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President's report

Proposed loan

Federative Republic of Brazil

Planting Climate Resilience in Rural Communities of the North-east Project

Project ID: 2000002253

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

AWPB	annual workplan and budget
BNDES	Brazilian Development Bank
CPMU	central project management unit
CRPS	climate-resilient productive systems
FM	financial management
GCF	Green Climate Fund
IFAD11	Eleventh Replenishment of IFAD's Resources
KM	knowledge management
M&E	monitoring and evaluation
NEB	North-east Brazil
PCRPP	Planting Climate Resilience in Rural Communities of the North-east Project
SIU	state-level implementing unit
SSTC	South-South and Triangular Cooperation
TA	technical assistance
TRIP	territorial resilience investment plan

Map of the project area

Federative Republic of Brazil

Planting Climate Resilience in Rural Communities of the North-east Project (PCRP)

Design report



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 | 09-06-2020

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Brazilian Development Bank (BNDES)
Executing agency:	BNDES
Total project cost:	US\$217.8 million
Amount of IFAD loan:	US\$30.0 million
Terms of IFAD loan:	Ordinary, with a maturity period of [...] years and a grace period of [.....] years at a rate of interest equivalent to IFAD's reference interest rate plus a [.....: variable or fixed] spread
Cofinancier:	Green Climate Fund
Amount of cofinancing:	US\$99.5 million
Terms of cofinancing:	Loan (US\$65.0 million) and grant (US\$34.5 million)
Contribution of borrower/recipient:	US\$73.0 million
Contribution of beneficiaries:	US\$15.3 million
Amount of IFAD climate finance:	US\$28.3 million
Cooperating institution:	IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 60.

I. Context

A. National context and rationale for IFAD involvement

1. **National context.** The North-east Brazil (NEB) region, spanning nine states and over 1.5 million km², has a population of 56.5 million. Over half of Brazilians living in extreme poverty (59.1 per cent) dwell in the region, whose semi-arid areas are home to about 21.3 million people.
2. **Poverty Context.** A number of social problems plague the region, especially its semi-arid lands where around 50 per cent of people live in poverty. Extreme poverty rates reach some 40 per cent in some states. Rural infant mortality in the region is almost double the national average, while the illiteracy rate is three to four times as high. The region's nine states figure among the least developed of Brazil's 26 states (plus one federal district), as measured by the Human Development Index.
3. **Rural development context.** Family farms account for over 90 per cent of all farms in NEB semi-arid areas. Farmers are particularly vulnerable because of limited access to water: the NEB region is subject to periodic droughts and chronic water scarcity. Moreover, a strong imbalance in land ownership (including scarce access to land by women) contributes to the vulnerability of small-scale farmers.
4. **Climate change context.** Family farmers are among those most affected by climate change. The average crop area lost because of droughts in the 1990–2016 period was 222,000 hectares per year. Given characteristically low productivity in the semi-arid lands, such losses pose a direct threat to local food security. A severe drought in 2011–2017 further indebted farmers and intensified migration, disease and malnutrition.

Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with the mainstreaming commitments of the Eleventh Replenishment of IFAD's Resources (IFAD11), the project has been validated as:
 - Including climate finance;
 - Gender transformational;
 - Nutrition-sensitive;
 - Youth-sensitive.
6. **Climate change.** The direct correlation between increasing temperatures and higher variability in rainfall leads to prolonged droughts and frequent periods of water scarcity. While these climate trends affect the entire NEB economy, some factors make smallholders particularly susceptible. They include: (i) the high incidence of poverty; (ii) scarce ability to cope with prolonged droughts and harvest losses; (iii) water shortages and poor water quality; (iv) inadequate productive practices that further degrade the soil and its water retention capacity; and (v) deforestation of NEB's highly biodiverse Caatinga ecoregion, depleting vital ecosystem services there.
7. **Rural youth.** NEB youth migration to urban areas increases the ageing of rural populations. Two in three Brazilian teenagers living in poverty live in NEB's semi-arid areas. NEB provides little attractive employment as local jobs offer a combination of low incomes and harsh working conditions, together with poor basic services.

8. **Gender.** Gender inequality is deeply pervasive in rural NEB. Women and men have different roles in their households and communities, with women having little say in domestic or public affairs. They work in the home and in subsistence crop production, assuming a disproportionate share of the workload. Most farms below 5 hectares are managed by women, and 87.3 per cent of women farmers in Brazil receive no technical assistance (TA). Finally, the incidence of gender-based violence is alarming.
9. **Nutrition.** In recent decades, economic and social advances have generally improved public health and food consumption. Between 1996 and 2007, child stunting in NEB dropped from 22.2 per cent to 5.9 per cent. But despite marked reductions in chronic malnutrition, improvements have not been homogeneous. For example, traditional and indigenous peoples, who have the highest poverty rates, are more exposed to nutritional vulnerability.
10. **Indigenous and traditional peoples.** Indigenous and traditional communities, who depend on natural resources and ecosystem services, are particularly affected by climate change, marginalization and lack of services. Extreme poverty affects indigenous people six times as much as other Brazilians. Infant mortality rates among indigenous children are significantly higher than the national average.

Rationale for IFAD involvement

11. The Planting Climate Resilience in Rural Communities of the North-east Project (PCRP) will support smallholders in adopting agricultural climate-resilient productive systems (CRPS), which are designed to increase the availability, flow and soil retention of water. This requires introducing behavioural changes, fostering rural organizations and making productive investments – all areas in which IFAD has a comparative advantage and which build on IFAD’s existing investment portfolio in NEB.
12. The project confirms IFAD’s strategic commitment to rural transformation in NEB. It will focus on empowering the most disadvantaged groups, including women and youth, and indigenous and traditional peoples. Its financing structure leverages IFAD’s 2016 accreditation with the Green Climate Fund (GCF), which gave IFAD access to GCF climate financing. IFAD is able to channel these resources, in the form of concessional loans and grants, to the world’s most vulnerable populations. The project also builds on IFAD’s experience with NEB states and local stakeholders.

B. Lessons learned

13. Project design benefits from lessons learned during previous IFAD interventions and draws on the findings of country programme evaluations, project performance assessments, impact assessments and results surveys. Experience in small-scale water infrastructure for agroforestry has proved particularly valuable. As regards project financing, one recurring problem in the past was that the Federal Government would often fail to approve a project because of the recipient state’s deteriorated finances. In order to guard against this eventuality, the PCRP uses an innovative multi-state approach. It was also found that climate resilience interventions, such as water harvesting and storage units, were often introduced during project implementation rather than at design. IFAD also concluded that the design of its previous projects in Brazil could be improved to further enhance the participation of women, youth and traditional communities.

