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**Federative Republic of Brazil**  
**Country strategic opportunities programme**  
**2024–2029**

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**Action:** The Executive Board is invited to review the country strategic opportunities programme 2024–2029 for the Federative Republic of Brazil.

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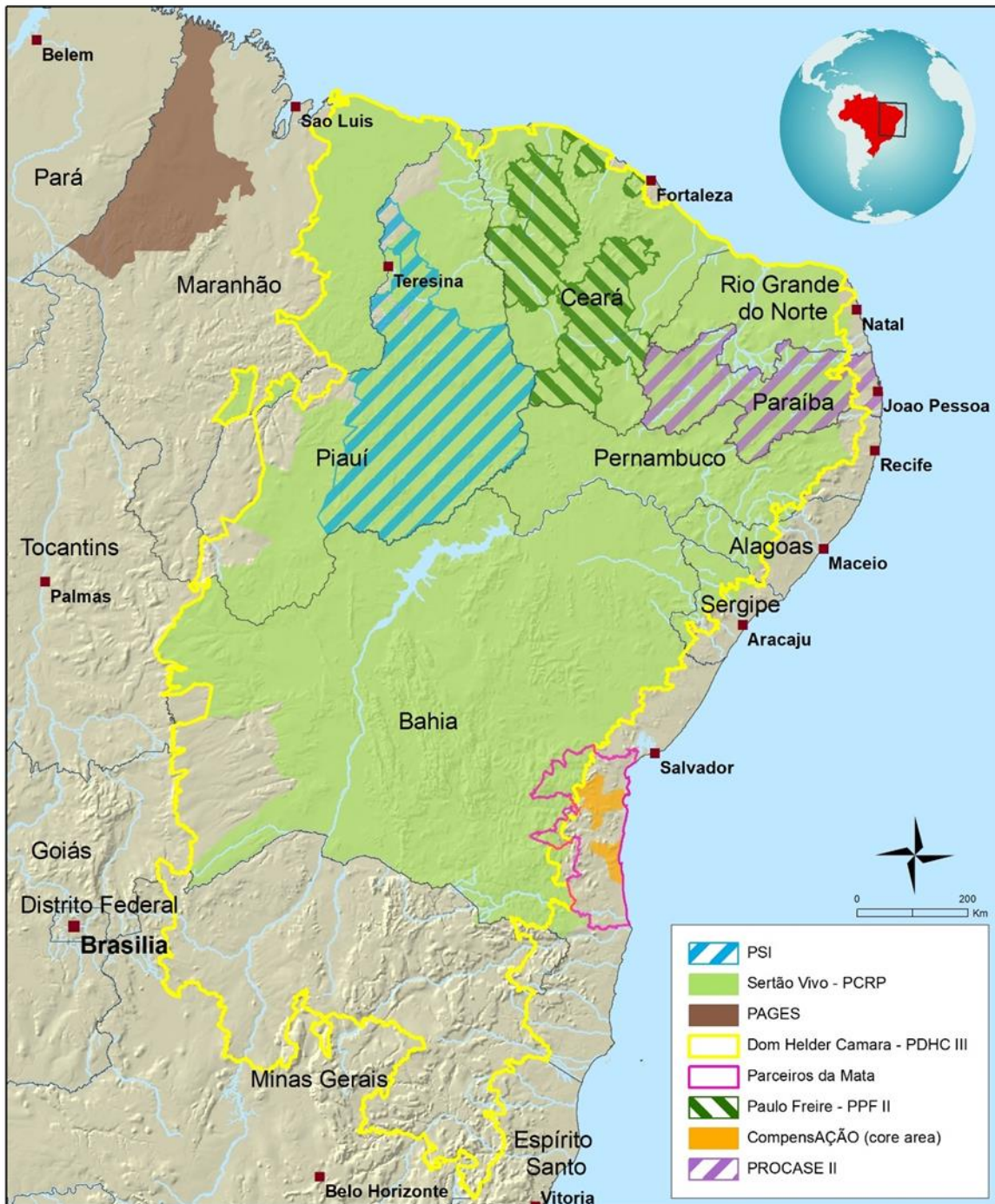
### COSOP delivery team

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## Map of IFAD-funded operations in the country



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 | 05-03-2024

## Executive summary

1. This country strategic opportunities programme (COSOP) provides the vision for IFAD's engagement in the Federative Republic of Brazil from 2024 to 2029. It builds on the previous COSOP 2016–2024, while also considering that the country has exceeded the graduation discussion income (GDI) threshold for three years and that income in IFAD-funded regions is significantly lower than the national average. It focuses on supporting a trajectory towards sustainability including climate change and biodiversity aspects for smallholder agriculture in accordance with environmentally sustainable practices and low carbon production systems.
2. Brazil is ranked fourth in terms of global agricultural production (US\$157.5 billion in 2020) and is a major player in agricultural trade, accounting for 7.5 per cent of global agricultural exports. The sector represents 5.8 per cent of the country's GDP and employs 8.5 million people. Key agricultural challenges are to maintain productivity and output development while guaranteeing that growth is compatible with the country's poverty and inequality reduction goals, as well as the conditions for environmental and ecological sustainability.
3. The COSOP goal is to mainstream proven public policy approaches for inclusive poverty reduction while maintaining the territorial and targeting focus in the northeast region, developing innovations for improved capacities and policy instruments and gradually expanding the geographical scope of operation to other critical biomes, including, for example, the Amazon, Atlantic rainforest and Cerrado. This goal will be achieved through three strategic objectives (SOs):
  - Improve sustainable agricultural production, food security, nutrition and market access with a focus on environmental and climate sustainability;
  - Enhance public policies and programmes through evidence-based revision and scaling up best practices; and
  - Strengthen the capacities of governmental institutions and organizations of the rural poor to drive inclusive and sustainable rural development.
4. The COSOP responds to commitments under the Twelfth Replenishment of IFAD's Resources (IFAD12) and IFAD13, especially concerning food systems transformation pathways, national development strategies, private sector engagement, biodiversity and climate change. The target group will be smallholder and landless families living in poverty and food insecurity in rural communities and agrarian reform settlements, prioritizing women, youth, traditional peoples and communities, LGBTQ+ and persons with disabilities.

# Federative Republic of Brazil

## Country strategic opportunities programme

### 2024–2029

## I. Country context

### A. Socioeconomic setting

1. **Territory and demographics.** Brazil is the largest country in Latin America, with approximately 8.51 million km<sup>2</sup> in land area and 203 million inhabitants. The northeast, the poorest region, includes 54.6 million inhabitants, or 26.9 per cent of the total population. According to the 2022 census, Brazil has 1,693,535 Indigenous Peoples (0.83 per cent), while the Quilombola population of rural Afro-descendant communities is 1,327,802 (0.65 per cent).
2. **Macroeconomic context.** Brazil's GDP in 2023 was US\$2,173.5 billion, making it the ninth largest economy in the world, while its gross national income (GNI) per capita was US\$10,049. The country is classified as an upper-middle-income country (UMIC), although it has one of the most unequal income distributions in the world (Gini index of 0.518 in 2023). GDP per capita is expected to grow by 2.45 per cent in 2024 and 2.80 per cent in 2025, according to the May 2024 parameter grid of the Ministry of Finance.
3. **Poverty dynamics.** Brazil's Human Development Index (HDI) increased from 0.723 in 2010 to 0.766 in 2018 but fell to 0.754 in 2021 due to the COVID-19 pandemic and the economic recession, ranking it 87<sup>th</sup> of 191 countries. More than 62.5 million Brazilians (almost 31 per cent of the total population) live below the World Bank's poverty line, 47.9 per cent of whom in the northeast region. In the semi-arid northeast, Latin America's largest poverty hotspot, 82 per cent of the municipalities have a low HDI.
4. The north and northeast regions are the poorest in Brazil, with multidimensional poverty indices (MPI) of 66 per cent (2019) and 67 per cent (2020), respectively. In 2021, 30.2 per cent of women were poor, compared to 28.6 per cent of men.
5. **Food security and nutrition.** In 2022, 125.2 million Brazilians were food insecure, and more than 33 million suffered from severe food insecurity. Compared to urban areas, unequal access to food is greater in rural areas, where 18.6 per cent of households face hunger daily. Notably, 25.7 per cent of families with severe food insecurity live in the north and 21.0 per cent in the northeast.
6. **Environment.** Brazil is the most biodiverse country in the world, harbouring at least 15 per cent of all global biodiversity. Protected areas and Indigenous lands cover around 30 per cent of Brazil's territory. Brazil also holds 53 per cent of South America's freshwater resources, 12 per cent globally.
7. Deforestation represents the main source of greenhouse gas emissions in Brazil. The country has suffered a significant loss of biodiversity, due in great part to land conversion to farming.
8. **Climate change.** By 2100, all regions of Brazil are expected to face variable increases in average temperatures of between 1° C and 6° C. Extreme droughts and prolonged dry spells, especially in the Amazon, Cerrado and Caatinga biomes, will increase around the middle of the 21<sup>st</sup> century. The combined spatial and temporal variability in rainfall, lack of irrigation, land degradation and rural poverty make Brazil's northeastern semi-arid region one of the most vulnerable to climate change globally.

Table 1  
Key data

| <i>Indicator</i>  | <i>Data</i>                   | <i>Reference year</i> | <i>Source</i>  |
|---|-------------------------------|-----------------------|--|
| GNI per capita  | US\$8,140 (current prices)    | 2022                  | World Bank   |
| GDP growth  | 2.9%                          | 2022                  | Organisation for Economic Co-operation and Development (OECD) Stat |
| Public debt (% of GDP)  | 73.5% (Gross) and 57.4% (net) | 2022                  | Central Bank of Brazil (BCB)                                       |
| Debt service ratio  | 6.1% of GDP (618 R\$ billion) | 2022                  | BCB  |
| Debt to GDP ratio   | 0.73 (Gross) and 0.57 (net)   | 2022                  | BCB  |
| Inflation rate (%)  | 9.3%                          | 2022                  | World Bank   |
| Population size   | 203.062.512                   | 2022                  | Brazilian Institute of Geography and Statistics (IBGE) Census 2022 |
| Population, female  | 104.548.325 (51%)             | 2022                  |  |
| Youth population  | 45.312.128                    | 2022                  |  |
| Unemployment rate   | 8.4%                          | 2023                  | OECD Stat  |
| Multidimensional Poverty Index (MPI), instead of IFAD vulnerability index | 0.016                         | 2023                  | United Nations Development Programme (UNDP)                        |
| Fragility index   | 74.5                          | 2023                  | Fund for Peace   |
| INFORM Risk Index   | 4.5 (medium)                  | 2023                  | INFORM Risk  |

## B. Assessment framework

9. Table 2 summarizes expected benchmark and target values during the country strategic opportunities programme (COSOP) implementation, against agreed criteria and indicators. Details on definitions, approach and assumptions are available in appendix III.

**Table 2**  
COSOP assessment framework

| Criteria   | Indicator  | COSOP           |                 |                   |                   | Brazil       |
|--|--|-----------------|-----------------|-------------------|-------------------|--------------|
|  |  | 2016            | Baseline        | Midterm benchmark | Completion target | Ideal target |
| Access to international capital markets                      | Credit rating (long-term, Fitch)                                     | BB              | BB (Jan 2024)   | BBB               | A                 | Aa           |
| Institutions/policies for sustainable rural development      |  | (2018)          | (2021)          |                   |                   |              |
| Rural Sector Performance Assessment (RSPA)                   | Overall RSPA rating  | 4.2             | 4.0             | 4.2               | 4.5               | 4.8          |
|  | Policies/frameworks (1.1)  | 4.3             | 4.5             | 4.5               | 4.7               | 5.0          |
|  | Climate change policies (3.2)  | 3.8             | 3.7             | 4.0               | 4.2-3             | 4.5          |
|  | Access/use of rural financial services (4.1)                         | 3.9             | 3.0             | 3.9               | 4.2               | 4.8          |
| <b>Progress towards Sustainable Development Goals (SDGs)</b> |  |                 |                 |                   |                   |              |
| SDG 1: No poverty (World Bank)                               | Poverty headcount ratio  | 27.0            | 28.4 (2021)     | 27.0              | 25.0              | 14.0         |
| SDG 2: Zero hunger (FAOSTAT)                                 | Prevalence of undernourishment (% population)                        | 2.5 (2015–2017) | 4.7 (2020–2022) | 3.8               | 3.0               | 2.5          |
| SDG 5: Gender equality (OECD Data) (UN Reporting)            | 1. Women in parliament (%)   | 10.7 (2017)     | 15.2 (2021)     | 19.0              | 22.6              | 45.6         |
|  | 2. Proportion of time spent in unpaid domestic and care work, female | 12 (2017)       | 12              | 11                | 10                | 8            |
| SDG 10: Reduced inequalities UNDP                            | Income share of lowest 40%   | 6.00            | 6.03 (2021)     | 6.03              | 6.05              | 6.09         |
| Memo item:   |  |                 |                 |                   |                   |              |
| GNI per capita (US\$)  |  | 8 890 (2016)    | 8 140 (2022)    | 8 715             | 9 330             |              |

## C. Food systems, agriculture and rural sector agenda

10. Brazil ranked fourth in global agricultural production (US\$157.5 billion in 2020) and accounts for 7.5 per cent of global agricultural exports. Its agro-industry represents 5.8 per cent of GDP and employs 8.5 million people. Brazil has transformed from a tropical agricultural exporter to a global commodity supplier of soybeans, grains, cotton, ethanol and meat.
11. Of the country's 5.07 million farms, 23 per cent are agribusinesses and 76 per cent family farms. While agribusiness occupies 76.9 per cent of the land area, family farming is important for income generation and food security. It accounts for 23 per cent of the total value of agricultural production and employs 67 per cent of the agricultural workforce (around 10 million people).

