
Federative Republic of Brazil

**Food Security and Nutrition and Climate Resilience
in the Semi-arid Northeast of Brazil Project – Dom
Hélder Câmara III Project
Negotiated financing agreement**

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Negotiated financing agreement

Food Security and Nutrition and Climate Resilience in the Northeast Semi-arid of Brazil Project – Dom Hélder Câmara III Project

(Negotiations concluded on 18 November 2024)

Loan No: _____

Project name: Food Security and Nutrition and Climate Resilience in the Northeast Semi-arid of Brazil, also called Dom Hélder Câmara Project, phase III (the "PDHC III" or "Project")

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")

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS the Fund has agreed to provide financing for the Project;

WHEREAS the Project will be the third phase of IFAD's successful collaboration with the federal government and will build on the lessons learned and experiences of the two previous phases. The Dom Hélder Câmara Project is considered a powerful and widely recognized "brand" name and symbol of Brazilian public policy and commitment to poverty reduction in family farming in the Northeast.

NOW THEREFORE, 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), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022 (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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is thirty-five million United States dollars (USD 35 000 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan at a rate equal to the IFAD Reference Interest Rate including a variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of eighteen (18) years, including a grace period of three (3) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
3. The Loan Service Payment Currency shall be in United States dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Principal and interest shall be payable on each 15 May and 15 November.
6. There shall be a Designated Account opened by and held in the name of the Borrower in USD, for the exclusive use of the Project. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. There shall be Project Account in Brazilian Real (BRL) held by the Borrower to receive funds from the Designated Account.
8. The Borrower shall provide counterpart financing for the Project in the amount of USD 10 million in direct cash contribution.

Section C

1. The Lead Project Agency shall be the Ministry of Agrarian Development and Family Farming (MDA), which will implement the Project through the Secretariat for Land Governance, Territorial and Socio-Environmental Development (SFDT), or their successor with the same attributions and legal competencies, subject to prior approval by the Fund for the purposes of the Project.
2. 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 Project Mid-Term Review.
3. The Project Completion Date shall be the 6th anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

1. The Fund will administer the Loan and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event that the Borrower did not request a disbursement of the Financing within a period of at least 18 months after the date of entry into force without justification.
 - (b) In the event that the Borrower did not request a disbursement of the Financing within 18 months of the last disbursement.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - (a) The IFAD no-objection to the PIM shall have been obtained.
 - (b) The Project Management Unit (PMU) shall have been established within MDA/SFDT and its key staff.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

The Minister of Agrarian Development and Family Farming (MDA)
Ministry of Agrarian Development and Family Farming (MDA)
Esplanada dos Ministérios
Bloco C 5º Andar
Brasília – DF 70054-900

For the Fund:

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

5. The Parties commit to share copies of all communication related to this Agreement with:

Ministério do Planejamento e Orçamento
Secretaria de Assuntos Internacionais e Desenvolvimento
Esplanada dos Ministérios, Bloco K, 8º andar
CEP: 70040-906 Brasília, DF

E-mail: seaid@planejamento.gov.br; cofiex@planejamento.gov.br

and

Ministério da Fazenda
Secretaria do Tesouro Nacional
Coordenação-Geral de Controle da Dívida Pública - CODIV
Esplanada dos Ministérios, Bloco P, Anexo, Ala A, 1º andar, sala 121
CEP: 70048-900 Brasília, DF

E-mail: codiv.df.stn@tesouro.gov.br

The Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

THE FEDERATIVE REPUBLIC OF BRAZIL

Authorised Representative

Procuradoria-Geral da Fazenda Nacional
Ministério da Fazenda

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project will benefit approximately 90,000 family farming families (around 315,000 people), of which 60% will have a Single Registry (Cadúnico) profile. 50% of the activities will focus on women, 30% on young people and 7% on traditional peoples and communities (PCTs). The Project's main target groups are: i) family farmers living in poverty and extreme poverty, ii) rural women, iii) rural youth, iv) PCTs, v) land reform settlers, and vi) the LGBTQIAPN+ community.