II. Project description

A. Objectives, geographical area of intervention and target groups

14. The project objective is to reduce the impact of climate change and increase the resilience of affected population in the largely semi-arid NEB region. The project will support family farmers and their communities in reversing the decline in productivity caused by the degradation of agroecosystems. It will introduce technologies for water harvesting, storage and recycling, and diversification strategies to strengthen rural populations' resilience.
15. **Expected outcomes:** (i) increased resilience and enhanced livelihoods for the most vulnerable people, communities and areas; and (ii) improved diets, nutrition and food security in households.
16. The project will directly reach 250,000 smallholder families, or about one million people. The main selection criterion for accessing project services will be poverty. In addition, women and youth will be specifically targeted and traditional and indigenous communities will be included as beneficiaries wherever possible.
17. The project targeting strategy includes:
 - (i) **Geographical area.** Some three states will be selected for early implementation, based on their borrowing ability from the Brazilian Development Bank (BNDES) and their counterpart financing capacity. Other criteria include poverty, climate vulnerability, food and nutrition security, water availability, implementation capacity and commitment to the project. Subprojects will require a statement of no objection from IFAD.
 - (ii) As an eligibility criterion for poverty targeting, at least 70 per cent of the families of each participating community need to be registered in the Unified Registry of families, for which family members' individual incomes may not exceed 50 per cent of the minimum wage. At least 40 per cent of beneficiaries must be women and 50 per cent young people aged below 29.
 - (iii) Participating municipalities will be selected according to criteria that include environmental precariousness (signs of deforestation, erosion and soil degradation), food and nutritional insecurity, drought damage and access to quality water.
 - (iv) Within the participating municipalities, state-level implementing units (SIUs) will select the communities and other groups of farming families to implement project activities, including local traditional and indigenous groupings where present.

B. Components, outcomes and activities

18. The project will have three mutually supportive components.
19. **Component 1. Climate-resilient productive systems.**
 - **Subcomponent 1.1. Selection of project areas and development of territorial resilience investment plans (TRIPs)** will be carried out for the participating communities to guide the project's collective and individual investments in CRPS as well as water harvesting and storage infrastructure.
 - **Subcomponent 1.2. Implement CRPS in family farms and backyard gardens.** This will support groups with household-based productive investments that increase resilience to climate change. The group-based approach will facilitate joint learning and the adoption of technologies and practices to implement CRPS, with TA for capacity-building and initial monitoring. The activity includes productive farming and backyard gardens.

- **Subcomponent 1.3. Implement collective resilient investments.** With population and land use increasing in NEB, its Caatinga ecoregion – one of the world’s richest in biodiversity – is under threat of gradual depletion, mainly due to timber extraction for firewood and to overgrazing. The activities will improve ecosystem services in common areas, educate students on how to implement CRPS and pilot productive activities using effluent from desalination plants.
 - **Subcomponent 1.4. Build a farmers’ network and promote local entrepreneurship for products and services that support family farming.** This will facilitate the replication of CRPS through: (i) TA teams adopting a territory-based intervention strategy; and (ii) small grants and business management support to microenterprises that innovate and produce specific tools and equipment to facilitate CRPS implementation.
20. **Component 2. Water access for production.**
- **Subcomponent 2.1. Build boardwalk cisterns** for backyard gardens, small farm ponds and groundwater storage basins.
 - **Subcomponent 2.2. Implement social technologies to increase water in the fields,** such as building small farm ponds and groundwater storage basins.
 - **Subcomponent 2.3. Implement treatment and reuse systems for household wastewater** to allow smallholder households to treat and reuse their wastewater.
21. **Component 3. Knowledge management (KM) and scaling up.**
- **Subcomponent 3.1. Raise awareness and build the capacities of women, youth and traditional communities.** This activity will: (i) highlight the role of youth and women as knowledge managers and generators; (ii) consolidate learning, exchange and replication of sustainable practices in communities; and (iii) facilitate dynamic monitoring and evaluation (M&E) of socio-environmental impacts to inform public policymaking.
 - **Subcomponent 3.2. Drive scaling up, unlock policy barriers and experiment with CRPS and resilience participatory monitoring model.** This will promote South-South and Triangular Cooperation (SSTC); facilitate discussions to unlock policy barriers; and experiment with CRPS and the participatory monitoring of resilience.
 - **Subcomponent 3.3. Plan, monitor, evaluate and learn.** The project will customize the M&E system currently used by all IFAD-supported projects in Brazil. Independent surveys for baseline, midterm review and closing evaluation will be carried out at state level.

C. Theory of change

22. Family farmers in semi-arid lands rely on agriculture for their livelihoods but are threatened by the pressure on the land and climate change. Faced with reduced productivity, farmers turn to practices that accelerate soil degradation and the loss of biodiversity, thus further reducing yields.
23. To counter this trend, the project will promote CRPS and on-farm water management such as rainwater harvesting and storage, supported by investments and TA. These practices will improve vegetation cover, plant diversity, soil biomass and fertility and the availability of water in the system. To ensure the changes are transformative and sustainable, TA will also train women and youth to foster leadership, reorganize social roles, strengthen farmers’ organizations and networks, help access markets, and stimulate entrepreneurship and innovation.

These efforts will lead to sustainable transformation that is well understood and owned by participating households.

24. Through these practices, the project will result in resilient and productive farming systems performing restored ecosystem services, which, in turn, both increase and stabilize family incomes, empower women and youth, and improve food and nutrition security.
25. The project's KM efforts, including SSTC and M&E, will allow the investments to be sustained and scaled up to other states in the region. They will also serve as the basis for sharing field experiences with the forum of state secretaries for family farming of the north-east and the consortium of the north-east governors, which play major roles in policy dialogue for family farming in NEB.

D. Alignment, ownership and partnerships

26. The project is included in the Brazilian national strategy for the GCF and is aligned with the Brazilian National Policy on Climate Change, nationally determined contribution, national programmes to strengthen family agriculture (such as the Brazilian National Programme to Strengthen Family Farming), the National Plan for Food and Nutrition Security, the National Policy for the Sustainable Development of Traditional Peoples and Communities, and the Food Purchase Programme.
27. It is also aligned with IFAD's Strategic Framework 2016-2025, with all four elements of the IFAD11 mainstreaming agenda and with the results-based country strategic opportunities programme (2016-2021) for Brazil, including its strategy of building partnerships to join experiences, knowledge, intervention capacity and resources.

E. Costs, benefits and financing

28. All project components contribute partially towards climate finance. In line with the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of climate finance for this project is estimated at US\$28,309,000 or 94.4 per cent of the IFAD investment; of which US\$13,236,000 supports adaptation activities and US\$15,073,000 mitigation activities.

Project management

29. Although not a separate component, according to GCF guidelines, management activities are grouped under a separate heading, including the establishment and operation of the SIUs at state level. BNDES will have the role of central project management unit (CPMU).

Project costs

30. The total project costs over the eight-year period are estimated at US\$217.8 million, including contingencies and taxes. Base costs are estimated at US\$212.3 million and both physical and price contingencies represent US\$5.5 million (2.5 per cent of total costs). Investment costs are estimated at US\$204.1 million and recurrent costs US\$13.7 million. Additional costs associated with the CPMU operating costs financed by BNDES are not included in the project costs.