### Challenges and opportunities

12. The agricultural sector shows a strong dichotomy. While most of its dynamism is generated by commercial agriculture in the south, southeast and centre-west regions, family farming is characterized by low economic dynamism and high poverty rates, especially in the northeast and north regions.

13. Despite significant progress in poverty reduction since the early 2000s, an adverse economic scenario emerged from 2014 onwards and worsened due to the COVID-19 pandemic, impacting the main macroeconomic indicators.
14. Severe fiscal restrictions reduced funding for key programmes for rural development and poverty reduction, exacerbating the already significant challenges facing family farming in the northeast. Low productivity and poor market connections lock many smallholders into poverty and drive young people into urban migration.
15. Northeastern family farming shows a considerable productivity gap compared to other regions due to unfavourable farming conditions (water and soil), low coverage of extension services and poor farming techniques. Average productivity is 37 per cent, 50 per cent and 61 per cent of the national average for beans, maize and cassava, respectively. Public services have a low coverage of technical assistance, credit and conditional cash transfer programmes. In addition, the lack of an integrated approach between production, environment and marketing restricts the sustainable insertion of smallholder products into profitable value chains.
16. In the context of the Government's resumption of financing and intergovernmental coordination of rural sector policies, increasing smallholder productivity is an opportunity compatible with the country's goals of reducing poverty and inequality with environmental sustainability.

#### **Government policy and institutional framework**

17. During the last six years, the Federal Government had deprioritized rural development policies and the fight against rural poverty. Apart from the national credit policy for family farming and the National Programme for the Strengthening of Family Farming (PRONAF), it reduced the budgets of the main programmes, including food acquisition (PAA)<sup>1</sup> and school feeding (PNAE),<sup>2</sup> and the capacity of the relevant ministries. As the Federal Government scaled back support for family agriculture, IFAD projects gained increased significance, often stepping in to fill the void left by diminished public policies. Notably, IFAD played a crucial role in areas like the National Policy for Technical Assistance and Rural Extension (ATER), PRONAF, PAA, PNAE, the One Million Cistern Programme (P1MC) and productive inclusion grants (Fomento programme). The new administration has turned these trends around, making poverty reduction its main goal.
18. Key agencies at the national level are the Ministry of Agrarian Development (MDA), which also oversees key agencies for land reform and agricultural extension, and the Ministry of Social Development and Fight against Hunger (MDS).

## **II. IFAD engagement: Lessons learned**

### **A. Results achieved during the previous COSOP**

19. In the absence of a recent country strategy and programme evaluation, the COSOP 2016–2024 completion review undertaken with the Government showed strong results, with six projects achieving impact. Some shortcomings were experienced in building government capacities. Nonetheless, linking the investments to public policies resulted in strong ownership of the rural transformation process by local communities and the Government.

### **B. Lessons from the previous COSOP and other sources**

20. The previous COSOP underscored lessons learned that have informed the present COSOP.

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<sup>1</sup> Family Farming Food Procurement Programme.

<sup>2</sup> National School Meals Programme.



21. Notably, it highlights the importance of state interventions, combined with agile and flexible mechanisms for reorienting projects, for instance during severe droughts, water crises and the COVID-19 pandemic. This has contributed to generate effective and sustainable rural institutions and policies. In addition, the projects' responsiveness to such crises enhanced confidence and partnerships between governments and IFAD. The combination of investments and contributions to policy initiatives has produced impact (as in the Fomento programme facilitated with technical assistance), built mutual trust and boosted demand for IFAD support. An analysis of the main portfolio outcomes reveals a significant reduction of 60 per cent and 40 per cent in the number of families living in extreme poverty and poverty, respectively.
22. Activities promoting production diversification proved beneficial for vulnerable families, enhancing resilience and autonomy. Impact studies have documented a remarkable 61 per cent increase in agricultural production among family farming units. Integrating nutrition was essential for effectiveness, reinforcing food security and self-consumption strategies while advancing marketing strategies and market access. After project interventions, 67 per cent of beneficiary families improved food access, and 59 per cent diversified their diet, surpassing the projected 50 per cent outcome for targeted families. Access to various social technologies and establishing local participatory committees was key in leveraging productive investments and ensuring effective targeting, especially for women, youth and traditional communities.
23. **Rural digital boost.** COVID-19 necessitated adapting projects to include remote activities. IFAD and its partners developed digital approaches to connect with communities, providing information on sanitary guidelines, facilitating market access, offering technical assistance and conducting online surveys.
24. **Rural youth engagement.** The increased use of technology provided opportunities to involve young people. Projects included technical and vocational training, exchanges, festivals and employment as community agents and digital communicators. These strategies empowered rural youth, enabling them to assume leadership roles in their communities.
25. **Women's empowerment.** Direct inclusion in projects, use of educational tools and participation in extension teams produced impressive results in empowering and engaging women farmers. These approaches enhanced women's ownership of productive assets, knowledge and participation in local committees. Thanks to the projects, there has been a 33 per cent increase in women taking on or improving roles, gaining better access to income sources.
26. **Traditional communities.** IFAD projects were vital in providing technical assistance and access to public policies for traditional communities by considering the specific features of these groups. Nonetheless, challenges persist in their limited access to economic and social policies due to their remote locations, exclusion from official registries and additional obstacles in accessing specific public policies.
27. Solid project results encourage the consolidation of IFAD's environmental and climate agenda, increase involvement in federal policies on matters such as water access and foster partnerships with multilateral actors.
28. **Implementation arrangements.** A clear prioritization on agreements with partner organizations during the design phase enabled IFAD to establish agreements with clear disbursement clauses and streamline implementation arrangements, especially for newly developed cofinanced operations with several partners. This proactive approach aims to address potential challenges associated with complex implementation arrangements at an early stage.

29. **Non-lending activities.** Grant-financed projects provided cross-cutting support for innovations, learning, capacity-building on climate-resilient technologies, knowledge management (KM) and monitoring and evaluation (M&E). Climate finance has led to new forms of engagement with Brazil, such as working with the Brazilian Development Bank (BNDES) and exploring payments for environmental services.
30. **South-South and Triangular Cooperation.** Establishing the Brasilia South-South and Triangular Cooperation (SSTC) and Knowledge Centre (2018) and partnering with the Brazilian Cooperation Agency (ABC) have boosted SSTC activities with Brazil. M&E and KM tools increased IFAD's visibility as a strategic partner and contributed to the prioritization of rural investment projects by state governments.

### **III. Strategy for a transformational country programme**

#### **A. COSOP theory of change**

31. Based on IFAD's experience in the semi-arid northeast, it is assumed that if smallholder farmers have access to sustainable production and processing technologies, capacity-building, and public policies and markets, then rural poverty will be reduced and food security enhanced because of greater resilience to climate risks, increased production and better nutrition.
32. IFAD aims to support the Government in reshaping various aspects of the country's food system, transforming the socially and environmentally fragile, and politically dependent, production systems of family farmers in the northeast into a more productive and climate-resilient model that guarantees food, nutritional, financial and environmental sustainability, thus turning a vicious circle of environmental degradation and impoverishment into a virtuous circle of inclusive development (see appendix V).
33. This transformation integrates support to adopt innovative and sustainable smallholder production practices, and access government programmes. Additionally, IFAD focuses on enhancing the capacities of government agencies, rural organizations and smallholders. By supporting agroecological technologies and knowledge, IFAD empowers stakeholders to implement sustainable practices.
34. Furthermore, IFAD will advocate for supportive policies that encourage the adoption by family farmers of sustainable agricultural practices such as agroecology, promote sustainable agricultural intensification, climate resilience and biodiversity conservation, and improve access to water for consumption and production. By reducing reliance on deforestation and unsustainable practices, it will contribute to resource and biodiversity preservation. Additionally, it will facilitate collaboration with the private sector, thus improving value addition and market access and enhancing the economic viability of family farming.

#### **B. Overall COSOP goal and strategic objectives**

35. IFAD's strategic goal is to mainstream the proven public policy approaches for inclusive smallholder poverty reduction, while developing innovations for improved national, regional and state policy instruments. This will be accomplished by leveraging IFAD's comparative advantage in the country, which stems from a targeted geographical focus and differentiated approaches for priority groups.
36. Acknowledging Brazil's global environmental and climate significance, the intervention framework will integrate enhancements for regional and global environmental benefits, including biodiversity preservation and efforts to combat desertification and climate change. This will involve a blend of financial and non-financial interventions at state and federal levels to promote food systems transformation. The portfolio will prioritize projects that leverage additional loans and grants from multilateral and bilateral sources, aiming to alleviate rural poverty

among family farmers through the productive restoration of degraded and endangered ecosystems.

37. **Sustainability and scaling.** Sustainability will be bolstered by supporting the Government's policy framework for rural development and social inclusion, targeting impoverished rural smallholder populations. This will be complemented by capacity-building for public institutions to prioritize the implementation of key public policies, enabling the continuity and scaling of successful interventions. Additionally, knowledge initiatives will strengthen pro-poor policies, facilitate scaling, and foster exchange of project experiences within and outside the country. Innovative and resilient smallholder agricultural intensification, especially agroecological practices within strengthened rural organizations, will be integrated operationally with the protection and reforestation of degraded areas. This approach, proven in the Brazilian semi-arid zone, will be adapted for other biomes.
38. IFAD's strategic objectives for Brazil will be:
39. **Strategic objective 1.** Improve sustainable agricultural production, food security, nutrition and market access with a focus on environmental and climate sustainability. Considering that Brazil is a UMIC with large pockets of rural poverty in environmentally sensitive regions, IFAD will continue to increase smallholder production and productivity and improve access to markets, as well as the human and organizational capacities to adapt to the effects of climate change.
40. **Strategic objective 2.** Enhance public policies and programmes through evidence-based revision and scaling of best practices, with a focus on strengthening the effective design and delivery of national, regional and state policies and instruments for rural development and poverty reduction, by transforming successful results of IFAD interventions into mainstreamed public services while strengthening the access of the rural poor to improved services.
41. **Strategic objective 3.** Strengthen the capacities of government institutions and organizations of the rural poor to drive inclusive and sustainable rural development. This will be achieved by supporting institutional learning and coordination, especially between productive and environmental institutions, and institutions of the rural poor, through the promotion of applied innovative practices, strengthening M&E and streamlining SSTC and KM. Key areas for replication are technical assistance and rural extension methodologies, agroecological practices, sustainable practices in agriculture, climate-resilient farming and social inclusion methodologies.