2. *Project area.* The Project will cover the semiarid region of the 9 North-eastern states and the state of Minas Gerais, totalling 10 states. It will follow a territorial approach with a geographical focus to avoid the dispersion of interventions, and promote integration between public policies, social participation, and federative coordination. Up to 30 priority rural territories will be chosen (group of municipalities).

3. *Goal.* The goal of PDHC III is to contribute to reducing rural poverty and food and nutrition insecurity in family farming.

4. *Development Objective.* The Project aims to generate more sustainable, biodiverse food systems that strengthen family farmers' resilience to climate change. It seeks to improve income, and food and nutrition security by strengthening family farmers' capacities to produce healthy food. PDHC III will also seek to reduce gender, generational, and ethnic-racial inequalities through access to public policies, technological innovations and resources that promote sustainable, biodiverse, and climate-resilient food systems, as well as contributing to access to new jobs or sources of income.

5. *Components.* The Project shall consist of the following Components:

5.1. *Component 1. Promoting Food and Nutrition Security from an Agroecological Perspective.* It aims to improve families' income and food and nutrition security by strengthening the productive capacity of family farmers living in poverty and extreme poverty. It also aims to strengthen family farming organizations so that they can absorb surplus production, transform it, and market it with added value. This will be achieved through a territorial approach, with agroecological characteristics for coexistence with the semiarid region. The technical assistance to be provided by the Project, including Technical Assistance and Rural Extension (TARE), Virtual Technical Assistance (VTA), training, exchanges, and other individual and collective training processes, will act as a means of interaction and exchange of knowledge, and as the primary inducer of technological innovations in the field. The operational strategy will be based on the sustainable use of biodiversity by strengthening the productive capacities of family farmers living in poverty and extreme poverty. The component will focus on production for self-consumption, the generation of surpluses for marketing, and access to public policies. This component will strongly contribute to productive inclusion and strengthen the capacities of family farmers, especially the priority target groups of women, young people, agrarian reform settlers and PCTs. The association of TARE activities with Productive Development resources will create more resilient production systems, which should be adaptive and contribute to mitigating the effects of climate change.

5.2. *Component 2. Capacity Building, Innovation and Dissemination.* It aims to create an environment conducive to improving and updating the knowledge and skills of the extension and technical field advisors, civil society actors who work in training processes in the territories, leaders of family farming organizations, including associations and cooperatives, and teachers from rural educational institutions, as well as some of the beneficiaries, to

promote agroecological transition and sustainable and nutritious agri-food systems. One line of activities will focus on the technical staff of Technical Assistance organizations to promote agroecological transition and sustainable and nutritious agri-food systems, as well as including issues related to gender and food and nutritional security. Another line aims to generate knowledge among CEFFAs ("Centros Familiares de Formação por Alternância"), by supporting the production of teaching materials on topics related to PDHC III. In addition, school cooks will receive training to improve food production in schools, prioritizing the use of local socio-biodiversity and agroecological products, aiming to improve pupils' diets and ensuring better food and nutritional security. With a broader vision, the students will be able to take the good practices back to their homes and communities. The knowledge generated by the Project will be disseminated through the publication of technical products and exchanges, benefiting family farmers in Northeast Brazil, the Southern Cone, and African countries, mainly through demand-based South-South and Triangular Cooperation (SSTC) initiatives, in mutual agreement between the parties. These materials will also be used for policy dialogue activities, to support new/improved public policies. This component will strongly contribute to increasing the capacities of TARE professionals, civil society actors who work in training processes in the territories and youth, focusing on priority target groups (women, young people, agrarian reform settlers and PCTs). The knowledge management products to be developed and disseminated, and more qualified TARE, will enable the replication of more resilient and sustainable production systems, which will also help mitigate climate change. The knowledge management products, together with policy dialogue and SSTC, will allow good practices to be scaled, increasing replicability beyond the territories in which they operate.