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

Component	IFAD loan		GCF loan		GCF grant		BNDES/ Government		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	In-kind	%	Cash	%	Amount	%
1. CRPS	17 040	20.6	22 560	27.4	31 370	38.0	5 510	6.7	5 994	7.3	82 473	37.9
2. Water access for production	11 762	10.5	42 440	38.2	-	-	47 600	42.8	9 339	8.4	111 142	51.0
3. KM & scaling up	1 198	12.7	-	-	2 892	30.6	5 352	56.7	-	-	9 442	4.3
4. Project management	-	-	-	-	239	1.6	14 538	98.4	-	-	14 777	6.8
Total	30 000	13.7	65 000	29.8	34 500	15.8	73 000	33.5	15 333	7.0	217 833	100.0

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

Expenditure category	IFAD loan		GCF loan		GCF grant		BNDES/ Government		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	In-kind	%	Amount	%
1. Goods, services, works, and grants	30 000	14.7	65 000	31.8	34 500	16.9	59 282	29.0	15 333	7.5	204 115	93.7
2. Management and administrative provision	-	-	-	-	-	-	13 718	100.0	-	-	13 718	6.3
Total	30 000	13.7	65 000	29.8	34 500	15.8	73 000	33.5	15 333	7.0	217 883	100.0

Table 3
Project costs by component and project year (PY)
 (Thousands of United States dollars)

Component	PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	Total
1. CRPS	107	12 948	18 450	19 904	17 066	10 243	2 543	1 212	82 473
2. Water access for production	-	17 633	34 954	36 035	20 615	1 906	-	-	111 142
3. KM & scaling up	454	1 133	1 513	1 937	1 851	1 253	524	776	9 442
4. Project management	589	1 930	2 302	2 360	2 356	2 393	2 351	495	14 777
Total	1 150	33 644	57 220	60 236	41 889	15 794	5 418	2 483	217 833

Financing and cofinancing strategy and plan

31. The project will be financed with: (i) a US\$30 million loan from IFAD; US\$99.5 million from GCF (US\$65.0 million as a loan and US\$34.5 million a grant); US\$73.0 million in national counterpart funds in the form of loans by BNDES to the participating states and from states' own resources; and US\$15.3 million in-kind from the beneficiaries. The project is due to be presented to the twenty-seventh GCF Board in November 2020 for approval.

Disbursement

32. GCF and IFAD funds will be deposited in separate designated accounts for each financing in United States dollars, opened and maintained by BNDES, exclusively for PCRFP financing. BNDES will open and maintain an operational account for transfers to the states' operational accounts. BNDES's resources will be deposited in the states' operational accounts. The financing will be used exclusively to fund eligible expenditures in line with the approved annual workplan and budget (AWPB). Disbursement procedures will be included in the letter to the borrower/recipient to be sent by IFAD upon signature of the financing agreement. BNDES will use the IFAD Client Portal to submit withdrawal applications and access financial information.

Summary of benefits and economic analysis

33. The financial analysis shows that all production models are profitable, with financial internal rates of return ranging from 10 per cent to 39 per cent. The economic

analysis demonstrates the project's profitability, with an economic rate of return of 19.8 per cent and net present value of US\$152 million. The benefit-cost ratio is 3.18.

34. The project would not be profitable in case of substantial cost increases and benefit reductions. Project benefits are diversified and thus not highly exposed to price or sectoral risks.

Exit strategy and sustainability

35. The project interventions have potential to be scaled up by BNDES, federal ministries, states and other actors. Farmers' organizations and civil society will be important partners, ensuring that capacity-building is consolidated and disseminated as part of the project's approach. The exit strategy relies on the project's improvement of beneficiaries' livelihoods and the creation of an enabling environment for climate-resilient agriculture. Local implementation, handover of completed activities to communities, KM and partnerships will sustain the interventions and pathways for scaling up the project after completion. By the end of the project, it is expected that family farmers and communities will be capable of using and further developing CRPS practices, including the maintenance of water harvesting, storage and recycling structures. In addition, extension service providers will have specialized skills to continue supporting farmers, and KM systems will be maintained and used to inform policies.

III. Risks

Risks and mitigation measures

36. The project overall risk is classified as **moderate** and is detailed in the integrated project risk matrix. The main risks concern policies and governance, sector strategies, and macroeconomic and financial management (FM). Main risks arise from possible misalignments between strategies, especially on climate change, between policies, especially of states and the Federal Government; and between macroeconomic requirements, such as states' compliance with domestic borrowing capacity. In addition, FM risks stem from complex financial arrangements. Mitigation measures include design consultations and stakeholder dialogue during implementation. The partnership with BNDES is a key mitigation factor as it assures dialogue between federal and state levels. The project's advisory committee will promote alignment with other government programmes and policies. The complexity of the project's financial arrangement will be mitigated by a single expenditure category and efforts to support the timely preparation, negotiation and signature of legal agreements. The project's supervision arrangements will be facilitated by IFAD's country presence and experience in NEB.
37. As the PCRPs will be implemented in poor, remote rural areas, it is probable that COVID-19 will continue to be a risk. This will be mitigated by strict behavioural protocols, the use of virtual tools to train TA providers and liaison with state health departments.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Moderate
Sector strategies and policies	Substantial	Moderate
Environment and climate context	Substantial	Moderate
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Moderate
Project procurement	Moderate	Low
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Moderate
Overall	Moderate	Moderate

Environment and social category

38. The project is classified as **category B**. Anticipated environmental and social impacts that may arise from project implementation are minimal and related to CRPS. The project's gender-transformative strategy would increase gender equality and empowerment. The project's environmental and social management plan will ensure that water-related activities respect natural flows and comply with health and environmental standards. In addition, a participatory indigenous people's plan will apply the free prior and informed consent principles. Adequate monitoring and verification of safeguard compliance is considered throughout project life.

Climate risk classification

39. The project is classified as **high climate risk**. An analysis of drought events between 1981 and 2016 shows that drought intensity for the last 36 years has been increasing in NEB.

Debt sustainability

40. An International Monetary Fund debt sustainability analysis dated July 2019 indicated that debt sustainability risks remain high. In another year of disappointing growth, Brazil's gross debt increased by 3.8 percentage points in 2018, reaching 87.9 per cent of GDP. Public debt is projected to peak at 96 per cent of GDP in 2024.

IV. Implementation**A. Organizational framework****Project management and coordination**

41. IFAD will be responsible for project supervision and for reporting to GCF.
42. BNDES, a public development bank wholly owned by the Federal Government with legal personality incorporated under Brazilian corporate law, will be the project's executing entity and the borrower/recipient of the IFAD and GCF funds. It will operate the domestic sub-lending to the participating states.
43. The CPMU within BNDES will coordinate and monitor implementation, compile physical and financial information, report to IFAD and be generally accountable for the implementation of the project.
44. SIUs will be responsible for coordination, procurement, FM and M&E of the state-level subprojects, in line with the subsidiary agreements between the states and BNDES.
45. An advisory committee will advise the CPMU on the general direction of project execution and promote coordination with other government projects, programmes and policies. It shall be composed of representatives from several agencies of the Federal Government, civil society, state-level subprojects, BNDES and the Ministry of the Economy.
46. At the state level, consultative councils with the participation of beneficiaries and representatives from civil society and state secretariats will review the AWPB and advise on TRIPs prior to their submission for approval to the CPMU.

Financial management, procurement and governance

47. **Financial management.** The CPMU will have overall responsibility for FM and will be appropriately staffed to exercise it. The main FM functions will be: (i) consolidate the AWPB; (ii) financial reporting; (iii) monitor liquidity requirements and prepare withdrawal applications; (iv) implement and maintain at central and state level an integrated FM system or an alternative arrangement acceptable to IFAD; (v) ensure independent annual audits are carried out in time; and (vi) ensure that overall internal controls are effective and that participating states comply with subsidiary agreements, the project implementation manual, and IFAD procurement and FM procedures and requirements. The SIUs' responsibilities

will include: (i) preparing the AWPB; (ii) FM and reporting; (iii) collaborating with the auditors; and (iv) ensuring that the internal controls are sound and project activities are compliant with the subsidiary agreements, the project implementation manual, and IFAD procurement and FM procedures and requirements.