Table 3  
**COSOP strategic objectives**

| <i>Key development priority<br/>(strategic objective)</i> | <i>Underlying institutions</i>   | <i>Policy reform challenges</i>   | <i>Proposed interventions<br/>(lending, non-lending)</i>   |
|---|--|---|--|
| SO1   | MDA<br>Ministry of Finance<br>Ministry of Indigenous Peoples<br>Ministry of Environment (MMA)<br><br>State Secretaries for Family Farming (SSFF)   | - Enforcement permanent preservation areas, legal reserves<br>- Regulating carbon markets and payments for environmental services<br>- Lack of public policies directed to the most vulnerable groups   | Lending/investment activities<br><ul style="list-style-type: none"> <li>• Ongoing</li> </ul> Second phase of the Dom Helder Camara Project (PDHC II)<br>Amazon Sustainable Management Project (PAGES)<br>Pro Semi-arid Project (PSA)<br>Piauí Rural Inclusive and Sustainable Project (PSI) <ul style="list-style-type: none"> <li>• Indicative</li> </ul> Sertão Vivo<br>Paulo Freire Project (PPF II)<br>PDHC III<br>CompensACTION<br>Parceiros da Mata<br>Paraíba Rural Sustainable Development Project (PROCASE II)  |
| SO2   | MDA<br>MDS<br>National Agency for Technical Assistance and Rural Extension (ANATER)<br>Ministry of Agriculture and Livestock (MAPA)<br>Ministry of Science, Technology and Innovation (MCTI)<br>SSFF | - Resume and improve the territorial and participatory approaches of rural development policies.<br>- Reorganization of the structures and budget of federal programmes.<br>- Greater coverage of PRONAF in the northeast. -<br>- Improve coverage and quality of the technical assistance provided.<br>- Incorporate/adapt new social technologies and innovations for water access/reuse and climate-resilient agriculture. | Non-lending/non-project activities<br><ul style="list-style-type: none"> <li>• Country-level policy engagement (CLPE)</li> </ul> National Council for Food Security and Nutrition (CONSEA)<br>National Council for Rural Sustainable Development (CONDRAF) <ul style="list-style-type: none"> <li>• Partnerships</li> </ul> Rome-based agencies<br>UNDP <ul style="list-style-type: none"> <li>• SSTC</li> </ul> Spanish Agency for International Development Cooperation (AECID) <ul style="list-style-type: none"> <li>• Knowledge management</li> </ul> Universities/research centres |
| SO3   | ANATER<br>MDA<br>MMA<br>MDS<br>MCTI<br>ABC<br>SSFF   | - Improve M&E and policy management capacities of governmental institutions.<br>- Strengthen structures and stakeholders of the national technical assistance policy field.<br>- Design effective interagency coordination mechanisms.  | Non-lending/non-project activities<br><ul style="list-style-type: none"> <li>• Country-level policy engagement (CLPE)</li> </ul> National Council for Food Security and Nutrition (CONSEA)<br>National Council for Rural Sustainable Development (CONDRAF) <ul style="list-style-type: none"> <li>• Partnerships</li> </ul> Rome-based agencies<br>UNDP <ul style="list-style-type: none"> <li>• SSTC</li> </ul> Spanish Agency for International Development Cooperation (AECID) <ul style="list-style-type: none"> <li>• Knowledge management</li> </ul> Universities/research centres |

## C. Target group and targeting strategy

42. **Target group.** IFAD's main target group includes smallholder and landless families living in poverty and food insecurity in rural communities and agrarian reform settlements. Priority will be given to women, young people, Indigenous Peoples, Quilombola and other traditional communities, LGBTQ+ and persons with disabilities. IFAD aims to benefit approximately 700,000 smallholder families, who face limited land area and low-fertility soils challenges, generally located far from major markets and with limited access to technical assistance and financial services.

### **Targeting strategy**

43. The social targeting strategy will focus on: (i) subsistence farmers with production growth potential, in particular those interested in transitioning to more commercial production systems; (ii) extremely poor and poor people (with a focus on marginalized groups) who are either landless or are producing at a minimum subsistence level; (iii) underemployed women and young people (women and men) with differentiated needs and opportunities; (iv) Indigenous Peoples and traditional communities, such as Quilombola; and (v) persons with disabilities.
44. Each project will aim at the economic, social and political empowerment of women; the economic empowerment and strengthening of youth voice, participation and influence in decision-making; and the inclusion of traditional peoples and communities to promote their economic empowerment, participation and decision-making. Moreover, IFAD will promote the inclusion of the LGBTQ+ community and persons with disabilities.
45. **Geographical targeting.** Brazil's accentuated regional disparities justify sustaining and scaling IFAD's territorial targeting of the semi-arid region of the northeast. In addition, the opportunity to apply IFAD's approach of people-centred economic development based on agroecology to other biomes merits a gradual expansion to other northeast areas, such as the Amazon transition area, the Atlantic rainforest, and possibly new areas, such as the Cerrado (savannah landscape), where IFAD would prioritize traditional communities but at the same time retain its niche and focus on the northeast. Any expansion beyond the northeast, would be gradual to avoid geographical dispersion and overstretching the country team, and therefore would prioritize contiguous areas such as Minas Gerais state or states in the north region.

## **IV. IFAD interventions**

### **A. Financing instruments**

46. IFAD's portfolio will be financed by loans and supplementary grants, featuring – contrary to the previous IFAD-only financed projects – a significant expansion of cofinancing from diverse partners committed to addressing Brazil's rural development challenges of rural exclusion and low productivity and the global climate and biodiversity crises. To contribute to effective and sustainable rural institutions and policies, IFAD will mobilize a mix of loan and grant funds from multilateral and bilateral partners for the Planting Climate Resilience in Rural Communities of the North-east Project (PCRP) and the PPF II, as shown in table 4 below, to be channelled as blended finance to IFAD-specific investments in smallholder capacities and inclusive support systems. Grant funds will be justified by the promotion of climate change adaptation and mitigation, socio-biodiversity and KM for PAGES and the promotion of payment for environmental services project (CompensACTION). IFAD will foster and scale new innovative financial instruments in projects, aligned with new federal and state policies. This includes payments for environmental services, adapting and promoting PRONAF credit lines to reach marginalized groups and the potential incorporation of results-based lending to enhance institutional capacities.
47. Poverty reduction priorities will be coupled with climate adaptation, biodiversity preservation and sustainable natural resource management activities. Cofinancing will be actively pursued from various partners, including domestic public sources, the private sector, and bilateral and multilateral financiers. To meet the strong demand, IFAD will continue its quest for diversified cofinancing for sustainable socioeconomic development, emission reduction and biodiversity protection.

### **B. Country-level policy engagement**

48. IFAD's country programme is aligned with the Thirteenth Replenishment of IFAD's Resources (IFAD13) commitments, especially concerning food system

transformation pathways, the Government's rural development policies and programmes to fight rural poverty, private sector engagement, biodiversity and climate change. Government partners and cofinanciers acknowledge IFAD's strengths in targeting, differentiated approaches for priority groups and the provision of a wide range of innovative solutions for improving farmers productivity and resilience, and restoring vulnerable ecosystems.

49. IFAD will intensify its collaboration with the Government to improve pro-poor public policies by seeking to:
- Support political advocacy processes and capacity-building;
  - Contribute to federal and state climate and environmental policies and biodiversity strategies;
  - Interface with key federal programmes to support family farming;
  - Support the development of policies to improve agroecological approaches within broader national strategies and plans, such as the Ecological Transformation Plan;
  - Develop innovations that can be incorporated into policies and programmes;
  - Promote gender and youth equality; and
  - Provide and disseminate good practices to government partners.
50. Additionally, IFAD will continue supporting the Consortium of the Northeast and the Forum of State Secretaries through dialogue and exchanges of technical experiences, including with the Federal Government. This will contribute to synergistic regional action between states, increasing efficiency and boosting public action. IFAD will contribute to discussions on national and regional policy strategies and strengthen rural development policies and capacities in participating municipalities.

### **C. Institution-building**

51. Brazil offers opportunities for IFAD to strengthen the institutional capacities of its partners, especially from within its projects. The Federal Government is restructuring its ministries and units, and state governments are aiming at modernization and staff renewal. IFAD projects have developed interagency coordination models to overcome the challenges of policy coordination with multiple agencies while guaranteeing the participation of civil society and family farming organizations.
52. This includes strengthening public policy management capacities to achieve efficient budget allocations based on effective interventions. IFAD's portfolio will continue to support this process by strengthening the management of family farming and socio-biodiversity cooperatives; mobilizing, training and financing state technical assistance networks in partnership with federal institutes, universities and NGOs; evaluating project impact; training project management unit (PMU) staff; fostering the exchange of experiences in public policy management among state and municipal governments; and strengthening municipalities' formulation of local rural development policies and instruments.

### **D. Innovations**

53. Through its partners, IFAD will support the identification, piloting and documenting of innovations in strategic areas. These will include the improvement and expansion of sustainable technologies for the semi-arid region, including mechanization and solutions that bioeconomy can bring to agriculture such bio-inputs and biofertilizers; smallholders' access to voluntary carbon markets; incubators or entrepreneurship for small and microenterprises (SMEs); participatory ATER with support for networking (farmer-to-farmer) and farmer field schools, including

digital extension services; rural technical education; and exploring the poverty-based urban-rural interface, for example food access through solidarity and community kitchens, community fridges and cold rooms. Adapting smallholder systems to climate change will be developed further with agroecology and other nature-based solutions, including processes that sequester carbon, thereby providing mitigation benefits.

54. SME development may include: (i) developing products from traditional species and local biodiversity, creating agroecological fairs, greengrocers, restaurants and snack bars; (ii) water harvesting technologies and water use efficiency; (iii) financing solar panels, efficient cookstoves, biogas and energy efficient processing solutions; (iv) manufacturing organic fertilizers, biological pest and weed control products, seeds and other bio-inputs; (v) adapted mechanization for family farming in the form of such products as power tillers and small implements; and (vi) digital solutions for rural organization.

## **E. Information and communications technologies for development (ICT4D)**

55. Increasing access to computers, smartphones and the internet in rural regions and encouraging the development of digital products, services and markets responding to family farming opportunities is imperative for efficient rural development. For information and communications technologies for development (ICT4D), IFAD will build partnerships with actors developing digital services.

## **F. Knowledge management**

56. IFAD has identified and promoted good practices and solutions aimed at sustainable rural development, with special attention to agricultural practices, rural organizations and marketing. The Brasilia SSTC and Knowledge Centre, opened in 2018, has expanded this agenda in Latin America and the Caribbean (LAC) and consolidated partnerships with Brazilian and regional institutions. The centre is part of the wider SSTC and KM network, acting as a link between IFAD offices and other centres based in Addis Ababa and Beijing.
57. Learning will be treated as a continuous process, financed mainly with project funds, aiming at providing agility, ownership of innovations and the generation of knowledge, including by traditional peoples and communities. Activities will include knowledge products, learning events, inter and intraregional dialogues, knowledge exchanges between farmers and their organizations, and project M&E.
58. The regional grant portfolio has demonstrated the effectiveness of promoting project experiences through knowledge exchanges inside and outside Brazil. However, given the scarcity of IFAD grant resources, projects will incorporate KM activities, building on each other's experiences. The knowledge generated by IFAD projects in Brazil will be of high value to other countries with semi-arid regions, especially in LAC and Africa. To this end, IFAD's SSTC and Knowledge Centre will explore the demand and connect project implementers and policy platforms, such as the Specialized Meeting on Family Farming (REAF).

## **G. Strategic partnerships and South-South and Triangular Cooperation**

### **Government and civil society**

59. IFAD's main partners in the country are the northeast state governments, the Ministry of Finance, Ministry of Foreign Affairs and the MDA. IFAD will also seek to strengthen its partnership with the MDS to enhance the implementation of social policies. The MMA, MAPA and MCTI will also be important actors in this process.
60. Partnerships with relevant research centres, especially the Brazilian Agricultural Research Corporation (EMBRAPA), the National Institute of the Semi-Arid (INSA)

and the Institute for Applied Economic Research (IPEA) and universities will be strengthened for KM and policy dialogue at national level and for SSTC.

#### **Development actors**

61. IFAD diversified institutional partners and pursued new cofinancing opportunities, leading to a significant amount of external cofinancing for projects in the pipeline, including from the Green Climate Fund (GCF), BNDES, the German Federal Ministry for Economic Cooperation and Development (BMZ), the Inter-American Development Bank (IDB) and AECID. IFAD will continue to pursue greater outreach and policy impact in future partnerships.
62. Partnership with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) will be strengthened in the operational and SSTC areas. Likewise, the KM collaboration with the Inter-American Institute for Cooperation on Agriculture will be intensified, and collaboration with BNDES will be strategic to support states' access to international financing.

#### **Private sector**

63. In line with IFAD13 commitments, IFAD's engagement with the private sector will focus on areas with significant private sector potential, especially the Amazon and Atlantic rainforest biomes. This will include: (i) fostering partnerships between smallholder organizations and private companies; and (ii) supporting SMEs as outlined above. Efforts to diversify consumer markets will be supported through policy work and integrated project activities to bolster sustainability. Where substantial financing to private partners is required, IFAD may explore utilizing its non-sovereign operations window or partner with the International Finance Corporation or IDB Invest.

#### **South-South and Triangular Cooperation**

64. IFAD is well positioned to support the country's SSTC agenda. Brazil's relevance on regional and global stages provides an important impetus for strengthening SSTC actions in the country programme. In 2025, the country will host COP 30 to find solutions to curb global warming and create sustainable conditions for life on earth.
65. In collaboration with ABC, IFAD will support SSTC activities in sectors where Brazil has proven experience, such as improving smallholder production and marketing systems in semi-arid environments, strengthening institutional arrangements and capacities in policymaking in family farming and sustainable development, and actions focused on food security and climate change.
66. Latin American and African countries will continue to be the focus of IFAD's SSTC collaboration with Brazil. Cooperation with the Community of Portuguese Language Countries will also be important. Countries with similar challenges will be prioritized.