5.3. *Component 3. Project Management and M&E.* This component will include all project management activities necessary for efficient implementation through a Project Management Unit (PMU). It will also implement the monitoring and evaluation (M&E) activities, including the M&E system, to support the planning, monitoring and evaluation of results.

II. Implementation Arrangements

6. *Lead Project Agency.* The Lead Project Agency will be the Ministry of Agrarian Development and Family Agriculture (MDA), which will implement the Project through the Secretariat for Land Governance, Territorial, and Socio-Environmental Development (SFDT).

7. The following may be designated as additional Project Parties: Ministry of Social Development, Social Assistance, Family and Fight Against Hunger (MDS) and National Agency for Technical Assistance and Rural Extension (ANATER) or their successor with the same attributions and legal competencies, subject to prior approval by the Fund for the purposes of the Project. Other Project parties may be appointed subject to prior approval by the Fund.

8. *Management Committee.* This will be made up of representatives from the units of the MDA and other federal bodies with a prominent role in the Project and act as a mechanism for monitoring actions and coordinating between the different areas of the Ministry and the relevant Federal Government stakeholders.

9. *Regional Council.* Within the regional framework of the Northeast and Minas Gerais, a space will be established for disseminating information and discussing the Project activities between the participating states and the organizations representing family farmers at regional level. This Council will be made up of representatives of civil society organizations and representatives of state governments. Through the Regional Council, the PMU will present its activities and ensure alignment, synergies, and complementarities with state governments and family farming civil society organizations operating in the states.

10. *Territorial Committees*. In each Territory where the Project will operate, a Committee will be set up within the Territorial Collegiate as a space for social control; dialogue on the demands of the communities and their alignment with Project activities at the territorial level; and articulation with other public policies, programmes and projects, in particular, those of IFAD and the Federal Government. The Project can support the functioning and meetings of the Territorial Committees for discussions and implementation of its activities.

11. *Project Management Unit (PMU)*. The key staff of the PMU, set up at the SFDT/MDA in Brasilia will be at least the following: i) General Coordinator, ii) Technical Coordinator, and professionals in the following specialities: a) Procurement and Contracts, b) Financial Management, c) M&E, d) Gender, Youth and Traditional Communities, and e) Social, Environmental and Climate Safeguards. Other professionals and consultants may be added to the team, including specialists on nutrition, knowledge management and to monitor the work in the field directly in the territories.

12. *Financial Management*. The PMU finance team will work in close coordination with MDA's Under secretariat of Planning, Budget and Administration (SPOA) for budgeting and financial planning. The funds needed to implement the project will be included by the MDA in the Annual Budget Law (LOA) and in the Multi-Year Plan (PPA) of the General Budget of the Union (OGU). The project will be subject to public sector Law No. 4.320/64, which establishes the norms and principles for budgeting, accounting and financial management. Internal control will be ensured by establishing the segregation of duties, periodic reconciliation of accounts, approval levels for expenditures and a financial procedure section of the Project Implementation Manual (PIM) detailing staff duties and responsibilities. Payments will follow the workflows and built-in controls in the SIAFI system and oversight of MDA's Financial department.

13. To cover the large geographic area implementations is decentralized through the hiring of partner entities/ subcontractors for implementing Project activities. The PIM will include detailed provisions for the selection and oversight of partner entities/ subcontractors. The legal instruments signed with partner entities/ subcontractors will include technical and fiduciary obligations and safeguards, including those related to accountability for expenditure and IFAD's anti-corruption policies. MDA will assess the flow of funds before requesting the IFAD no-objections to the agreements with partner entities/ subcontractors.

14. *Audits*. The Project accounts will be audited annually by the Office of the Comptroller General of the Presidency of the Republic (CGU/PR).