48. **External audit.** The project will be audited annually by the supreme audit institution, or a private auditing firm hired for this purpose, in accordance with international auditing standards. The consolidated annual audit report, including all sources of funding and participating states, will be submitted to IFAD within six months of the end of the fiscal year.
49. **Procurement.** Project procurement will be carried out in accordance with Brazilian legislation and use national and state-level procurement systems, applying current rules and procedures. According to a World Bank assessment of the national procurement methods in 2010, Brazil complies with international standards in terms of: (i) legislative and regulatory framework; (ii) institutional framework and management capacity; (iii) procurement operations and market practices; and (iv) integrity and transparency of public systems. Additionally, all project bidding processes and contracts will contain IFAD anti-fraud and corruption provisions, as well as safeguards on sexual harassment, exploitation and abuse. The prior review arrangements to be detailed in the letter to the borrower/recipient will include the AWPB and the procurement plan.

B. Planning, monitoring and evaluation, learning, knowledge management and communication

50. A planning, monitoring, evaluation and learning system will be developed for results-based project management. The data and information collected on CRPS will contribute to learning, feedback and improvement of project interventions, and will build the basis for KM. In addition, the documentation and dissemination of good practices and successful experiences will support SSTC schemes, and links to KM grant activities will be established. A resilience scorecard and index will be used to monitor changes in the resilience capacity of families.
51. **Innovation.** This is the first IFAD-supported project in Brazil focusing on climate adaptation issues by linking sustainable production systems with water management approaches. Another innovative feature of the project is its governance architecture. Channelling resources through BNDES to the participating states will allow high implementation efficiency and effectiveness compared to lending directly to the states. Moreover, the involvement of BNDES as a strategic partner brings with it experience with CRPS investments, resource mobilization capacity and scope to apply lessons learned from the project to BNDES's agricultural credit lines, enabling replication at the national scale.
52. **Scaling up.** The project will promote knowledge exchanges and young communicator networks inspired by popular education. A database, a web portal and KM materials will provide information on fostering climate resilience throughout the NEB region and to other drylands in Latin America and Africa. In addition, the project will foster policy dialogue within the states.

C. Implementation plans

53. The project will capitalize on the experience of the ongoing IFAD portfolio at state level. In addition, the IFAD-grant-supported Dryland Adaptation Knowledge Initiative will build implementation capacity, and other regional grants will support management and technical aspects. This will ensure strong implementation readiness, to be supported by start-up activities led by IFAD and BNDES. The focus will be on rapidly selecting the participating states, finalizing the subsidiary agreements with the states and building up the SIU teams. A start-up workshop will be held in each participating state.

54. The PCRP will be under the direct supervision of IFAD. In order to facilitate project implementation in a multi-state environment, IFAD will conduct state-based and project-wide supervision missions. A midterm review will be carried out in the fifth year of the project, and a joint completion review will be undertaken by IFAD and BNDES before completion.

V. Legal instruments and authority

55. A financing agreement between BNDES 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/recipient. A copy of the negotiated financing agreement and of the guarantee agreement will be made available subsequently.
56. The financing agreement and guarantee agreement with the borrower and guarantor, respectively, shall reflect the relevant financial and technical conditions to be agreed between the GCF and IFAD in the Funded Activity Agreement (FAA). In line with the GCF Accreditation Master Agreement, the Executive Board's approval of the project is a precondition for the signature of the FAA, and in accordance with GCF's practice of prioritizing projects that have obtained the accredited entities' approval, the FAA negotiations can be concluded only after the approval of the Executive Board. Accordingly, the negotiations of the financing agreement and guarantee agreement with the borrower and the guarantor will commence immediately after the FAA has been negotiated, with the objective of being concluded as early as possible within the first quarter of 2021.
57. In accordance with the above sequencing, the negotiated texts of the financing agreement and guarantee agreement will be submitted at a subsequent Executive Board session, together with any substantive change to the key terms of IFAD financing, which are presented in appendix IV.
58. BNDES is empowered under its corporate laws and under Brazilian legislation to receive financing from IFAD and the Federative Republic of Brazil is empowered under Brazilian law to guarantee the financing.
59. IFAD financing to BNDES represents funding to a national development bank, based on a due diligence of the creditworthiness and implementation capabilities of BNDES.

VI. Recommendation

60. 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 Brazilian Development Bank in an amount of thirty million United States dollars (US\$30 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing and guarantee agreements

(To be made available subsequently)

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name ¹	Baseline Value	Mid - Term	Final Value	Source	Frequency	Responsible	
Outreach	<ul style="list-style-type: none"> Number of persons receiving services promoted or supported by the project (Core Indicator 1 = CI 1) <ul style="list-style-type: none"> Corresponding number of households reached (CI 1.a) Estimated corresponding total number of HH members (CI 1.b) Rural HH satisfied with project-supported services (<i>CI 4.2.1</i>) Percentage of participating households registered in the Cadastro Único when joining the project 	0	400,000 (160,000 women and 200,000 youth)	1,000,000 (400,000 women and 500,000 youth) 375,000	Project system M&E	Half-yearly	Central Project Management Unit (CPMU)	Macroeconomic stability - no changes in national policies
Goal: Contribute to increasing food, water security and rural family income by implementing climate resilient farming systems and increasing the carbon sequestration	<ul style="list-style-type: none"> Number of food secure households (in areas/periods at risk of climate change impacts) (GCF CI A2.2) 	0	21,440	53,600 (80% success rate of subcomponent 1.2)	Resilience Scorecard Project evaluation	At baseline, mid-term and completion.	CPMU with data collected by Project Management Units (PMUs) at state level	
	<ul style="list-style-type: none"> Rural HH that report a reduction in the water shortfall in relation to the production requirements (CI 1.2.3) 	0	11,520	28,800 (80% success rate of Component 2. Results 5 and 6)	Tracking of funded TRIPs, and completion study. Carbon emission to be measured using GIS	Annual Mid-term and completion.		
DEVELOPMENT OBJECTIVE Transform family farmers' productive systems in the semiarid region by increasing production while simultaneously improve their resilient capacity to climate change	<ul style="list-style-type: none"> Number of hectares of land brought under climate-resilient management (CI 3.1.4) Number of tons of greenhouse gas emissions (CO₂) avoided and/or sequestered (CI 3.2.1) Percentage of participating households that have improved their climate resilience Rural HH reporting they can influence decision-making of local authorities and project-supported service providers (<i>CI 4.2.2</i>) 	0	33,650 ha	84,124 ha 11M tCO ₂ e 75% 37,500	Resilience scorecard Impact /results survey	At baseline, mid-term & completion At baseline, mid-term & completion		

¹ Equivalencies between IFAD CI and GCF CI indicators where required: (IFAD CI 1 : GCF A1.2), (IFAD CI 3.1.4 : GCF A4.1), (IFAD CI 3.2.1 : GCF M4.1),