## **V. COSOP implementation**

### **A. Investment volume and sources**

67. The current country programme consists of five projects: PDHC II is scheduled for completion in 2024, while PAGES, PSI, Sertão Vivo and CompensACTION are at start-up. Additionally, Parceiros da Mata is not yet effective, while PDHC III, PPF II and PROCASE II are under design.
68. In IFAD12, Brazil's access to resources is guided by the Borrowed Resource Access Mechanism (BRAM). Originally set at US\$36 million, Brazil's BRAM envelope grew to US\$92 million in 2023 due to the demand by various states. Currently, five projects approved by Brazil's External Financing Commission (COFIEX) are expected to receive approval by December 2024. The complete BRAM allocation is anticipated to be fully committed during IFAD12, thus building an investment portfolio of close to US\$1 billion.



69. IFAD's new portfolio incorporates climate-oriented financing, with substantial international cofinancing from GCF, BMZ, IDB and AECID. The federal and state governments and BNDES also provide important domestic counterpart contributions.

Table 4

**IFAD financing and cofinancing of ongoing and planned projects**

(Millions of United States dollars)

|  | IFAD financing | Source (performance-based allocation system [PBAS], BRAM) | Selectivity criteria (COSOP) | Cofinancing  |               | Cofinancing ratio |
|--|----------------|---|------------------------------|--------------|---------------|-------------------|
|  |                |   |                              | Domestic     | International |                   |
| <b>Ongoing</b>                             |                |   |                              |              |               |                   |
| PDHC II                                    | 3              | PBAS  | I                            | 107.3        | 15            |                   |
| PAGES                                      | 0              |   | GPG                          | 20.0         | 17.1          |                   |
| PSI  | 18             | BRAM  | I, GPG, SP, KM               | 42.5         | 100           |                   |
| Sertão Vivo (PCRP)                         | 30             | PBAS  | GPG, SP, KM                  | 88.3         | 99.5          |                   |
| CompensACTION Brazil                       | 0              |   | GPG, SP, KM                  | 0.5          | 4.4           |                   |
| <b>Approved</b>                            |                |   |                              |              |               |                   |
| Partners of the Forest (Parceiros da Mata) | 18             | BRAM  | I, GPG, KM                   | 44.3         | 100           |                   |
| <b>Planned</b>                             |                |   |                              |              |               |                   |
| PDHC III                                   | 35             | BRAM  | I, SP, KM                    | 120          |               |                   |
| PPF II                                     | 8.5            | BRAM  | I, GPG, SP, KM               | 37.5         | 103.4         |                   |
| PROCASE II                                 | 10             | BRAM  | I, GPG, SP, KM               | 37.3         | 70            |                   |
| <b>Total</b>                               | <b>122.8</b>   | <b>n/a</b>  | <b>n/a</b>                   | <b>497.6</b> | <b>509.4</b>  | <b>1:8.201</b>    |

I = Policies and institutions for sustainable rural development.

GPG = Regional or global public good.

SP = strategic piloting of innovative approaches.

KM = knowledge management for scaling up.

**B. Resources for other activities**

70. Efforts will be made to secure new supplementary funds to complement the loan portfolio, in addition to the funds provided by BMZ through the enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) for PAGES and CompensACTION.
71. Proactive steps will mobilize funding, including from the Brazilian Government, to strengthen the SSTC strategy, aiming to expand the outreach and operational capacity of the SSTC and Knowledge Centre. This will intensify SSTC activities to meet the demand by partner countries and the expectations of both IFAD and the Brazilian Government.

**C. Transparency**

72. The portfolio will continue to adhere to corporate requirements to combat fraud, corruption, sexual abuse and exploitation, including adequate training programmes such as IFAD's BuildProc and dissemination of bidding results, resource use, audit results and project supervision. All project websites will enable the registration of complaints, and project manuals will include instructions for redress.

## **D. Country programme management**

73. The Ministry of Planning and Budget is responsible for the approval of project proposals submitted by states and federal ministries or banks through COFIEX. However, the Secretariat of International Affairs (SAIN) of the Ministry of Finance currently oversees multilateral investments. These activities are closely monitored by IFAD's country team.
74. IFAD's Country Office in Salvador (established in 2011) plays a pivotal role in the supervision, implementation support, identification and design of new projects and cofinanciers. Its base in the northeast region facilitates the expansion of partnerships and KM and SSTC activities and the assembling of cofinancing for new operations, in addition to demonstrating IFAD's commitment to the region.
75. IFAD's projects are implemented through specialized PMUs staffed by competitively recruited officials located within implementing partner secretariats at state and federal levels. Considering its substantive increase in the country portfolio, IFAD will assess the need to bolster the administrative and technical capacity of its country team. The portfolio under development has phased projects (PPF, PROCASE, PDHC), regional projects (PDHC, PCR) and "type-C" projects (Parceiros da Mata, PROCASE, PSI) led by other multilaterals, thus following a strategic approach to deepening and scaling IFAD interventions while building on existing capacities.

## **E. Monitoring and evaluation**

76. The Results Management Framework (RMF) was developed based on the scope of projects currently designed and implemented in Brazil. Its results will be obtained through project evaluations, complemented by project supervision, midterm review and completion missions.
77. COSOP implementation will be continuously monitored with a focus on the RMF indicators. Regular monitoring will be facilitated through projects' geographic information systems and remote sensing technologies, and tools to track environmental and climate indicators.
78. Annual reviews of the country programme's implementation will be conducted, involving an assessment of the COSOP's status based on project updates and monitoring reports from ongoing initiatives and grants, and encompassing policy dialogue, KM and SSTC.

## **VI. Target group engagement**

79. During COSOP implementation, stakeholders will be mobilized based on their interests and circumstances to ensure their effective engagement in project design and supervision. Public and accessible grievance redress mechanisms will be in all new projects.
80. Strategic communication will engage targeted groups. It will aim to reinforce communication efforts between IFAD and its main counterparts to amplify IFAD's outreach and impact.

## **VII. Risk management**

81. Risks were rated as low to moderate in areas of political commitment, governance, policy alignment, policy development and implementation, institutional capacity and public procurement. To mitigate these risks IFAD will maintain political engagement and dialogue at national and state levels as well as with other key institutions and grassroots organizations. Risks on environmental, social and climate context and funds flow/disbursement arrangements rated as substantial. Measures to mitigate risks based on lessons from the previous COSOP will be undertaken (see appendix X).

## Results management framework

| Country strategy alignment  | Key COSOP results   |  |  |   |  |
|---|---|--|--|---|--|
|   | Related UNSDCF/SDG outcomes   | IFAD's Strategic objectives  | Investments and non-financial activities for the COSOP period  | Outcome indicators  | Milestone indicators   |
| <p><b>Federal level:</b><br/>COSOP also aligns with: PRONAF, PRONATER, Bolsa Família, Fomento Rural, Cisterns Programme, Food Acquisition/PAA and School Feeding/PNAE.</p> <p><b>State level:</b><br/>The COSOP adheres with state policies related to different themes: environmental and land regularization, combating desertification, technical assistance and rural extension, food and nutrition security, gender equality and women's empowerment, climate resilient agriculture, access to water and sanitation, among others.</p> | <p><b>SDG Outcomes</b><br/>1 (No poverty);<br/>2 (Zero Hunger);<br/>3 (Good Health &amp; wellbeing);<br/>5 (Gender equality);<br/>6 (Ensure availability and sustainable management of water and sanitation for all)<br/>7 (Ensure access to affordable, reliable, sustainable and modern energy for all)<br/>8 (Decent work &amp; Economic Growth);<br/>10 (reduced Inequalities);<br/>13 (Climate Action);<br/>and<br/>15 (Life on Land).</p> | <p><b>SO1:</b> Improve sustainable agricultural production, food security, nutrition and market access with a focus on environmental sustainability and the protection of global public goods.</p> | <p><b>Lending/investment activities:</b><br/><b>Ongoing (PAGES) Indicative (PCR, PPF II, PDHC III, Compensação, PSI, Parceiros da Mata, PROCASE II, new state project, Amazon project, project with development bank)</b></p> <p><b>Non-lending/non-project activities</b><br/>- CLPE<br/>- Partnerships<br/>- KM<br/>- SSTC</p> | <p><b>Multidimensional Poverty</b><br/>- 15% Reduction</p> <p><b>Rural organizations with women in leadership positions</b><br/>- 1.150 Women in leadership</p> <p><b>1.2.8 - Increase in minimum dietary diversity (MDD-W)</b><br/>- 100 000 Households</p> <p><b>3.2.2 - Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b><br/>-140 000 Households</p> <p><b>3.2.1 - Tonnes of greenhouse gas emissions (CO2e) avoided and/or sequestered</b><br/>- 12 000 000 Increase TCO2e/20y</p> <p><b>Number of relevant policies and programmes with improved legislation</b><br/>- 11 policies and programmes</p> | <p><b>CI 1 - Persons receiving services promoted or supported</b><br/>- 680 000 Families<br/>- 365 000 Males<br/>- 315 000 Females<br/>- 240 000 Young<br/>- 40 000 Indigenous people</p> <p><b>1.1.8 - Households provided with targeted support to improve their nutrition</b><br/>- 230 000 Households</p> <p><b>3.1.3 - Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions</b><br/>- 230 000 Persons</p> <p><b>ASAP2 - Land under climate-resilient practices</b><br/>- 230 000 ha</p> <p><b>Smallholder borrowers in the Northeast accessing PRONAF credit</b><br/>- 80 000 Smallholders<br/>- 40 000 Females<br/>- 40 000 Males</p> |
| <p>The COSOP adheres with federal (mentioned in SO1) and state policies and programmes related to family farming, poverty reduction, environmental and land regularization, combating desertification, technical assistance and rural extension, food and nutrition security, gender equality and women's empowerment, access to water and</p>  | <p><b>UNSDCF Outcomes</b><br/>Sustained and Inclusive Economic Growth and Development<br/><br/>Environmental</p>  | <p><b>SO2:</b> Enhance public policies and programmes through evidence-based refinement and scaling of best practices.</p>   |  |   |  |

| Country strategy alignment   | Key COSOP results  |  |   |   |   |
|--|--|--|---|---|---|
|  | Related UNSDCF/SDG outcomes                              | IFAD's Strategic objectives  | Investments and non-financial activities for the COSOP period | Outcome indicators  | Milestone indicators  |
| sanitation, climate resilient agriculture, among others.   | Protection and Climate Change Resilience                 |  |   |   |   |
| <p><b>Federal level:</b><br/>The COSOP will support family farmers' access the main public policies directed to family farming, particularly: PRONAF, PAA, PNAE and Fomento.</p> <p><b>State level:</b><br/>Strengthen state public policies and programs related to themes of land titling, technical assistance and rural extension, water access and reuse, climate resilient agriculture, Payment for Environmental Services, Gender equality and women's Empowerment, Inclusion of rural youth and traditional communities, among others.</p> | Inclusive and Equitable Human Development and Well Being | <p><b>SO3:</b><br/>Strengthen the capacities of government institutions and organizations of the rural poor to drive sustainable rural development while safeguarding global public goods.</p> |   | <p><b>Number of families accessing the main federal programs to support family farming</b><br/>- 20% Increase</p> | <p><b>Families receiving agricultural extension services</b><br/>- 230 000 Families</p> <p><b>Rural organizations with expanded services to members</b><br/>- 145 Rural organizations</p> <p><b>Projects in Brazil and elsewhere that contributed to SSTC exchanges</b><br/>- 15 Projects</p> |

