1.2.5), of which:	0	15,000	<ul style="list-style-type: none"> • Project M&E System; • Technical Progress Report; • AWPB; • Systematizations by thematic area of intervention; • Baseline; • Final evaluation assessment. 	Per Year	PM&E Project Unit	Continuity of public policies and programs in the State of Maranhão
		700 are indigenous families.	0	700				
Product 2: Investments in Sustainable Productive Development Plans. Finance productive investments needed to improve production, processing and marketing of agricultural and non-agricultural production, and socio-environmental and innovative investments	02.02.01	10) 550 Productive Development Plans financed (with the Project resources and government program credits).	0	550	<ul style="list-style-type: none"> • Project M&E System; • Technical Progress Report; • AWPB; • Systematizations by thematic area of intervention; • Baseline; • Final evaluation assessment. 	Per year	PM&E Project Unit	Continuity of public policies and programs that support rural poverty reduction and commercialization of products of family farming;
	02.02.02	11) 13,400 families receive productive investments (subgroup of the 15,000 families supported by TA), of which:	0	13,400				
	02.02.03	30% led by women;	0	4,020				
	02.02.04	12) At least 2,000 babassu coconut breakers benefit directly from the Project;	0	2,000				
	02.02.05	13) 1,000 families of quilombola communities and coconut breakers benefit from land titling action;	0	1,000				
		14) 7,000 families adopt at least one technology of adaptation to climate change in their main productive activity.	0	7,000				Mechanisms to adapt to existing climate change