Outcome 1.0: Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions (GCF CI A1.0)	<ul style="list-style-type: none"> Families benefited by CRPS at Household level² Families benefited by Collective Resilient Investments³ Percentage of individuals demonstrating an improvement in empowerment (CI IE.2.1) 	0 0 0	26,800 families (10,720 led by women) 41,200 families 0	67,000 families (26,800 led by women) 103,000 families	Tracking of Project System. M&E Pro-WEAI index at baseline and evaluation	Annual Annual Project completion	PMUs CPMU	Timely signature of agreements with state governments
Outcome 2.0: Dietary patterns, nutrition and food security of households improved	<ul style="list-style-type: none"> Percentage of women reporting minimum dietary diversity (MDDW) (CI 1.2.8) Number of persons provided with targeted support to improve their nutrition (CI 1.1.8) 	0 0	0 57,600 (40% women, 50% youth)	75% 144,000 (40% women, 50% youth)	Impact survey Project system M&E	Project completion Half-yearly	CPMU PMUs	At least 75% of people that participate in nutrition sensitive training and activities will improve diets.
Component 1. Climate-resilient productive systems (CRPS)								
Output 1.1: Areas of intervention selected based in eligible criteria	<ul style="list-style-type: none"> Territorial Resilience Investment Plans (TRIPs) finalized 	0	575 plans	575 plans	Tracking of funded TRIPs, and completion study.	Half-yearly	Project Management Units (PMUs) at state level	Alignment between national government policies towards climate change and the project's strategies and objectives
Output 1.2: Backyard Gardens developed	<ul style="list-style-type: none"> Families that have established backyard gardens using CRPS 	0	14,000	36,000 families benefited	Tracking of ISA Quintais			
Output 1.3: Climate Information System put in place	<ul style="list-style-type: none"> Persons provided with climate information services (CI 3.1.2) 	0	49,600	124,000 persons				
Output 1.4: Farmers and entrepreneurs supported	<ul style="list-style-type: none"> Persons trained in production practices and/or technologies (CI 1.1.4) Microenterprises funded to develop skills to supply CRPS 	0 0	9,600 of which 3,840 women and 4,800 youth 28	24,000 of which 9,600 women 12,000 youth 70 micro-enterprises	Tracking of PMAS system and supervision missions.			Potential beneficiaries interested and aware of productive problems of climate-related crisis. Beneficiary communities participation in TRIPs development
Component 2: Water access for production								

² Composed of ISA Familia and ISA Quintais.

³ Composed of ISA coletivo, ISA Escola and Biosaline.

Output 2.1: Efficient practices of water capture, harvesting, storing and use disseminated	<ul style="list-style-type: none"> Number of hectares of farmland with water-related infrastructure built/rehabilitated (CI 1.1.2) 	0	1,800 ha	4,500 ha	Tracking of PMAS system and supervision missions.	Half-yearly	Project Management Units (PMUs) at state level	Promotion and implementation of diversified investment plans, combining productive interventions, water access and non-agricultural activities
Output 2.2: Water access technologies for harvesting, reuse, treatment and storage	<ul style="list-style-type: none"> Number of families that have installed rainwater harvesting and storage Number of families that have installed water treatment and reuse systems 	0 0	8,400 6,000	21,000 families 15,000 families				
Component 3: Knowledge Management and scaling-up								
Output 3.1: Capacity and awareness building	<ul style="list-style-type: none"> Women, youth and traditional community members with increased capacity Young communicators integrated in the network 	0 0	3,600 166	9,000 people 414 persons	Inputs from PMU Gender, Youth and Ethnicity team, tracking of PMAS system and supervisions missions	Half-yearly	PMUs	Learning by doing approach that will prioritize capacity-building opportunities to vulnerable groups
Output 3.2: Scaling-up and sharing	<ul style="list-style-type: none"> Number of learning routes (national and international) Number of thematic policy dialogue studies completed Number of policy dialogue working groups formed 	0 0 0	3 learning routes; 3 thematic studies; 3 working group	7 learning routes; 8 thematic studies 3 working groups				

Integrated project risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context	Substantial	Moderate
Political Commitment	Substantial	Moderate
Risk(s): Misalignments between state governments and the Federal Government could lead to implementation problems.	Substantial	Moderate
Mitigations: This will be mitigated by having the design documentation thoroughly discussed at both state and federal levels through consultations and dialogue by IFAD Hub in Brasilia mainly with federal partners, and IFAD Satellite Office in Salvador, mainly with subnational entities (states), as well as various partners and stakeholders such as civil society, farmers' organizations, research organizations, among others. Stakeholder consultations will be carried out and constant dialogue with states ensured by collaboration with the Forum of State Secretaries and Northeast Consortium of Governors. The partnership with BNDES, a national government body directly tied to the Ministry of Economy, mitigates this risk, assuring dialogue between federal and state levels. IFAD Salvador office will continue its strong dialogue with BNDES. In addition, collaboration and dialogue will continue with other federal partners mainly Ministry of Agriculture (MAPA), Ministry of Citizenship and Ministry of Environment (MMA) as well as other federal agencies such as CODEVASF and EMBRAPA. Mitigation will also ensure cooperation with federal universities and think-tanks such as UNB and UFV.		
Governance	Moderate	Moderate
Risk(s): The risk that the country exhibits governance failures that may undermine project implementation and achievement of project development objectives. This includes lack of or weak: political checks and balances; public auditing systems; transparent information on government rules, regulations, and decisions; standards to prevent fraud and corruption; quality and transparency of allocation of resources for rural development.	Moderate	Moderate
Mitigations: This risk will be mitigated by strong implementation support and supervision missions by IFAD as well as acquired capacities from previous IFAD projects in the country. IFAD capacity building and training on fiduciary aspects will also be critical. IFAD missions will ensure to include fiduciary experts in the area of financial management and procurement.		
Macroeconomic	Substantial	Moderate
Risk(s): The risk that macroeconomic policies, such as monetary, fiscal, debt management/sustainability, and trade policies are not robust, are unsustainable, and/or are vulnerable to domestic or external shocks (e.g. resulting in high inflation, low foreign exchange reserves, large fiscal deficits, debt distress), undermining government capacity to mobilize counterpart funding, and significantly impacting	Substantial	Moderate

Risk Categories and Subcategories	Inherent	Residual
market dynamics of value chains, including market prices and profit margins for project target groups.		
Mitigations: Borrowing ability: Northeast states would need to have a qualified domestic debt rating to have a loan agreement with BNDES. Ratings are provided by BNDES. Only states with credit ratings will qualify. The flexible approach adopted by the project of selecting states at the time of project implementation reduces significantly the risk of not having enough states that qualify among the nine northeastern states. On the other hand, fiscal strain on states due to factors such as COVID can lead to a reduced number of states which will qualify and this needs to be monitored constantly. In addition, states need to continue to demonstrate appetite and commitment for the project. IFAD constant dialogue with BNDES as well as with states will be essential especially during the phase of state selection.		
Fragility and security	Substantial	Moderate
Risk(s): The risk that the country is vulnerable to natural and man-made shocks including civil unrest, conflict, and/or weak governance structures and institutions	Substantial	Moderate
Mitigations: The main risks of this nature are related to climatic shocks such as severe droughts and the nature of the project is exactly to build resilience and better conditions to face climatic shocks. Another risk pertains to criminality or drug trafficking in the project area which may impair implementation. This will be mitigated by technical assistance (TA) teams and continuing monitoring of the situation with the support partners, states and UNDSS.		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Substantial	Moderate
Risk(s): There is a risk that the national government changes its policies (especially towards climate change) which would result in a misalignment with the project's strategies and objectives. At state level, where the project will be implemented, this risk is much lower.	Substantial	Moderate
Mitigations: The partnership with BNDES, a national government body directly tied to the Ministry of Economy, mitigates this risk, assuring dialogue between federal and state levels. In addition, PCRPP will institute an Advisory Committee in the governance to promote the integration and alignment with other government projects, programs and policies. It shall be composed of representatives from the federal government, civil society, states, BNDES, and NDA.		
Policy development & implementation	Substantial	Moderate
Risk(s): The risk that the country's strategies and policies governing the rural and agricultural sector lack a sound evidence base, are not representative of rural peoples' organizations views, are not adequately resourced or supported by legal/regulatory frameworks, and/or are	Substantial	Moderate