## Key files

### Key File 1: Rural poverty and agricultural sector issues

| Priority areas   | Affected group  | Major Issues   | Actions required   |
|--|---|--|--|
| Reducing rural poverty, increasing agricultural production and improving food security and nutrition | Small producers, agrarian reform settlements family farmers and rural landless population | <ul style="list-style-type: none"> <li>- The number of people who are in poverty or have family incomes close to the poverty line is high in the rural areas of the Northeast and North regions;</li> <li>- The Multidimensional Poverty Index in the rural areas of the North region reaches 67%, and is much higher than in urban areas, which is 38%;</li> <li>- Difficulty of access to land ownership, credit and rural extension services (TA) by small producers and the poorest rural population.</li> <li>- Due to the atypical scenario installed with the Covid-19 pandemic, from 2020 onwards, there has been a worsening of several social and economic fragilities;</li> <li>- Climatic events that are occurring in the country have increased the risks of shocks to production and income of the rural population, especially in the Northeast region;</li> </ul> <p>Other issues that may affect social vulnerability and food security in rural areas:</p> <ul style="list-style-type: none"> <li>- Agriculture presents low productivity, implying low availability of food for family consumption;</li> <li>- Small-scale production, with limited access to adequate inputs, technology and TA services;</li> <li>- Low soil fertility in the Northeast and North regions;</li> <li>- Scarcity and volatility of water supply in the Northeast and North regions;</li> <li>- Low use of public procurement programmes, such as the Food Purchase Programme (PAA) and the National School Meals Programme (PNAE), in the structuring of new local production systems that can both serve local social assistance entities and ensure family self-consumption on the properties served.</li> <li>- Ageing of the economically active population in rural areas;</li> <li>- Scant rural credit for small producers (family farmers).</li> </ul> | <ul style="list-style-type: none"> <li>- Support increased production, diversification and agricultural productivity through improved technology, technical assistance and rural extension suited to the conditions of each territory, agro-ecological-based practices, small-scale irrigation and collective organisation of small farmers.</li> <li>- Support access to credit policies - especially the National Programme for Strengthening Family Agriculture (PRONAF) - and rural insurance - especially the Seguro-Safra - and land title regularisation policies to ensure greater democratisation in their implementation among family farmers from different territorial contexts.</li> <li>- Support initiatives to use microfinance technologies and expand financial services to better reach poor farmers.</li> <li>- Foster solidarity finance projects in rural communities, aimed at offering financial services suited to local conditions (via credit cooperatives, community development banks and solidarity revolving funds);</li> <li>- Support access to local markets.</li> <li>- Encourage programmes that stimulate the generation of employment and income for families, giving more opportunities to landless rural workers.</li> <li>- Support the development of agricultural and non-agricultural productive activities capable of improving and diversifying income generation, necessary to increase food consumption of rural families;</li> <li>- Stimulate dietary changes in poor rural families that increase the nutritional content, with a greater variety of foods, produced with technologies based on low or no use of chemical inputs;</li> <li>- Promote awareness on better use and allocation of food production for self-consumption;</li> <li>- Identify the reason for the poorer farmers' low access to food purchase programmes and improve their access.</li> </ul> |

| Priority areas   | Affected group  | Major Issues   | Actions required   |
|--|---|--|--|
|  |   |  | <ul style="list-style-type: none"> <li>- Improve access to public services, piped water, electricity and internet, which guarantee better preparation, greater food preservation and different means of marketing surpluses;</li> <li>- Promote crop diversification, decreasing reliance on single crops and vulnerability to crop failures.</li> </ul>   |
| Access to markets for products and inputs for production | Small producers, family farmers and rural and landless population | <ul style="list-style-type: none"> <li>- Lack of potential to sell in local, regional and even external markets. Entering and remaining in these markets remains a challenge due to the weak management, negotiation and marketing capacity of family farmers and their local organisations;</li> <li>- Difficulty in accessing markets due to contractual conditions (difficulty in monitoring legal issues and adaptation to sanitary standards) and managerial conditions (e.g. definition of prices, compliance with quality requirements and delivery time etc.);</li> <li>- Lack of knowledge of certification strategies, marketing and adding value to products;</li> <li>- Limited access to quality inputs at affordable prices;</li> <li>- Persistence of bureaucratic obstacles to greater participation of family farmers in public procurement programmes, such as the preparation of public calls for the supply of food products to the PNAE;</li> <li>- Low funding levels for policies to support and strengthen family farming in recent years (public purchases, price guarantees, crop guarantees, land credit, rural settlements, technical assistance and rural extension);</li> <li>- Reliance/Dependence on middlemen to sell products, decreasing profit margins for farmers.</li> </ul> | <ul style="list-style-type: none"> <li>- Increase coordination along value chains and foster short marketing chains, i.e. direct negotiation between farmers and consumers (e.g. small local shops, open fairs, events).</li> <li>- Provide legal accompaniment and supervise whether the partnership agreements are beneficial for small producers;</li> <li>- Support marketing strategies and adding value to products, contributing to achieve advantageous and sustainable conditions for family farmers and their organisations;</li> <li>- Ensure access to technical assistance and credit programmes for a sufficient, stable and predictable supply of products;</li> <li>- Strengthen the capacities (managerial, financial, legal, marketing, etc.) of farmers' organisations;</li> <li>- Define simplified instruments for making contacts with representative organisations in the business world that can create opportunities for family farmers;</li> <li>- Provide technical assistance and improve rural extension services for guidance on the best type and source of inputs;</li> <li>- Support the collective organisation of farmers to obtain better payment conditions and terms, as well as guarantee the quality of inputs to meet their needs;</li> <li>- Support the creation and development of family farmer cooperatives and associations to enhance their insertion in the various links of the production chains under more advantageous conditions. Increase their access to processing facilities and facilitate adaptation to sanitary standards;</li> <li>- Foster production of local "bio-inputs", such as organic / green fertilisers and biological control of agricultural pests and diseases. Harness the potential of urban areas for composting and sludge recovery programs;</li> <li>- Promote agricultural systems that require less external inputs.</li> </ul> |
| Access to water for human consumption and productive use | Small producers, family farmers and                               | - High inequality in structural conditions of access to water among agricultural establishments in the country, with   | - Guarantee access to water for consumption by poor rural families and, at the same time, to foster complementary investment programmes for water storage for productive use;  |

| Priority areas                | Affected group                       | Major Issues  | Actions required  |
|-------------------------------|--------------------------------------|---|---|
|                               | rural and landless population        | <p>greater vulnerability observed in family farming properties in the Northeast and North regions.</p> <ul style="list-style-type: none"> <li>- For example, with plenty of water and little access by the population, the North region has the lowest water supply network attendance rate in Brazil, only 59.2%, and the region is most commonly supplied by wells (TRATA BRASIL, 2018).</li> <li>- In turn, the Northeast region, particularly the semi-arid portion, suffers constantly from periods of drought, which severely compromises the productive potential of families;</li> <li>- The situation is exacerbated by climate change, with increased temperatures and reduced rainfall;</li> <li>- Deforestation and desertification processes affect microclimates and decrease local and regional water availability.</li> </ul>   | <ul style="list-style-type: none"> <li>- Disseminate knowledge and promote public investments that support communities in adopting territorially appropriate technologies for water storage, collection and irrigation;</li> <li>- Promote restoration of permanent protection areas around water sources</li> <li>- Invest in reforestation projects and other measures to combat desertification.</li> <li>- Disseminate diverse agricultural and forestry systems, focusing on native, drought tolerant crops.</li> <li>- Develop markets and processing facilities for drought tolerant crops.</li> </ul>   |
| Opportunities for rural women | Rural women and women family farmers | <ul style="list-style-type: none"> <li>- Households headed by women have worse poverty rates and greater difficulty in escaping poverty, which makes them remain in a situation of vulnerability.</li> <li>- Moreover, women in rural areas suffer more constraints from a social environment marked by discriminatory practices and well-established power relations, making it necessary to develop initiatives aimed at promoting gender equity,</li> <li>- Women from traditional peoples and communities face serious social, cultural, economic and political difficulties, which reduce their capacity to respond to crises, especially those arising from climate change.</li> <li>- Although there are specific credit programmes aimed at women, their access is still very limited for several reasons (low female involvement in economic issues on the property; difficulty in presenting real guarantees in their name; lack of appropriate technical assistance; low technical and professional qualifications; fear of committing the family to indebtedness, etc.).</li> </ul> | <ul style="list-style-type: none"> <li>- Support strategies for the political participation and empowerment of women, in order to increase their involvement in decision-making processes (in families, associations, community processes and activities related to the different social programmes);</li> <li>- Carry out actions to promote the occupation of decision-making spaces by women, with a view to strengthening their economic and social status;</li> <li>- Capacity building for women with a focus on new technical learning and access to new technologies and productive practices;</li> <li>- Improve women's productive organisation and promote equitable access to income-generating activities;</li> <li>- Encourage the expansion of the quantity and diversity of items produced by women;</li> <li>- Encourage participation in family agriculture, agro-ecological and solidarity economy fairs and other commercialisation spaces;</li> <li>- Set targets for credit assistance to rural establishments headed by women, as well as young women, linked to technical assistance programmes and specialised monitoring (e.g. rural schools);</li> <li>- Elaborate awareness-raising campaigns aimed at rural men about the importance of women's participation in the various dimensions of local social life.</li> </ul> |

| Priority areas                            | Affected group  | Major Issues   | Actions required  |
|---|---|--|---|
| Opportunities for rural youth             | Rural youth   | <ul style="list-style-type: none"> <li>- Migratory movements from the countryside towards the city are represented by a younger population, and to a greater extent by women (ZAGO, 2014).</li> <li>- This selective migration has been assuming important proportions in regions where family farming predominates (ZAGO, 2014).</li> <li>- Migration is caused more by the lack of perspectives and scarcity of opportunities in rural areas than by an idealisation of the city (ZAGO, 2014).</li> <li>- Migration to urban areas is a strategy among young people to seek better opportunities for income generation and employment.</li> <li>- Consequently, there is a historical trend towards ageing of rural household heads, which makes it difficult to maintain and develop productive activities on the properties.</li> <li>- Another harmful consequence of the inability to keep young people in favourable conditions in rural areas is the increasing swelling of urban populations, raising the unemployment rate, especially in large metropolitan centres.</li> <li>- As in the case of rural women, although there are specific credit programmes aimed at young people, their access is still very limited for several reasons (low involvement of young people in economic issues on the property; difficulty in presenting real guarantees in their name; lack of appropriate technical assistance; low technical and professional qualifications, etc.).</li> <li>- The Youth question is also linked to the processes of rural succession, because besides the interest on the part of young people, there is also the structural problem of the lack of land and the land division into small parcels of a considerable part of family agriculture (above all in the Northeast region), which compromises the capacity of young people to maintain their own activities in an economically viable manner.</li> </ul> | <ul style="list-style-type: none"> <li>- Build technical and organisational capacities of young people.</li> <li>- Promote the political participation of young people in community associations and self-managed enterprises, occupying decision-making spaces and management positions, as well as encouraging the training of leaders for solidarity economy projects;</li> <li>- Strengthening the social and economic condition of young people through actions such as: training to start and/or strengthen economic initiatives based on agricultural and/or non-agricultural productive activities (new technical learning); participation in training or technical advisory activities; access to productive investment lines and new technologies, mainly information and communication; and business management for market insertion;</li> <li>- Promoting equitable access for young people to productive and income-generating activities;</li> <li>- Expansion of the quantity and diversity of items produced by young people;</li> <li>- Encourage the participation of young people in family agriculture, agroecological and solidarity economy fairs, as well as other commercialisation spaces;</li> <li>- Establish credit services aimed at youth-led activities, linked to technical assistance programmes and specialised follow-up;</li> </ul> |
| Opportunities for communities traditional | Quilombola, indigenous populations and others (to be defined) | <ul style="list-style-type: none"> <li>- In Brazil, besides indigenous peoples and <i>quilombolas</i>, there are also other traditional populations such as rubber tappers, river dwellers, and artisanal fishers.</li> <li>- The poverty situation among traditional communities, in general, is even worse than the average rural population as</li> </ul>   | <ul style="list-style-type: none"> <li>- Improving access of traditional communities to the basic social programmes available to citizens - education, health and social assistance.</li> <li>- Strengthen partnerships with governmental and non-governmental bodies with responsibilities and experience with</li> </ul>  |



