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Investing in rural people

Federative Republic of Brazil
Maranhão Rural Poverty Alleviation Project
Information note

Note to Executive Board representatives

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Executive Board — 120th Session
Rome, 10-11 April 2017

For: Information

Maranhão Rural Poverty Alleviation Project – Information note

1. In December 2016, the Executive Board considered the proposal contained in document EB 2016/119/R.53 and adopted 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 and 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."
2. The Executive Board approved the Maranhão Rural Poverty Alleviation Project in Brazil, subject to the completion of negotiations of the financing agreement and the guarantee agreement before 31 March 2017. A copy of the negotiated financing agreement and guarantee agreement would be tabled at the Board session in April 2017, along with any substantive changes to the terms presented to the Board at the 119th session.
3. Modifications to the President's report are presented in the annex.
4. In accordance with the conditions of the Executive Board's approval, negotiations were concluded on 23 March 2017. Copies of the negotiated financing agreement and the negotiated guarantee agreement are provided in appendix I and appendix II, respectively.

Modifications to the President's report on the Maranhão Rural Poverty Alleviation Project (MARPA)

The attention of the Executive Board is drawn to the following modifications to the President's report on the Maranhão Rural Poverty Alleviation Project (EB 2016/119/R.53), submitted to the Executive Board in December 2016. For ease of reference, the changes to the text of the report are shown in boldface, while underscore indicates deleted text.

Page iv, Financing summary

Amount of IFAD loan: SDR 14.31 million (equivalent to approximately US\$20 million)

Page 1, Recommendation for approval

The recommendation should read:

"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 ___ de Desenvolvimento Rural Sustentável dos Territórios do Baixo Parnaíba, Cocais, Campos e Lagos, Lençóis Maranhenses, Médio Mearim e Vale do Itapecuru Mais Sustentabilidade), as contained in paragraph 58."

Page 2, paragraph 10

The first sentence should read:

"The project will focus on approximately 43 of these municipalities, including up to four inhabited by indigenous communities."

Page 3, paragraph 12

The first sentence should read:

"The project target group includes households settled under the Land Reform National Education Programme, quilombolas and agro-extraction communities, women babaçu coconut breakers, river dwellers, caiçaras (traditional) fishers and indigenous communities."

Page 4, paragraph 16

Item (iii) should read:

"Cofinancing of socio-environmental investments, including environmental initiatives, and the use of renewable energy, water supply systems for human consumption, support to quilombolas and traditional communities for land titling whenever the borrower's capacity allows it, and innovative demonstration units to promote experimentation and learning among beneficiaries;"

Page 4, paragraph 21

The first sentence should read:

"The project will be implemented by the Secretariat for Family Farming (SAF) of the Government of Maranhão, or any successor acceptable to IFAD, which will create a dedicated project management unit (PMU) within its institutional structure."

Page 5, paragraph 22

The third sentence should read:

"For off-farm and on-farm investments among beneficiaries, _____ beneficiary organizations ____ will manage the resources and implement PDPs."

Page 5, paragraph 26

The first sentence should read:

"Financial management. SAF, or any successor acceptable to IFAD, 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."

Page 6, paragraph 27

The third sentence should read:

"In addition, there shall be an operating project account opened by SAF, or any successor acceptable to IFAD, in a bank selected by the borrower."

Page 7, paragraph 38

Expenditure categories in table 2 should read:

"Category 2: Grants and subsidies/Funds for Productive Development Plans"

"Category 6: Salaries and operating costs/Management and administrative provision"

Negotiated financing agreement: "Maranhão Rural Poverty Alleviation Project (Projeto de Desenvolvimento Rural Sustentável dos Territórios do Baixo Parnaíba, Cocais, Campos e Lagos, Lençóis Maranhenses, Médio Mearim e Vale do Itapecuru Mais Sustentabilidade)"

(Negotiations concluded on 23 March 2017)

Loan Number:

Project Title: Maranhão Rural Poverty Alleviation Project (the "MARPA" or "the Project") (Projeto de Desenvolvimento Rural Sustentável dos Territórios do Baixo Parnaíba, Cocais, Campos e Lagos, Lençóis Maranhenses, Médio Mearim e Vale do Itapecuru Mais Sustentabilidade)

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

and

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

(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).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, 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 of this Agreement.
4. The Loan is to be guaranteed by the Federative Republic of Brazil (the "Guarantor") on the 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 fourteen million three hundred and thirteen thousand Special Drawing Rights (SDR 14 313 000).

2. The Loan is granted on ordinary terms, and shall have a maturity period of (18) years, including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.
3. The Loan Service Payment Currency shall be the United States dollar (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. The Loan shall be subject to a rate of interest per annum equivalent to one hundred per cent (100%) of the IFAD variable reference interest rate for loans denominated 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 opened by and held in the name of the Borrower. It shall be in USD and shall be used exclusively for the deposit of Loan proceeds.
8. There shall be a Project Account opened by and held in the name of the Borrower in a bank selected by the Borrower. It shall be in Brazilian Real (BRL) and this is where resources from the Designated Account and counterpart funds shall be deposited.
9. The Borrower shall provide counterpart financing for the Project in the amount of sixteen millions United States dollars (USD 16 000 000), which shall also include the payment of taxes.

Section C

1. The Lead Project Agency shall be State Secretariat of Family Farming (SAF) of the State of Maranhão.
2. The following are designated as Additional Project Parties: State's Rural Extension Agency (AGERP) and Maranhão Institute for Colonization and Lands (ITERMA).
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the seventh 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 Financing will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as additional ground for suspension of the right of the Borrower to request withdrawals from the Loan:

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 authorities;
- b) the IFAD no objection to the final version of the PIM shall have been obtained;
- c) the Project Account and Designated Account shall have been opened; and
- d) the Project Management Unit (PMU) shall have been established and the recruitment of key personnel such as the Project Coordinator, Managers of the two components, and Administrative-Financial Manager shall have been completed.

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, including 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 Borrower:

The Governor of the State of Maranhão
SEPLAN Ed. Clodomir Millet, s.n. 7º andar – Centro Administrativo – Av. Jerônimo de Albuquerque – s.n. – Calhau
65051-200 São Luís – MA , Brazil

For the Fund:

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

This Agreement, dated [click and type], has been prepared in the English language in three (3) original copies, one (1) for the Fund, one (1) for the Guarantor and one (1) for the Borrower.

THE STATE OF MARANHÃO

[insert NAME of the Authorised Representative]
[insert his title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Project Area.** The project total intervention area covers approximately 87 municipalities. The Project will initially focus on approximately 43 of these municipalities, including up to 4 inhabited by indigenous communities. Subject to IFAD and Borrower agreement of sufficient progress in priority municipalities, project investments will also be applied to the remaining municipalities.

2. **Target Population.** The project will benefit directly approximately 29,700 households, out of which 22,500 will participate of 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. Figures are approximate.

The Project target group includes households settled under the Land Reform Programme, quilombolas and agro-extraction communities, women babaçu coconut breakers, river dwellers, traditional (Caiçaras) fishermen 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.

3. **Goal.** The overall goal of the Project is to contribute to reduce rural poverty and inequalities (gender, ethnic and generational) in the State of Maranhão, promoting sustainable and inclusive development.

4. **Objective.** The development objective of the Project is to increase income and nutrition of the rural poor and strengthen their capacity to manage their organizations and adapt to climate change in the Project area.

5. **Components.** Besides management and coordination, the Project will have two core components that envisage a number of complementarities among its activities.

5.1. **Component 1. Organizational strengthening and capacity development.** The objective of this component is to strengthen the beneficiaries' capacity to participate more effectively in the local development processes, 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 the communities, along with training activities to disseminate information about relevant public policies and programmes and their operational procedures; (ii) Strengthening the 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 beneficiaries and project personnel to promote the participation of women and youth in project and community activities and support for access by women and youth to government programmes. The Project will also support the existing networks of rural technical schools that have been successful in providing technical education for rural youth (Escolas Família Agrícola – EFAs and Casas Familiares Rurais – CFRs) but are grappling with serious infrastructure constraints such as lack of classrooms.

- 5.2. 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 the access to markets in favourable conditions, and improve 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) co-financing of productive investments in production development plans, to be prepared according to the beneficiaries' profiles; (iii) co-financing of socio-environmental investments, including environmental initiatives, and the use of renewable energy, water supply systems for human consumption, support to quilombolas and traditional communities for land titling whenever the Borrower's capacity allows it and innovative demonstration units to promote experimentation and learning among beneficiaries; (iv) supporting indigenous communities through a tailored-made strategy.