Risk Categories and Subcategories	Inherent	Residual
unsustainable, undermining project implementation and the achievement of project development objectives		
Mitigations: The project will build collaboration with research organizations as well as with think tanks so as to have appropriate views on data and information and in order to guide the project implementation. In addition, the DAKI grant which will pave the way for the PCR implementation will also ensure to have check and balances on the country's and state's policies and strategies for rural development and climate. The project will also establish an Advisory Committee in its governance structure to promote the integration and alignment with other government projects, programs and policies. It shall be composed of representatives from the federal government, civil society, states, BNDES, and NDA. The Advisory Committee will also serve as a platform for the discussion of policies and strategies. In addition, IFAD will continue its strong engagement during project implementation with key stakeholders such as farmers' organizations and civil society.		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
Risk(s): Inherent environmental risks for agriculture in NE Brazil are drought, increased water salinity, erosion, and land degradation	Substantial	Moderate
Mitigations: Extreme environment conditions pose a real risk but the PCR is designed to build resilience of communities and improve their agricultural practices to better face such conditions. The main risk pertains to prolonged drought, which would be critical especially in the first years when the CRPS are more vulnerable. To mitigate this risk, water harvesting and storage systems will be implemented simultaneously in conjunction with some CRPS. In addition, it would be possible to accelerate the implementation of practices based on the management of herds in an emergency and with the use of local natural resources. To address the issues of land degradation, erosion, and salinity, the project will implement agricultural best practices that result in enhanced water management and water retention in soils, as well as agroforestry practices that increase the quality of soils.		
Project vulnerability to climate change impacts	Substantial	Moderate
Risk(s): In the Brazilian semi arid, temperature increase and rainfall variability are the most relevant climate change impacts.	Substantial	Moderate
Mitigations: Climate change is having a significant impact in the Brazilian semiarid, hence the PCR is designed to address this risk by building resilience of communities to better face such conditions. The main risk pertains to prolonged drought, which could directly affect food supply, nutrition productivity and marketing. In this regard, the project is focused on implementing Climate Resilient		

Risk Categories and Subcategories	Inherent	Residual
Productive Systems (CPRS) that are designed to increase water retention and improve the quality of agricultural soils. The project will provide strong technical assistance to deliver training and capacity building of beneficiaries as well as implement small-scale water harvesting technologies. The adoption of CRPS will also ensure that food availability and nutrition standards are maintained even during climatic shocks.		
Project Scope	Moderate	Moderate
Project relevance	Moderate	Moderate
Risk(s): The risk that the objectives and interventions of the project are not well aligned with national development or IFAD priorities, and/or are not sufficiently relevant or responsive to the needs and priorities of the intended target group throughout the project's lifespan.	Moderate	Moderate
Mitigations: In order to ensure project relevance, the design was carried out with strong consultations at various levels. Considering that before IFAD design the GCF Funding Proposal had to be elaborated this meant the project had a very intense preparation and field consultation. At the federal level, the Project will develop strategic partnerships with the ministries responsible for the corresponding thematic areas. A public consultation was organized during the project design phase bringing together more than 120 representatives from government, civil society organizations, public and private institutions. On this occasion, it was possible to collect recommendations and suggestions that were incorporated into the project design. Another specific indigenous consultation was also held. In addition, IFAD made consultations with states directly and through the Northeast Consortium of Governors (Consórcio Nordeste) and the Forum of State Secretaries of Northeast, which is a policy dialogue platform supported by IFAD since 2015. The Consortium visited IFAD HQ in November 2019. Two field missions were conducted, one in Bahia state and another in Pernambuco state, ensuring that views of farmers' organizations were taken into account.		
Technical soundness	Moderate	Moderate
Risk(s): The project represents an innovative approach to IFAD work in Brazil by establishing partnership with BNDES and a multi-state loan operation. It will also promote several technical innovations, in particular in CRPS to be implemented in Component 1. There is a risk that the proposed techniques will not be implemented correctly, as there are few examples of CRPS in the semiarid in family farms. This could create a delay in project implementation and/or achievement of results.	Moderate	Moderate
Mitigations: To mitigate this risk, the following measures were put in place: i) The Dryland Adaptation Knowledge Initiative (DAKI) grant, approved in December 2019, will consolidate knowledge and methodology regarding the innovations of Components 1 and 2, and train potential TA		

Risk Categories and Subcategories	Inherent	Residual
<p>personnel. In addition, the ongoing AKSAAM grant will also support in bridging this knowledge gap; ii) TA will be composed of specialists who know the intervention regions and have gained knowledge from DAKI and AKSAAM; and iii) farmers networks will allow participation of larger size farmers that implement CRPS promoting exchanges visits to share practices and innovations.</p>		
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Implementation arrangements	Moderate	Moderate
<p>Risk(s): There is a risk of project delays, mainly in the first and second years, for four reasons: i) the process of preparing, negotiating and signing of sub-loan agreements between BNDES and selected states; ii) absence of complete teams in the state-level Project Management Units (PMU) and lack of knowledge of the project's operative functioning by these teams; iii) turnover of key personnel, implementing agencies and governments; and iv) poor coordination among agencies.</p>	Moderate	Moderate
<p>Mitigations: Delays in the on-lending process from BNDES to the states can be mitigated by an agile and transparent selection process and preparation of a standard financing agreement that would require negotiation mainly of the financing amounts for each state. The selection of a key team of consultants should follow IFAD's guidelines on qualifications and the contractual arrangements IFAD allows, such as time contracts for consultant activities with monthly, measurable and reliable payments. The turnover of key project personnel can be considered of low risk when mitigated by an appropriate selection of professionals with training and experience, as well as by ensuring fair and reliable remuneration for performed activities. Priority will be awarded for states which have had past IFAD projects and are experienced in setting up PMU and TA teams. The use of several state-level PMUs (approximately 3) is a high risk for project execution because, in general, their regulations conflict with specific aspects of the activities necessary for efficient and transparent services. As a mitigation strategy, PMUs should be strengthened to carry out direct execution, empowering teams with specific training conducted by IFAD with the participation of state attorneys and representatives of interested parties. In the adoption of the Executing Entity, it is essential to ensure compliance with IFAD and BNDES guidelines in the contracts and provide specific training to support implementation. In case of states with previous experience of IFAD operations this will be greatly facilitated. In addition, the financing scheme involves IFAD, GCF, BNDES and states augmenting complexity of the operation. Institutional capacity risk will also be mitigated by strong IFAD supervision and implementation support missions ensuring that it is covered by technical aspects as well as</p>		