| Priority areas | Affected group   | Major Issues  | Actions required  |
|----------------|--|---|---|
|                |  | <p>a whole. In the North, for example, the Multidimensional Poverty Index (MPI) for traditional communities is 69%, while for other groups it is 46%;</p> <ul style="list-style-type: none"> <li>- Traditional communities, such as poor farming families, are affected by structural constraints, including environmental issues, low levels of collective organisation and little access to formal education. In addition to such constraints, these communities also face difficulties in accessing infrastructure, public services and social policies.</li> <li>- <i>Quilombola</i> communities, for example, face difficulties in obtaining land titles, which limits their access to public policies and leaves them vulnerable to various types of occupation and illegal exploitation of their territory by other interest groups.</li> <li>- Indigenous communities face problems related to cultural factors, such as the difficulty of Brazilian society to deal with their traditions. Government bodies and social organisations also face difficulties related to lack of experience with indigenous communities.</li> <li>- There are a significant number of <i>quilombola</i> communities still awaiting official recognition of their lands.</li> <li>- Given this set of factors, the traditional peoples and communities remain vulnerable to violence of various kinds, from threats, expulsion from land to the assassination of leaders, as shown in the annual records of the Pastoral Land Commission (CPT).</li> </ul> | <p>traditional communities (<i>quilombolas</i> and indigenous people), as well as with entities that represent them.</p> <ul style="list-style-type: none"> <li>- Define clear project strategies to work with these communities, respecting their constitutionally defined rights.</li> <li>- Urgently resume initiatives aimed at the regularisation of land in <i>quilombola</i> communities.</li> <li>- Strengthen State level capacities to assist and protect traditional peoples and communities.</li> <li>- Establish specific lines in each rural development programme that address the particularities of traditional peoples and communities in Brazil, with a view to increasingly democratising access to public goods and services among the population as a whole.</li> <li>- Guarantee physical security and the right to enjoy their territories.</li> <li>- Value and disseminate traditional knowledge that contributes to livelihoods and coping with risks and crises.</li> <li>- Incorporate indigenous and traditional knowledge in Technical Assistance and Extension programmes.</li> </ul> |
| Climate Change | <ul style="list-style-type: none"> <li>- Small producers, family farming and rural population, including communities and traditional peoples.</li> <li>- Women farmers, in general, were the most vulnerable group.</li> </ul> | <ul style="list-style-type: none"> <li>- The main environmental consequences include temperature increase (average, maximum and minimum), reduction (gradual variations) and greater variability of rainfall; more frequent and prolonged heat waves and droughts; increased risk of forest fires, floods and inundations (North region); increase of desertification in the semi-arid region; greater risk of <i>savannisation</i> of the Amazon Rainforest; reduction of areas suitable for agriculture.</li> <li>- Increased pressure on natural resources such as water, soil, flora and fauna, affecting the distribution and survival of species, leading to major biodiversity losses.</li> <li>- Impacts on the agricultural sector, especially poor farmers and family farming, include crop losses and lower</li> </ul>   | <ul style="list-style-type: none"> <li>- Disseminate knowledge on climate change and its effects on family farming.</li> <li>- Increase adoption of sustainable agricultural techniques and practices, such as agroecology, which aim to increase soil and plant resilience to climate variations and reduce dependence on external inputs.</li> <li>- Promote crop diversification and agroforestry systems, which contribute to biodiversity conservation and increase farmers' food security and income.</li> <li>- Support the dissemination of soil management techniques that use organic / green fertilisation and are more accessible and less dependent on chemical inputs.</li> </ul>   |

| Priority areas | Affected group | Major Issues  | Actions required  |
|----------------|----------------|---|---|
|                |                | <p>productivity; reduced "time window" for planting; water and food insecurity.</p> <ul style="list-style-type: none"> <li>- Related adverse effects include increased rural and urban poverty; increased rural-urban (inter- and intra-regional) migration, with worsening of socio-economic conditions in urban centres; increased spread of diseases (infectious and non-infectious).</li> <li>- Gender inequality in the context of the climate crisis poses a major challenge. Agriculture is the most important economic activity for women and girls in low-income regions. Women are primarily responsible for household food and water security but have much less access to natural and financial resources.</li> </ul> | <ul style="list-style-type: none"> <li>- Foster integrated management of pests and diseases based on the use of biological agents, which minimises the use of agrochemicals.</li> <li>- Facilitate access to up-to-date climate information and technologies adapted to local conditions, such as efficient irrigation systems and plant varieties resistant to environmental stresses.</li> <li>- Strengthening of cooperation and knowledge exchange networks among family farmers, and with other organisations working in the field of sustainable agriculture.</li> <li>- Promote public policies that support and encourage agroecological production, marketing of local products and the organisation of farmers into cooperatives and associations.</li> <li>- Develop credit programs with low interest rates and/or longer repayment and grace period for the implementation and maturity of environmentally sustainable businesses, reducing bureaucracy and increasing support for the elaboration of projects by qualified agricultural technicians and extensionists.</li> <li>- Promote actions for land and environmental regularisation since access to credit depends on land ownership and compliance with environmental legislation.</li> <li>- Promote the participation of family farmers in decision-making spaces on climate change and related policies.</li> </ul> |

## Key file 2: Target group identification. Priority issues and potential response

(refers to chapter III C)

| Typology   | Poverty Levels and Causes  | Coping Actions  | Priority Needs  | COSOP Response   |
|--|--|---|---|--|
| Rural young people   | <ul style="list-style-type: none"> <li>• Ageing of the population in the countryside (less than 10% is between 25 and 35 years old and 24% between 55 and 65 years old)</li> <li>• High levels of poverty and extreme poverty</li> <li>• Vulnerability levels in the North and Northeast regions above the national average</li> <li>• Low autonomy in the production process</li> <li>• Low level of access to information and its technologies</li> <li>• Low access to education</li> <li>• Low occupational level of young people</li> <li>• Low economic return on agricultural activity</li> <li>• Restrictions on access to inputs, credit, technology, natural and productive resources</li> <li>• Unfavourable socio-economic context</li> <li>• Gender inequality as an aggravating factor</li> <li>• Difficulty in regularising or expanding land ownership</li> <li>• Lack of involvement in the decision-making process</li> <li>• Lack of public policies focusing on rural youth</li> </ul> | <ul style="list-style-type: none"> <li>• Efforts to maintain intergenerational agricultural activity</li> <li>• Progressive involvement of young people in agricultural activities</li> <li>• Search for study and professional expectations in urban areas</li> <li>• Diversification of activities (agricultural and non-agricultural) to make better use of young labour force</li> <li>• Development of specific production/investment and innovation plans for young people</li> <li>• Strengthen educational and technical capacities to generate new jobs and income opportunities</li> <li>• Facilitate inclusion in decision-making and public policy advocacy spaces</li> </ul> | <ul style="list-style-type: none"> <li>• Access to specific training</li> <li>• Improved access to internet and digital resources</li> <li>• Adapting technologies to the local context and integrating young people</li> <li>• Promoting gender equity</li> <li>• Improving education in the countryside</li> <li>• Technical, commercial, marketing and strategic assistance</li> <li>• Improvement of technologies reducing the difficulty of agricultural activity</li> <li>• Dissemination of knowledge on climate change</li> <li>• Access to and ability to dispose of inputs, technologies, finance, natural and productive resources</li> <li>• Strengthening networks of youth organizations</li> </ul> | <ul style="list-style-type: none"> <li>• Digital inclusion</li> <li>• Follow-up and guidance on family succession processes</li> <li>• Adaptation of production and commercial practices to local needs, including sustainable practices in agriculture and climate-resilient farming</li> <li>• Productive and commercial diversification</li> <li>• Access to high-value markets</li> <li>• Establishment of partnerships with family farming and agro gatherers schools</li> <li>• Promotion of contextualised technical assistance</li> <li>• Capacity building for vocational and entrepreneurial training</li> <li>• Promoting the socio-economic empowerment of young people through specific productive/investment and innovation plans for young people</li> <li>• Training in leadership so that young people have a greater say in Rural Organisations</li> </ul> |
| <p>Indigenous peoples, <i>quilombolas</i> and traditional communities</p> <p>(Quilombola communities are ethnic-racial groups according to criteria of self-attribution, with their own cultural identity and historical trajectory, endowed with specific territorial relations, with a presumption of Afro-descendant ancestry related to resistance to slavery)</p> | <ul style="list-style-type: none"> <li>• Food and nutrition insecurity</li> <li>• Invasions of peoples' and communities' lands and violence in the countryside</li> <li>• Difficulty in maintaining traditional practices and customs</li> <li>• Difficulty in maintaining, regularising or expanding the land</li> <li>• Precarious home and productive infrastructure (16% of Brazilian family farmers had no electricity in 2018)</li> <li>• Concentration of land in the hands of a few (the 10% largest properties occupy 73% of the area)</li> <li>• Inadequate transport infrastructure</li> <li>• Contamination of water resources</li> </ul>  | <ul style="list-style-type: none"> <li>• Encouraging production for self-consumption</li> <li>• Boosting local markets</li> <li>• Availability of social programmes</li> <li>• Land regularisation and agrarian reform</li> <li>• Dissemination of agro-ecological production techniques</li> <li>• Cooperatives, associations, and other solidarity economy organisational practices</li> <li>• Technical Assistance that meets the specific needs of indigenous peoples. <i>quilombolas</i> and traditional communities</li> </ul>  | <ul style="list-style-type: none"> <li>• Actions for the protection and re-democratisation of access to land</li> <li>• Access to credit, inputs, means of production, storage and commercialisation</li> <li>• Technical, commercial, marketing and strategic assistance</li> <li>• Creating sustainable employment and income opportunities</li> <li>• Recovering, recognizing, valuing and disseminating traditional production, nutrition and natural resource management practices</li> <li>• Valuing socio-biodiversity</li> </ul>  | <ul style="list-style-type: none"> <li>• Social technologies adapted to the local context</li> <li>• Adaptation of production and commercial practices</li> <li>• Access to higher added value markets</li> <li>• Productive and commercial diversification</li> <li>• Financing lines and subsidised credit</li> <li>• Nutrition and food security actions</li> <li>• Sustainable and "climate-smart" farming practices</li> </ul>  |

| Typology    | Poverty Levels and Causes  | Coping Actions  | Priority Needs   | COSOP Response  |
|-------------|--|---|--|---|
|             | <ul style="list-style-type: none"> <li>Deforestation and degradation of woods and forests</li> </ul>   |   | <ul style="list-style-type: none"> <li>Access to and ability to dispose of inputs, technologies, finances, natural and productive resources</li> <li>Better access to public policies and differentiated basic services</li> <li>Secure access to land</li> <li>Representation and participation in the policy dialogue</li> </ul>   | <ul style="list-style-type: none"> <li>Training in production, organisation, and commercialisation</li> <li>Valuing traditional knowledge to face risks and crises</li> <li>Valuing the contribution of indigenous peoples, <i>quilombolas</i> and traditional communities to reducing deforestation and regenerating native vegetation, protecting biodiversity and natural resources.</li> <li>Guarantee of free, prior and informed consent (FPIC)</li> </ul>  |
| Rural Women | <ul style="list-style-type: none"> <li>Only 20% of establishments are headed by women</li> <li>High illiteracy rate and low education among women</li> <li>Low access to essential health and personal care services</li> <li>High incidence of violence against women</li> <li>Higher incidence of poverty/extreme poverty and food insecurity</li> <li>Invisibility or low recognition of women's work</li> <li>Greater vulnerability to climate change and lower adaptive capacity</li> <li>Double workload</li> <li>Limited access to public policies aimed at family farming</li> </ul> | <ul style="list-style-type: none"> <li>Involving women in political and economic activities in family farming</li> <li>Actions to reduce gender dependency</li> <li>Access to government social programmes for women</li> <li>Strengthening organisation of women in the territories</li> <li>Promoting the inclusion of women in Rural Organisations</li> <li>Prioritizing women in credit and technical assistance programmes.</li> <li>Encouraging socio-economic empowerment and facilitating inclusion in decision-making and advocacy in public policies</li> </ul> | <ul style="list-style-type: none"> <li>Access to health, nutrition and special care policies</li> <li>Greater inclusion in technical, commercial, marketing and strategic assistance actions</li> <li>Organising leadership groups and encouraging participation in decision-making processes</li> <li>Building production and commercialisation models for enterprises under women's leadership</li> <li>Greater female participation in programmes for access to rural credit and public food purchases</li> <li>Dissemination of knowledge on climate change and policies for investment in adaptation actions</li> </ul> | <ul style="list-style-type: none"> <li>Raise awareness in the communities about the importance of gender equality</li> <li>Communication interventions for changing gender behaviours</li> <li>Socio-productive inclusion actions</li> <li>Encouraging the participation of women, especially young women</li> <li>Construction of training policies in production, commercialisation and strategies with specific quotas for women and young people</li> <li>Training and dialogue for greater women's inclusion in Rural Organizations</li> <li>Establishment of gender equity criteria in access to public programmes and policies</li> <li>Study opportunities for women and young people</li> <li>Socialisation of successful practices under female leadership</li> <li>Promotion of contextualised technical assistance and rural extension</li> <li>Fostering and encouraging women's engagement</li> <li>Climate change policies, with specific credit lines for projects led by women.</li> </ul> |

| Typology  | Poverty Levels and Causes  | Coping Actions  | Priority Needs  | COSOP Response   |
|---|--|---|---|--|
| Family farmers and landless families living in poverty/extreme poverty and with food insecurity | <ul style="list-style-type: none"> <li>● Poverty and extreme poverty in the Northeast and North regions</li> <li>● High incidence of food and nutrition insecurity</li> <li>● Low productivity, diversification, competitiveness, and resilience of agricultural systems</li> <li>● Low capacity in sustainable food production</li> <li>● High vulnerability to climate change</li> <li>● Limited access to technical assistance and training</li> <li>● Limited schooling; high illiteracy rates</li> <li>● Limited organizational capacity for adding value and marketing</li> <li>● Poor land titling, especially of common areas, which prevents access to public investments</li> <li>● Difficulty in accessing public policies directed to family farming due to lack of information, difficulties to access in remote areas, among others</li> </ul> | <ul style="list-style-type: none"> <li>● Offering quality Technical Assistance adapted to the needs of family farmers</li> <li>● Increase access to public policies, such as credit and public food procurement programs.</li> <li>● Encouraging associations and cooperatives</li> <li>● Spreading innovations and strengthening capacities</li> <li>● Train and offer Technical Assistance for agroecological transition and food and nutrition security</li> <li>● Increase access to social technologies</li> </ul> | <ul style="list-style-type: none"> <li>● Ensuring regular, diversified, and sustainable income streams for families</li> <li>● Access to and ability to dispose of inputs, technologies, finance, natural and productive resources</li> <li>● Increased productivity, production diversification and resilience of production systems</li> <li>● Access to markets</li> <li>● Improve technical knowledge</li> <li>● Improving nutritional, hygiene, and sanitation knowledge and practices</li> <li>● Social and economic empowerment</li> <li>● Reducing vulnerability to climate and environmental risks</li> <li>● Strengthening Rural Organizations</li> </ul> | <ul style="list-style-type: none"> <li>● Nutrition and food security actions, considering specific gender issues</li> </ul><br><ul style="list-style-type: none"> <li>● Productive and commercial diversification</li> <li>● Access to high-value markets</li> <li>● Nutrition and food security actions</li> <li>● Sustainable practices</li> <li>● Provision of specialised and continuous technical assistance to improve nutrition and food security, increase productivity, diversification and resilience of productive systems</li> <li>● Promoting access to various public policies, such as credit</li> <li>● Capacity building for marketing and organizational strengthening</li> <li>● Technology transfer and innovation</li> <li>● Digital inclusion</li> </ul> |