15. *Knowledge Management and Communications (KM&C)*. The PMU will draw up a participatory KM&C plan at the start of the Project, bringing together the initial demands for studies and research and a communication and dissemination approach. This plan will be reviewed annually and reflected in the Annual Workplan and Budget (AWPB) together with a budget allocation.

16. *Project Implementation Manual (PIM)*. Project implementation will be in accordance with this Agreement and the PIM. In case of discrepancy between this Agreement and the PIM, this Agreement will prevail. Any change or modification in the PIM will require IFAD's prior no-objection.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (Expressed in USD)	Percentage
I. Goods, Services, Equipment and Materials	7 400 000	100% net of taxes
II. Workshops, Meetings and Training	2 950 000	100% net of taxes
III. Studies and Technical Assistance	17 350 000	100% net of taxes
IV. Salaries and Operating Costs	3 800 000	100%
Unallocated	3 500 000	
TOTAL	35 000 000	

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

- (i) *Goods, Services, Equipment and Materials* include the provision to communities of agroecological systems for food production and reutilization of water, production and dissemination of communication and training materials, scholarships and the purchase of vehicles and computer equipment for use in the field.
- (ii) *Workshops, Meetings and Training* include participation in policy coordination and dialogue committees and platforms; training to community organization members including women and young people; field visits; training to technical assistance providers; and training to technicians in planning, monitoring and evaluation.
- (iii) *Studies and Technical Assistance* include technical assistance services to be provided to the beneficiaries, evaluation of pilot digital technical support and technical advice on access to markets.
- (iv) *Salaries and Operating Costs* are those related to the PMU functioning, including its Territorial Coordination Units.

2. *Disbursement arrangements*

- (a) Withdrawals in respect of expenditures for start-up costs (in categories I, II, III and IV) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 700 000. Activities to be financed by Start-up Costs will include those associated with the hiring of key staff, final preparation of the PIM, and contracting of the M&E system and

the automated financial reporting system and other systems. The activities and amounts to be financed by Start-Up Costs will require prior no-objection from IFAD to be considered eligible.

- (b) Expenditure made by the Federal Government from the time the project was approved by IFAD's Quality Assurance Group (QAG) on the 4th of June 2024, aimed at achieving the project's objectives, will be recognized and reported as a national counterpart funding.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 18 months of entry into force the project will implement a module or application to complement the SIAFI system which allows for monitoring of budget and execution by categories and components as required for IFAD quarterly financial reporting.

2. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a functioning system for Planning, Monitoring and Evaluation (PM&E) shall be established within eighteen (18) months from the date of entry into force of this Agreement, or any other period agreed between the parties.

3. *Gender.* The Borrower shall ensure that separate planning meetings with women are held at community level to ensure that women's voices are heard.

4. *Indigenous People (IP) Concerns.* The Borrower shall ensure that the concerns of

IPs are given due consideration in implementing the Project and, to this end, shall ensure that:

- (a) the Project is carried out in accordance with the applicable provisions of the relevant national IP legislation;
- (b) indigenous people and quilombola communities declare their Free, Prior and Informed Consent (FPIC) to project activities concerning them;
- (c) indigenous people are adequately and fairly represented in all local planning for Project activities;
- (d) IP rights are duly respected;
- (e) IP communities participate in policy dialogue and local governance;
- (f) The terms of Declarations, Covenants and/or Conventions ratified by the Borrower on the subject are respected;
- (g) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.

5. *Anticorruption Measures.* The Borrower shall comply with IFAD's Policy on Preventing Fraud and Corruption in Project Activities.

6. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

7. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that:

- (a) all vehicles and other equipment procured under all Components are allocated to the MDA's official office in the state where the territories are situated for Project implementation;

- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.

8. The Key Project Personnel, as specified in Section II.10 of Schedule 1 of the Financing Agreement, unless otherwise agreed with IFAD, shall be employed or designated by the PMU, as required, with qualifications, experience and terms of reference satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The designation of Key Project Personnel is subject to IFAD's verification. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations.