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President's memorandum

Federative Republic of Brazil

Extension of the time limit to conclude the loan negotiations for the

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

Note to Executive Board representatives

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Executive Board — 132nd Session
Rome, 19-21 April 2021

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 6 of this document.

I. Background

1. The Planting Climate Resilience in Rural Communities of the North-east Project was approved by the Executive Board on 4 December 2020 through vote by correspondence, subject to concluding negotiations on the financing agreement and guarantee agreement no later than 31 March 2021. The Green Climate Fund (GCF) Board approved the project at its twenty-seventh meeting in November 2020. The reason for scheduling negotiations after Executive Board approval was the GCF requirement of a certificate of approval from IFAD in order to start drafting the funded activity agreement, as a prerequisite for the financing agreement and the guarantee agreement with Brazil. IFAD and GCF finalized negotiations of the funded activity agreement on 24 March 2021.
2. The total project costs over the eight-year period are estimated at US\$217.8 million, with an IFAD loan of US\$30 million and US\$99.5 million from GCF (US\$65.0 million as a loan and US\$34.5 million as a grant) and US\$73.0 million in national counterpart funds.
3. The project objective is to reduce the impact of climate change and increase the resilience of affected populations in the largely semi-arid north-east region of Brazil. 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, in addition to diversification strategies to strengthen the rural populations' resilience.

II. Status of loan negotiations

4. Negotiations with the federal Government, which may be requested only upon transmission of the pre-negotiated financing agreement by the Brazilian Development Bank (BNDES), could not be scheduled by 31 March. The pre-negotiations with BNDES, which began once GCF had provided the draft funded activity agreement at the end of February 2021, are still ongoing. As this is the first negotiation between IFAD and BNDES, a detailed review was conducted of IFAD's General Conditions for Agricultural Development Financing and the financing agreement, and the process took longer than anticipated. Pre-negotiations are expected to be concluded in April, followed by final negotiations with the federal Government.
5. As such, an extension is required to complete the negotiations. While an approval of the extension after the original deadline by which negotiations were to be concluded would not be aligned with IFAD's current procedures, it would secure the validity of the funded activity agreement with GCF and allow negotiations to be concluded so as to initiate without further delay the ratification of the financing and guarantee agreements by the Brazilian Senate.

III. Recommendation

6. In view of the foregoing, it is recommended that the Executive Board approve an extension of three months – to 30 June 2021 – of the deadline for negotiating the financing agreement and the guarantee agreement for the Planting Climate Resilience in Rural Communities of the North-east Project.