II. Implementation Arrangements

6. The Lead Project Agency. The Project will be implemented by the Secretariat of Family Farming (SAF) of the State of Maranhão, or any successor acceptable to IFAD, which will create a dedicated Project Management Unit (PMU) within its institutional structure.

7. Project Management Unit. The PMU headquarters will be located in the State capital of São Luís, while five Local Territorial Units (LTUs) will be established as part of the PMU in the territories in the Project area, including one specialized LTU in the indigenous area of the Project. The PMU will engage intensively with territorial collegiate organizations, State government institutions and a wide range of local stakeholders. It will be composed of a Project Coordinator, two component managers, a planning, monitoring and evaluation and knowledge management and communication coordinator, one administrative-financial manager, one procurement manager, technical experts specializing in key areas (project design and management; infrastructure; markets and marketing; gender and youth; indigenous communities traditional communities; and planning, monitoring and evaluation) and the necessary administrative and financial technical management personnel.

7.1 Functions. The PMU will be responsible for the technical, financial and administrative management of the Project, which includes: i) financial management; ii) hiring, tenders and procurement, including project key staffing and the contracting of technical assistance; iii) the planning of Project activities; iv) monitoring and evaluation (M&E) of Project activities and outcomes; and v) knowledge management and outcome communication. The PMU will also be responsible for preparing the Annual Workplan and Budget (AWPBs).

7.2 Monitoring and evaluation (M&E). The PMU will be responsible for M&E activities through its Planning, Monitoring and Evaluation unit (PM&E unit). The PMU will have a PM&E committee comprised of at least the Project Coordinator and the PM&E unit coordinator. In each Local Territorial Unit (LTU), the regional manager will be responsible for providing the PMU with the data and information needed for project M&E. The monitoring and evaluation of activities and outcomes will be closely linked to project planning and management.

8. Local Territorial Units (LTUs). The five LTUs will be established in the following municipalities: Barra do Corda, Barreirinhas, Caxias, Chapadinha and Viana and each unit will have a manager and an administrative assistant. In the case of the LTU in the Project's indigenous area (Barra do Corda), the structure will be strengthened and also include an expert on indigenous communities.

8.1 Functions. The LTUs will have the following responsibilities in their respective territories: disseminating information about the Project; mobilizing beneficiary households to participate in Project activities and local policy-making bodies; supporting, guiding and supervising the preparation of participatory rural diagnostic studies, drafting Productive Development Plans (PDPs); organizing and coordinating the Project's territorial committees; participating in territorial collegiate bodies and rural development boards in their intervention area; linking activities with government bodies and civil society organizations; participating in other decision-making bodies and platforms; coordinating, monitoring and evaluating the activities and services contracted by the Project; and submitting progress reports to the PMU.

9. Support partners in implementation. For delivering technical assistance to beneficiaries, the Project will sign Implementation Agreements with the State's Rural Extension Agency (AGERP) and Maranhão's Institute for Colonization and Lands (ITERMA), and will enter into contracts with private service providers. The Implementation Agreements will clearly specify the scope of the work to be undertaken, expected targets, the estimated budget for specific activities and shall be submitted to the Fund for its prior approval. For strengthening organizational capacities, the PMU may contract the services of civil society organizations already working with the beneficiary communities. For off-farm and on-farm investments among beneficiaries, beneficiary organizations will manage the resources and implement production development plans, which small-infrastructure investments will comply with health and environmental regulations. The private service providers, civil society organizations and all other contractors shall be selected according to acceptable procurement processes and rules.

10. Project Implementation Manual (PIM). The PMU shall prepare a PIM in consultation with the SAF to be approved by the Fund. The Implementation Manual shall include, among other things: (i) eligibility criteria for communities, economic organizations and beneficiaries; (ii) mechanisms for selecting communities and economic organizations; (iii) guidelines for the design of development plans and working and business plans; (iv) detailed procedures regarding formulation, assessment and approval of development plans and working and businesses plans; (v) rules for accessing to financial support for productive investment; (vi) monitoring and accounting of funds transferred to organizations for productive investments; (vii) management and procurement procedures; (viii) guidance for implementation of each component, and (ix) composition of LTU and PMU.