Risk Categories and Subcategories	Inherent	Residual
institutional and fiduciary areas and involving capacity building and training.		
M&E arrangements	Moderate	Moderate
Risk(s): The risk that the project executing agency's M&E processes and systems are weak or inefficient, resulting in a limited ability to monitor, validate, analyse and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner.	Moderate	Moderate
Mitigations: IFAD over recent years has invested in building M&A capacity in the country, especially on its ongoing portfolio. This will leave a major legacy which will mitigate the M&E risk. Through the grant Programa Semear Internacional (PSI), IFAD first country M&E system was establish in Brazil: DATA.FIDA which is currently being adopted by the ongoing portfolio and will be used by the PCR. In addition, IFAD and its project has gained expertise on critical areas related to M&E including base line surveys, MTR surveys, impact studies as well as project results survey conducted remotely. All this experience and capacity will be used to minimize M&E risk.		
Procurement	Low	Low
Legal and regulatory framework	Low	Low
Risk(s): The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity. Brazil has a complete procurement legal and regulatory framework, consistent with IFAD's one, including SBDs. Procurement processes are monitored by PMUs and state control agencies, while the CPMU monitors execution of Procurement Plans. Access to public information is expressly regulated and promoted.	Low	Low
Mitigations: Non-compliance with legal covenants will be mitigated by strong IFAD supervision and implementation support missions as well as trainings and capacity buildings to the CPMU and PMU at state level		
Accountability and transparency	Low	Low
Risk(s): The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements. Brazil has an efficient complaints management system, however the latter is not a 2-tiered one and there is a certain level of corruption perceived in the country. There is a debarment system and an independent and competent local authority to investigate corruption allegations.	Low	Low
Mitigations: IFAD will ensure that this risk is mitigated by making available channels to handle complaints. In		

Risk Categories and Subcategories	Inherent	Residual
particular, during start-up missions for each state-level subproject, IFAD will analyse the complaints handling system and recommend a 2-tired mechanism. Transparency and accountability arrangements will be ensured with IFAD supervisions. Implementation of the project outside of required timeline or quality and cost requirement will be mitigated with IFAD support missions and adequate training.		
Capability in public procurement	Low	Low
Risk(s): The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project. The project design foresees that state-level subprojects form a commission of bids, contracts and rendering of accounts. Officers are not yet selected, so it is not possible to assess experience of the staff and quality of documents. Procurement team has access to legal and regulatory framework by law. Procurement and financial management functions are separated.	Low	Low
Mitigations: State-level PMUs need to expedite the hiring of procurement, contract, monitoring, and financial teams as soon as the project execution starts. Once projects become effective, IFAD and BNDES should receive the names of team members (state employees), the Terms of Reference (TOR) to hire supporting consultants and should train teams in the required thematic areas. The PIM (Annex 8) includes draft TORs of the key positions to speed contracting processes. Priority may be awarded for states which have past IFAD projects and are experienced in setting up PMU and TA teams and which already have experience with procurement.		
Public procurement processes	Low	Low
Risk(s): The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives. National procurement methods for all the three categories (goods, Works and services) are compliant with IFAD Guidelines and the first procurement plans has been prepared in consistency with the AWPB, using IFAD's template. On the other hand, there is no regulation that provides for procurement people to participate in the AWPB process. Procurement processes and contract management comply with IFAD Guidelines as well. However, contracts are usually completed outside the contracted schedule and over the contracted price.	Low	Low
Mitigations: IFAD will mitigate public procurement processes risks with strong supervision and implementation		

Risk Categories and Subcategories	Inherent	Residual
support as well as ensuring the audits are made timely. It is recommended the participation of the monitoring, acquisition and financial teams, together with the Project Coordination, to prepare the Procurement and Operational Plans. To be reflected in the PIM.		
Financial Management	Substantial	Moderate
Organization and staffing	Substantial	Moderate
Risk(s): SIUs may not have sufficient capacity, experience, and systems to comply with IFAD FM requirements.	Substantial	Moderate
Mitigations: (i) IFAD to perform FM assessments to the SIUs involved to identify weaknesses and required improvement actions; (ii) SIUs to build upon the pre-existing operational structure of IFAD-supported projects; (iii) BNDES should provide professional personnel for financial management before the project effectiveness and, during project execution, should maintain this trained personnel working following IFAD's FM, Audit and Anti-Corruption Guidelines and with the Project Implementation Manual. BNDES will ensure that its key personnel conduct IFAD's online capacity building training on Financial Management. Both IFAD and BNDES' procedures and regulations will be shared to the states/subprojects through the PIM or other relevant documents; and (iv) Supervision of the project's financial management will be carried out annually by IFAD, CPMU and SIUs.		
Budgeting	Low	Low
Risk(s): No risk envisaged	Low	Low
Mitigations: No risk envisaged		
Funds flow/disbursement arrangements	High	Substantial
Risk(s): The complexity of the project's funds structure may pose challenges to the flow of funds. Several entities (IFAD, GCF, BNDES, and the states) will fund the project through different financing instruments ruled by legal agreements. Participating entities will have to prepare, negotiate and sign the legal agreements, a process that is unlikely to complete simultaneously, risking funds not being available from the different sources as needed. Additionally, legal agreements relating to the GCF may prove to be particularly complex to negotiate, leading to the risk of disbursement delays.	High	Substantial
Mitigations: IFAD will have to make extra efforts (internally from various divisions and externally with authorities) to ensure that legal agreements are prepared, negotiated, and signed timely.		
Internal controls	Substantial	Moderate
Risk(s): Internal controls may be affected as per items described in the section Organization and Staffing above.	Substantial	Moderate
Mitigations: Please refer to the mitigating measures in the section Organization and Staffing above.		
Accounting and financial reporting	Substantial	Moderate

Risk Categories and Subcategories	Inherent	Residual
Risk(s): (i) GCF financial reporting and disbursement requirements are more complex or at least require a higher level of detail. This could adversely affect the disbursement process or even compromise the eligibility of expenditures; and (ii) The project will be implemented in a number of states and it may be challenging to ensure that accounting records are adequately and coherently maintained in all locations, and that consolidated financial reports are generated as needed.	Substantial	Moderate
Mitigations: (i) IFAD to agree on feasible requirements in the Funding Activity Agreement with the GCF, and ensure that the project will have the necessary accounting system and chart of accounts to report as needed; and (ii) The project should implement a common accounting system and chart of accounts to ensure consistency in accounting records and the possibility to centrally generate all needed financial reports.		
External audit	Low	Low
Risk(s): No risk envisaged	Low	Low
Mitigations: No risk envisaged		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity conservation		No risk envisaged
The PCRP acts to build resilience of communities as well as build biodiversity and enhance diversified nutritious food.		
Resource efficiency and pollution prevention		No risk envisaged
The PCRP will adopt technologies leading to less pollution and reuse of resources such as reuse of grey water. All technologies financed by the project will be renewable (solar or wind power, for example).		
Cultural heritage		No risk envisaged
The project will not work in any new land, only in lands that are already being used for agriculture.		
Indigenous Peoples	Moderate	Low
Risk(s): The risk that the project may cause significant adverse physical, social, or economic impacts on indigenous peoples, or in threats to or the loss of resources of historical or cultural significance to them.	Moderate	Low
Mitigations: This risk has been mitigated at project design with a dedicated consultation with indigenous peoples. During implementation, as a first activity, the project will discuss and agree with each community on the Free Prior and Informed Consent (FPIC) process to be followed in the development of a TRIP.		