**Key file 3: Organisation matrix (strength, weaknesses, opportunities and threats analysis) (refers to chapter III-B;IV-B, C, F)**

| Organisation  | Strengths   | Weaknesses  | Opportunities  | Threats  |
|---|---|---|--|--|
| <p><b>Government Organisations</b></p> <p><b>Ministries of State</b><br/>(Agrarian Development and Family Farming; Social Development, Assistance, Family and Fight Against Hunger; Women; Environment; Science, Technology and Innovation; Indigenous Peoples; Agriculture and Livestock; Education - Federal Universities and Institutes; Justice and Public Security; Health; Human Rights and Citizenship; Labour and Employment; Science and Technology - National Institutes)</p> | <ul style="list-style-type: none"> <li>• Mobilisation of multi-ministerial state and institutional capacities</li> <li>• Capacity to create interdisciplinary and intersectoral policies based on recent experience</li> <li>• Budgetary capacity</li> <li>• Management experience</li> <li>• Career civil servants to conduct specific programmes and projects</li> <li>• Data management at national level</li> <li>• Capacity for intra- and inter-federative coordination of social programmes</li> <li>• Strong technical expertise and state-of-the-art research capacity of public universities, federal institutes and public research and development agencies</li> <li>• Expertise on combating deforestation and other environmental issues developed during previous governments</li> <li>• Alignment with state-of-the-art practices on food production and access.</li> </ul> | <ul style="list-style-type: none"> <li>• Political and operational capacities still under construction, especially in recent ministries</li> <li>• Building the economic and fiscal framework for long-term strategies of the Federal Government</li> <li>• Low public investment capacity</li> <li>• Discontinuity in the financing of social policies</li> <li>• Recent disorganisation/dismantling of environmental policies, with emphasis on combating deforestation and climate change, and food security, especially public procurement programmes for family farming food</li> <li>• Scrapping of <i>Companhia Nacional de Abastecimento</i> (Conab) storage units.</li> <li>• Reliance/Dependence on Congress for protection of indigenous rights and environmental laws.</li> </ul> | <ul style="list-style-type: none"> <li>• A favourable context for the construction of an interdisciplinary agenda for family farming</li> <li>• Political leadership for the construction of actions</li> <li>• Dialogue with the grassroots organizations and leaders</li> <li>• Forming a government base in the National Congress</li> <li>• Capacity for allocative corrections in technologies and mechanization</li> <li>• Prospects for expanding public procurement programmes for family farming produce</li> <li>• Revalorisation of agro-ecological practices via appropriate technical advice and projects and public procurement</li> <li>• Brazil's return to a more prominent role in international organisations</li> <li>• International realignment of sustainable development issues</li> <li>• Attraction of international resources for environmental policies, especially the fight against deforestation (e.g. Amazon Fund).</li> <li>• International instability in the fertiliser market and devalued Brazilian currency may prompt domestic production and adoption of organic and green fertilisers.</li> </ul> | <ul style="list-style-type: none"> <li>• Budget unpredictability and conflicting interests</li> <li>• Fragility of the government's support base</li> <li>• Unfavourable economic scenario in the short term</li> <li>• Implementation of top-down models poorly adapted to the local context</li> <li>• Political instability and polarisation</li> <li>• Majority of lawmakers is anti-indigenous and pro-deforestation (ruralist bench).</li> </ul> |
| <p><b>Public Banks</b><br/>(BNDES; Banco do Brasil, Caixa Econômica Federal, Banco do Nordeste and Banco da Amazônia)</p>   | <ul style="list-style-type: none"> <li>• Investment and financing capacity in family farming and investments in physical, economic, social and environmental infrastructure.</li> <li>• Acting in specific strategic areas of interest to family agriculture</li> <li>• Management and leadership aligned with government plans</li> </ul>  | <ul style="list-style-type: none"> <li>• Focusing resources on traditional products and services with greater financial predictability</li> <li>• Limitations on physical presence (branches) in the territory to attend to the public, especially in poorer localities</li> <li>• Limitations on access to products and services by the public in a</li> </ul>   | <ul style="list-style-type: none"> <li>• Demand for credit lines and specific services</li> <li>• Possibility of partnerships with other public agencies</li> <li>• Possibility of new international financing lines</li> <li>• Demand for services catering to small scale ventures and vulnerable populations</li> </ul>   | <ul style="list-style-type: none"> <li>• Unfavourable macroeconomic scenario (high interest rates and inflation)</li> <li>• Household delinquency and indebtedness</li> </ul>  |

| Organisation   | Strengths   | Weaknesses  | Opportunities  | Threats   |
|--|---|---|--|---|
|  | <ul style="list-style-type: none"> <li>Large territorial coverage and strategic regional operations</li> <li>Experience in managing strategic programmes for strengthening family farming and sustainable development</li> <li>Capacity to hedge riskier small-scale investments with traditional products and services.</li> </ul>   | <ul style="list-style-type: none"> <li>situation of greater economic vulnerability</li> <li>Capture (of resources and processes) by interest groups</li> </ul>  | <ul style="list-style-type: none"> <li>Co-Financing opportunities with international organisations</li> <li>Increasing development of Climate Financing in Brazil</li> <li>Increased interest in ecologically sustainable businesses</li> </ul>  |   |
| Northeast Consortium (Consórcio Nordeste)  | <p>Representative of States' interests in IFAD's main region of investment</p> <p>Facilitates alignment between state priorities.</p> <p>Capacity to forge inter-state agreements</p> <p>Synergy to perform studies, acquire resources, contract services, maintain information systems and promote campaigns</p> <p>Favourable position to attract international investment</p>  | <p>Lack of public policy integration between states</p> <p>Unable to provide rural credit directly to families (lack of resources).</p>   | <p>Federal government has strong focus on Northeast policies</p> <p>Alignment for development of common policies, information systems and campaigns</p> <p>Common focus on agroecology, desertification, reforestation, access to land, water technologies, proper technical assistance, processing facilities and market access.</p>  | <p>North-South divide and "Southern Consortium" may shift resources away from the region.</p>   |
| <p><b><u>International organisations/UN System</u></b></p> <p>(World Bank, IDB, FAO, IICA, WFP, UNICEF, UNDP)</p>            | <ul style="list-style-type: none"> <li>Extensive experience working in Brazil</li> <li>Knowledge acquired about the territorial diversity of the country</li> <li>Important presence in the Northeastern and Northern states</li> <li>Experience in supporting projects aimed at family farming and practices to overcome poverty</li> <li>Several projects in progress and/or completed in recent years with family farming as a target audience.</li> <li>Adoption of new indicators related to biodiversity and natural capital</li> <li>Capacity to develop detailed studies about complex matters such as the Amazon Economic Memorandum.</li> </ul> | <ul style="list-style-type: none"> <li>Individual agendas for action</li> <li>Difficulty in coordinating the strategies within different agencies</li> <li>Historical WB-IMF push for structural reforms such as privatisation, liberalisation and austerity measures may have increased inequality.</li> <li>Scale and duration of operations often affect community level monitoring and supervision</li> </ul> | <ul style="list-style-type: none"> <li>Existence of multidimensional problems associated with poverty and vulnerability requiring coordinated actions</li> <li>Large bureaucratic infrastructure and experience in the Public Sector, favouring the establishment of partnerships</li> <li>Partnership with NGOs and local communities for the implementation of projects and actions</li> <li>Partnerships with public universities and technological institutes, as well as national research agencies, for the development and implementation of actions aimed at sustainable local development</li> <li>Alignment of priorities on Climate mitigation, resilience, and global public goods.</li> </ul> | <ul style="list-style-type: none"> <li>Changes in strategic orientations of agencies</li> <li>Budgetary constraints</li> <li>Lack of local support or low response from NGOs and local leaders</li> <li>Unintended consequences of imposed conditions (e.g. WB structural reforms)</li> <li>Borrowers increased indebtedness and weight of debt service payments.</li> <li>Preference for loans without strings attached.</li> <li>Continued investment on oil &amp; gas projects.</li> </ul> |
| <p><b><u>National Federations</u></b></p> <p>(CONTAG, CONAF, CONAFER and other organizations representing rural workers)</p> | <ul style="list-style-type: none"> <li>Farmers' capacity to organise and mobilise</li> <li>Experience of political representation</li> <li>Accumulated knowledge in the development of public policies aimed at the family farming public and sustainable development</li> </ul>  | <ul style="list-style-type: none"> <li>Limitations on coverage</li> <li>Agenda limitations</li> <li>Weakening of the self-financing capacity of Brazilian trade unions</li> <li>Dependence/Reliance on State funds and programs.</li> </ul>   | <ul style="list-style-type: none"> <li>Experience in cooperation projects</li> <li>Engagement of farmers in newly announced calls for proposals and support programmes</li> <li>Need for dialogue between the new ministries and the social base to build a programmatic agenda</li> </ul>   | <ul style="list-style-type: none"> <li>Difficulty in strategic coordination</li> <li>Possibility of ideological and programmatic conflicts in a scenario of strong political polarisation</li> </ul>  |

| Organisation   | Strengths  | Weaknesses   | Opportunities   | Threats   |
|--|--|--|---|---|
|  | <ul style="list-style-type: none"> <li>Established structure for outreach and cooperation.</li> </ul>  |  | <ul style="list-style-type: none"> <li>Reactivation of national policy councils with seats for civil society organisations, such as the National Council for Food and Nutrition Security (Consea)</li> <li>Establishment of partnerships for training programs, technical assistance and access to markets.</li> </ul>  | <ul style="list-style-type: none"> <li>Unpredictability regarding the budgetary potential of social programmes aimed at the family farming public and sustainable development</li> </ul>  |
| <b>Representative and Private Organisations</b>  |  |  |   |   |
| <b>NGOs</b><br>OCB, OCE, UNICAFES, SICOOB, CRESOL, ASA, MIQCB, CONAQ and other representative organisations. | <ul style="list-style-type: none"> <li>Capacity for mobility of human, technological and productive resources for training and education</li> <li>Liaison with national and international public and private organisations</li> <li>Strong territorial presence</li> <li>Important technical production already developed</li> </ul> | <ul style="list-style-type: none"> <li>Programmatic and ideological divergences</li> <li>Interest Group Capture</li> <li>Difficulty in expanding or contextualising successful local practices</li> <li>Lack of cooperation structures between entities</li> </ul> | <ul style="list-style-type: none"> <li>Experience in projects and actions with the target public</li> <li>Established training and advisory platforms</li> <li>Ongoing inclusion actions</li> <li>Good articulation with national and international organisms, as well as with federal, state and local governments.</li> </ul>   | <ul style="list-style-type: none"> <li>Difficulty in strategic coordination</li> <li>Possibility of ideological and programmatic conflicts</li> </ul>   |
| <b>Private sector</b><br>Suppliers of inputs and productive implements and buyers of products or marketing   | <ul style="list-style-type: none"> <li>Capacity building with private investment</li> <li>Generation of employment and income</li> </ul>   | <ul style="list-style-type: none"> <li>Defending private interests</li> </ul>  | <ul style="list-style-type: none"> <li>Forming partnerships for mutually beneficial business growth</li> <li>Enlargement of players, reducing market concentration</li> <li>Forming supply and marketing networks</li> <li>Increased demand for mechanisation of small farms and agroforestry systems</li> <li>Increased interest for "bio-inputs" such as organic/green fertilisers and biological control of pests and diseases.</li> </ul> | <ul style="list-style-type: none"> <li>Possibility of demobilising investments</li> <li>Possibility of predatory reduction of competition and imposition of market power</li> <li>Externalisation of social and environmental costs.</li> </ul> |