The PMU shall adopt the PIM substantially in the form agreed with the Fund and may make amendments thereto from time to time, in agreement with the Fund.

The Borrower shall cause the Project to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

Schedule 2

Allocation Table

1. Allocation of 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	Loan Amount Allocated (expressed in SDR)	Percentage
I. Consultancies / Technical Assistance	5 931 000	100% excluding taxes
II. Funds for Productive Development Plans	4 191 000	100% of total costs
III. Goods, services and inputs	368 000	100% excluding taxes
IV. Training and workshops	912 000	100% excluding taxes
V. Management and administrative provision and operating costs	1 481 000	100% of total costs for salaries and 100% excluding taxes for operating costs
Unallocated	1 430 000	
TOTAL	14 313 000	

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

Consultancies / technical assistance include technical assistance services to be provided to the beneficiaries or in relation to the baseline study, monitoring and evaluation, other studies and project audit.

Funds for Productive Development Plans include financing of Productive Development Plans (PDP).

Goods, services, and inputs include services for preparation, production and divulgation of the Project activities as well as vehicles, equipment, and furniture for use of the PMU and the Local Territorial Units.

Training and workshops include participation in policy coordination and dialogue committees; training to community and economic organizations leaders including women and young people; field visits and exchange; training to technical assistance providers; training to technicians in planning, monitoring and evaluation.

Management and administrative provision and operating costs include those related to the PMU and the Local Territorial Units, and exclude salaries of permanent government staff.

Unallocated: Contingency resources to be reallocated to other categories if needed. Transfers from the unallocated category to other categories will not require an amendment to this Agreement.

2. Retroactive Financing: Specific expenditures incurred from August 2016 to the date of entry into force of this Agreement may be considered eligible up to the amount of USD 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) baseline study; and (v) training. Activities to be financed by retroactive financing and their respective category of expenditures will require prior no objection from IFAD to be considered eligible. For recognition, the Borrower can claim the expenses to IFAD for reimbursement once withdrawal conditions specified in Section E. 2 of this Agreement have been met.

3. Start-up Costs. Withdrawals in respect of expenditures for start-up costs for the same activities indicated in the previous paragraph can be incurred before the satisfaction of the conditions precedent to withdrawal. Start-up Costs shall not exceed an aggregate amount of USD 300 000. Activities to be financed by start-up Costs and their respective category of expenditures will require prior no objection from IFAD to be considered eligible.

Negotiated guarantee agreement: "Maranhão Rural Poverty Alleviation Project (Projeto de Desenvolvimento Rural Sustentável dos Territórios do Baixo Parnaíba, Cocais, Campos e Lagos, Lençóis Maranhenses, Médio Mearim e Vale do Itapecuru Mais Sustentabilidade)"

(Negotiations concluded on 23 March 2017)

Loan Number: [number]

Project Title: Maranhão Rural Poverty Alleviation Project (MARPA) ("the Project") (Projeto de Desenvolvimento Rural Sustentável dos Territórios do Baixo Parnaíba, Cocais, Campos e Lagos, Lençóis Maranhenses, Médio Mearim e Vale do Itapecuru Mais Sustentabilidade)

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 Maranhão of the Federative Republic of Brazil ("the Borrower"), and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended on April 2014, and as may be amended hereafter from time to time (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 loan of fourteen million three hundred and thirteen thousand Special Drawing Rights (SDR 14 313 000) on the terms and conditions set forth in the Financing Agreement, but only on the condition that the Guarantor agrees to guarantee the payment obligations of the Borrower in respect of such Loan, as provided in this Agreement.

3. The Guarantor, in consideration of the Fund's entering into the Financing Agreement with the Borrower, has agreed so 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 modifications or amendments 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 Loan due under the Financing Agreement.

Section B

1. 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

1. 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
Esplanada dos Ministérios
Bloco P – 8º. Andar
70048-900
Brasília, DF- Brazil.

This agreement, dated _____, has been prepared in the English language in three (3) original copies, one (1) for the Fund, one (1) for the Borrower and one (1) for the Guarantor.

FEDERATIVE REPUBLIC OF BRAZIL

[insert NAME of the Authorised Representative]
[insert his title]

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President