Risk Categories and Subcategories	Inherent	Residual
Community health and safety	Moderate	Low
Risk(s): The COVID-19 epidemic may pose a risk to the project operations and to the health of the technical assistance (TA) teams and beneficiaries.	Moderate	Low
Mitigations: To mitigate the risk, all TA teams will follow social distancing, health and safety protocols and will wear protective gear. In addition, they will provide guidance on basic hygiene practices. Online groups will reduce all unneeded physical interaction. If a vaccine is developed and available during project implementation, IFAD can coordinate with local health authorities to promote vaccination of the beneficiaries. Pilot IFAD experiences with remote TA and services will be reviewed and utilized during the project implementation. A specific Working Paper is included on the issue of COVID-19 and its relations to the PCR. P.		
Labour and working conditions	Moderate	Low
Risk(s): The risk that the project may cause exploitative labour practices (e.g. forced or child labour), gender based violence, discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers	Moderate	Low
Mitigations: The project and especially its technical assistance (TA) teams will be selected taken fully into account issues related to labour and working conditions and it is planned that this will be part of their curricula in terms of capacity building. The project in fact will lead to enhance conditions and awareness in the area of labour and working conditions.		
Physical and economic resettlement		No risk envisaged
The project has very strong targeting and will enhance physical, social, cultural and/or economic impacts, especially for marginalized groups.		
Greenhouse gas emissions		No risk envisaged
The project will have a very positive and significant mitigation effect: the accumulated GHG mitigation potential of implementation of activities in Component 1 amounts to -6.7 tCO ₂ eq per hectare per year, or about -11 million tCO ₂ eq over the entire 20-years-period of analysis.		
Vulnerability of target populations and ecosystems to climate variability and hazards		No risk envisaged
The project will decrease beneficiaries exposure or vulnerability		
Stakeholders	Moderate	Moderate

Risk Categories and Subcategories	Inherent	Residual
Stakeholder engagement/coordination	Moderate	Moderate
Risk(s): The risk that relevant stakeholders are not identified, and/or of inadequate/insufficient information disclosure, consultation/coordination with and buy-in from stakeholders on project objectives, delivery of interventions and promotion of sound environmental and social practices (e.g. with government, project target groups, civil society organizations, implementing partners, private sector, including financial intermediaries), resulting in misunderstandings or opposition by stakeholders, or duplication/inconsistencies between partners working in the same target area that may undermine project implementation and achievement of project development objectives.	Moderate	Moderate
Mitigations: Lack of interest among potential beneficiaries due to little awareness of CRPS, fiduciary risks and financial guarantee may be a risk for project implementation. Field visits have shown that farming families are generally aware of the problems they endure in producing during a crisis, such as the severe droughts of recent years. They are interested in finding solutions to their various problems, starting with those related to agricultural production. An ample stakeholder consultation was performed during project design to make sure the needs of the families were adequately addressed in the project. In addition, TRIPs will be developed with the participation of the beneficiary communities. An FPIC plan will be implemented for Indigenous and Traditional Communities. And youth participation will be encouraged (at least 50%), since they are more open to experimenting with new practices. For some families, the poverty condition may be an obstacle to their full participation in project activities. Some men feel threatened by women's empowerment and may not allow their wives to participate. The project will address this by working with the family's immediate needs, such as food security, nutrition and health. The design was highly participatory and reflects the demands and needs of stakeholders.		
Stakeholder grievances	Moderate	Moderate
Risk(s): The risk that the project has ineffective grievance/complaint redress processes (including with respect to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption, or SEA), leading to unaddressed stakeholder complaints that may undermine project implementation and achievement of project development objectives	Moderate	Moderate
Mitigations: The project will sensitise stakeholders on the possibilities of grievance and complaint mechanisms. It will also include such information as part of IFAD missions as well as of technical assistance teams capacity building of beneficiaries		

Key terms of IFAD financing

Financing summary Initiating institution:	IFAD
Borrower/recipient:	Brazilian Development Bank (BNDES)
Executing agency:	BNDES
Total project cost:	US\$217.8 million
Amount of IFAD loan:	US\$30.0 million
Terms of IFAD loan:	Ordinary, with a maturity period of [...] years and a grace period of [.....] years at a rate of interest equivalent to IFAD's reference interest rate plus a [.....: variable or fixed] spread
Cofinancier:	Green Climate Fund
Amount of cofinancing:	US\$99.5 million
Terms of cofinancing:	Loan (US\$65.0 million) and grant (US\$34.5 million)
Contribution of borrower/recipient:	US\$73.0 million
Contribution of beneficiaries:	US\$15.3 million
Amount of IFAD climate finance:	US\$28.3 million
Cooperating institution:	IFAD
Guarantor	Federal Government of Brazil
Legal instruments	Financing agreement between the Borrower and IFAD will constitute the legal instrument for extending the IFAD financing and the GCF co-financing to the borrower/recipient. Guarantee agreement between IFAD and the Guarantor (Federal Government of Brazil) will constitute the legal instrument to guarantee the Borrower's payment obligations of both IFAD and co-financer financing. Subsidiary agreements between the Borrower and each Participating State for the implementation of the state-level subproject activities
Governing law and Jurisdiction	The Financing agreement and Guarantee agreement shall be governed by, and construed in accordance with, public international law. Any dispute, controversy or claim arising out of, or in relation to, the Financing agreement and Guarantee agreement, shall be settled in accordance with the Arbitration Rules (2012) of the Permanent Court of Arbitration.
Authority	BNDES is empowered under its corporate laws and under Brazilian legislation to receive financing from IFAD and the Federative Republic of Brazil is empowered under Brazilian law to guarantee the financing. IFAD financing to BNDES represents funding to a national development bank, based on a due diligence of the creditworthiness and implementation capabilities of BNDES
Amendments	Any amendment to the Financing Agreement shall only be made by mutual agreement between the Borrower/Recipient and the Fund,

	after having obtained the Guarantor's concurrence to such amendment, including the Project Completion Date and the Financing Closing Date.
Negotiations of the Financing agreement and Guarantee agreement	After Funded Activity Agreement between IFAD and GCF has been negotiated.
Entry into force	<p>The Financing Agreement shall enter into force once it is signed by both parties and subject to:</p> <p>a) The Federative Republic of Brazil and the Fund signing a Guarantee Agreement which has entered into force; and</p> <p>b) A favourable legal opinion from the Federal Government of Brazil, upon which the GCF shall be entitled to rely, confirming that the signature and performance thereof by the Borrower/Recipient of the Financing Agreement and of the Guarantee Agreement has been duly authorised and ratified by all necessary corporate action, and the Financing Agreement is legally valid and binding upon the Borrower/Recipient under Brazilian law in accordance with its terms regardless of any law to the contrary in its territory, and that the Guarantee Agreement is enforceable vis a vis the Guarantor in accordance with its terms.</p>