### Key File 4: Strategic partnerships potential (refers to chapter IV-G, V-A)

| Partnering objective  | Partner   | Nature of project or justification for partnering         | Project/Programme Coverage   | Status                                  | Expected results from the partnership  |
|---|---|---|--|---|--|
| SO1 - Improve sustainable agricultural production, food security, nutrition, and market access with a focus on environmental and climate sustainability |   |   |  |   |  |
| - Co-financing of actions<br><br>-Knowledge sharing; training activities; missions and technical visits.  | World Bank  | Sustainable rural development                             | Ceará State Sustainable Rural Development and Competitiveness Project (PDRS) (US\$ 100 million) Objective: to improve access to markets and access to water and sanitation, through climate change resilient approaches, for target beneficiaries in selected areas of the state of Ceará. | In progress - 12/2025                   | Promoting political dialogues with a view to having a greater impact on public policies and management guidelines<br><br>-Complementing IFAD's activities in the region, facilitating the achievement of impacts<br><br>- Building a development agenda for the region   |
| - Co-financing of actions<br><br>-Knowledge sharing; training activities  | World Bank<br><br>Executed by the Cooperar Project and the Secretariat for Family Agriculture and Semi-Arid Development (SEAFDS). | Sustainable rural development                             | Sustainable Rural PB Project (US\$ 80 million). Objective: to promote the economic and social development of the population of rural Paraíba, especially in the semi-arid region.  | In progress - 06/2025                   | - Promoting political dialogues with a view to having a greater impact on public policies and management guidelines<br><br>-Complementing IFAD's activities in the region, facilitating the achievement of impacts<br><br>- Building a development agenda for the region |
| -Incorporation in the actions of IFAD Projects<br><br>-Knowledge sharing; training activities   | World Bank<br><br>Implementation: Ministry of the Environment - MMA, Getúlio Vargas Foundation                                    | Sustainable and resilient management of natural resources | Sustainable Landscapes of the Brazilian Amazon Project - Phase 2 (US\$ 19.28 million). Objective: to expand the area under legal protection and improve the management of Protected Areas, and to increase the area under restoration and sustainable management in the Brazilian Amazon.  | In progress - No closing date available | -Exchange of experiences on topics and regions where IFAD has less expertise   |

| Partnering objective   | Partner   | Nature of project or justification for partnering         | Project/Programme Coverage   | Status                | Expected results from the partnership  |
|--|---|---|--|-----------------------|--|
| -Knowledge sharing   | World Bank  | Sustainable and resilient management of natural resources | Integrated Landscape Management in the Cerrado Biome Project (US\$ 21 million). Objective: to strengthen the adoption of environmental conservation and restoration practices and low-carbon agricultural practices in selected watersheds of the Brazilian Cerrado Biome.   | In progress - 11/2025 | -Exchange of experiences on topics and regions where IFAD has less expertise   |
| -Knowledge sharing; training activities                          | World Bank  | Sustainable and resilient management of natural resources | Brazil DGM Project for Indigenous Peoples and Traditional Communities - Phase 2 (US\$ 0.93 Million) Objective: to support the adoption and dissemination of sustainable and resilient livelihood knowledge and practices on natural resource management among Indigenous Peoples, Quilombolas and Traditional Communities of the Cerrado Biome.  | In progress - 11/2024 | Access to specialised knowledge, filling existing knowledge gaps.<br><br>- Combination of resources, such as financing, expertise, labour and infrastructure, increasing the project's capacity for realisation in the region  |
| - Co-financing<br>-Incorporation in the actions of IFAD Projects | Ministry of Agrarian Development and Family Agriculture (MDA) | Support for the provision of quality ATER                 | Digital Ater Programme (R\$ 30 million). Objective: to strengthen and expand the Brazilian Technical Assistance and Rural Extension System by promoting the widespread use of Information and Communication Technologies (ICTs) in the activities carried out by Ater companies and Brazilian agriculture, expanding farmers' access to modern, agile and efficient services and increasing their competitiveness. | 2020 - in progress    | - Complementing IFAD's activities in the region, facilitating the achievement of impacts.<br><br>- Possibility of being part of several IFAD projects - allowing extension workers to provide more agile services to rural producers and quicker access to technological and innovative knowledge about agricultural production. |
| -Knowledge sharing;<br>-Public Policy Engagement                 | Ministry of Agrarian Development and Family Agriculture (MDA) | Strengthening Family Farming                              | Safra Guarantee - an action under the National Programme for Strengthening Family Farming (PRONAF), which aims to guarantee minimum survival conditions for family farmers in municipalities that are systematically subject to severe crop losses due to drought or excess water.   | In progress           | - Complementing IFAD's activities in the region, facilitating the achievement of impacts.<br><br>- Guaranteed service in IFAD project regions.<br>- Use of the Programme's databases for IFAD's work with these highly vulnerable family farmers.  |

| Partnering objective  | Partner  | Nature of project or justification for partnering  | Project/Programme Coverage  | Status      | Expected results from the partnership   |
|---|--|--|---|-------------|---|
| - Co-financing<br><br>-Incorporation in the actions of IFAD Projects  | Brazilian Agricultural Research Corporation (Embrapa)          | Support for the provision of quality ATER  | <ul style="list-style-type: none"> <li>• E-field Platform - a space designed to publicise the online training courses developed by Embrapa, in didactic and easy-to-understand language.</li> <li>• Own apps - such as Agritempo, Zarc-Plantio Certo, Bioisumos, custo Fácil, Capriteca, among others (with alerts, and information in audio, text and video format)</li> </ul>   | In progress | <p>- Possibility of being part of various IFAD projects - enabling farmers and technicians to be trained in topics such as: agroforestry systems, property management; product quality, food safety for livestock, animal health, among others.</p> <p>Complementing IFAD activities</p>  |
| - Co-financing<br><br>-Incorporation in the actions of IFAD Projects  | Food and Agriculture Organisation of the United Nations (FAO)  | Technologies to increase agricultural productivity, improve food and nutrition security, strengthen market access  | Project with Embrapa Semiárido. Objective: to develop technologies to increase agricultural productivity, improve the efficient use of natural resources and reduce the environmental impacts of agriculture and promote food and nutritional security in the Brazilian semi-arid region.   | In progress | - Exchange of experiences with IFAD projects  |
| -Knowledge sharing; training activities; missions and technical visits.<br><br>-Promotion of CSST dialogues | Inter-American Institute for Cooperation on Agriculture (IICA) | Climate Action and Agricultural Sustainability; International Trade and Regional Integration; Territorial Development and Family Farming; Agrifood Digitalisation; Gender Equity and Youth; Innovation and Bioeconomy; Agricultural Health, Safety and Food Quality. | <p>Projects with public organisations (Embrapa, Insa) and civil society organisations representing rural peoples and communities. Actions include developing courses and training for technicians and producers. Carrying out studies and actions on sustainable rural development. Support for the development of projects in major areas of rural development.</p> <ul style="list-style-type: none"> <li>- Bioeconomy and Sociobiodiversity Study for Amazonia</li> <li>- Mitigation and adaptation to climate change;</li> <li>- Food and Nutrition Security;</li> <li>- Training young rural leaders;</li> <li>- Actions to provide water supply and sanitation in rural areas;</li> </ul> | In progress | <p>- Strengthening the capacity to disseminate knowledge and practices on sustainable rural development.</p> <p>- Access to specialised knowledge</p> <p>- Carrying out courses and training and supporting the implementation of public policies through consultancy and technical advice</p> <p>- Guaranteed service in the regions of the American continent.</p> <p>- Strategic liaison with public and private institutions.</p> |

| Partnering objective   | Partner   | Nature of project or justification for partnering   | Project/Programme Coverage  | Status                           | Expected results from the partnership  |
|--|---|---|---|----------------------------------|--|
| -Incorporation in the actions of IFAD projects   | Brazilian Micro and Small Business Support Service (Sebrae)           | Support for the provision of quality ATER   | AliRural Programme - aimed at agribusiness ventures seeking innovation and sustainable development. For 8 months, a Local Innovation Agent (Ali) carries out a diagnosis, presents solutions, monitors the applicability of innovation by the rural producer and measures the results by increasing turnover and reducing costs.  | 2010 - in progress               | <ul style="list-style-type: none"> <li>- Strengthening small agribusinesses, promoting innovative technologies, management, certification and quality, access to markets in IFAD project areas.</li> <li>-Complement IFAD's activities in the region, facilitating the achievement of impacts.</li> <li>- Guaranteed service in IFAD project regions.</li> </ul> |
| -Engagement in public policies for territorial development<br><br>-Knowledge sharing; training activities; missions and technical visits | Brazilian Micro and Small Business Support Service (Sebrae)           | Sustainable regional economic development. Emphasis on small business   | Entrepreneurial Territory Programme. Objective: to stimulate the creation of new local businesses and to promote competitiveness and the sustainable development of entrepreneurship in the region of the Municipalities.   | In progress                      | <ul style="list-style-type: none"> <li>- Building a development agenda for the region</li> <li>-Complement IFAD's activities in the region, facilitating the achievement of impacts.</li> <li>- Guaranteed service in IFAD project regions.</li> </ul>   |
| -Engagement in public policies for territorial development<br><br>-Knowledge sharing; training activities                                | Inter-American Development Bank (IDB)                                 | Support for sustainable production  | More Sustainable Northeast (US\$ 230 million). Objective: to leverage production chains in the Northeast, develop land and environmental regularisation actions in agrarian reform settlements and agricultural defence.  | Preparation - 6 years (expected) | <ul style="list-style-type: none"> <li>- Complement IFAD's activities in the region by facilitating the achievement of impacts.</li> <li>- Building a development agenda for the region</li> <li>- Exchange of experiences with IFAD projects</li> </ul>   |
| - Co-financing<br><br>-Incorporation in the actions of IFAD Projects   | National Agency for Technical Assistance and Rural Extension (ANATER) | - Strengthening Technical Assistance and Rural Extension - and - Qualification and training in ATER - - Attending to specific audiences (indigenous, <i>quilombolas</i> ) | Implementation of policies and calls for tenders for the development of Technical Assistance and Rural Extension in the area of intervention of IFAD projects. The activities included in its projects/public calls for proposals include: training of ATER agents; training of ATER managers; provision of ATER services for family farmers with a view to sustainable development and the convergence of public policies; provision of ATER services for family farmers' organisations using the "Mais Gestão" methodology; provision of specific ATER services for family farmers, traditional peoples and communities and rural youth with a view to sustainable development; local development and | In progress                      | <ul style="list-style-type: none"> <li>- Exchange of experiences</li> <li>- Promotion of sustainable agricultural practices - Inclusion of traditional communities</li> <li>- Guaranteeing service in IFAD project regions</li> </ul>  |

| Partnering objective   | Partner  | Nature of project or justification for partnering                       | Project/Programme Coverage   | Status       | Expected results from the partnership  |
|--|--|---|--|--------------|--|
|  |  |   | the convergence of public policies; setting up technological reference units in agreed/contracted projects as a mechanism for technological innovation.  |              |  |
| - Co-financing<br><br>-Incorporation in the actions of IFAD projects.                                      | Network of Semi-Arid Family Agricultural Schools (REFAISA)   | Education in the countryside  | Projects related to education in and for rural areas, with a focus on supporting experiences carried out using the pedagogy of alternation, with the aim of helping students and teachers strengthen their role as multipliers of knowledge and good agro-ecological practices, as well as productive inclusion and income generation for rural youth. | In progress  | <ul style="list-style-type: none"> <li>- Access to new target audiences and themes, expanding the project's reach</li> <li>- Strengthening other institutions working on the same themes and areas as IFAD</li> <li>- Creating/strengthening a network to promote the issue</li> <li>- Exchange of experiences in areas where IFAD has less expertise</li> </ul> |
| -Engagement in public policy.<br><br>-Incorporation in the actions of IFAD projects.                       | Ministry of Social Development, National Bank for Economic and Social Development (BNDES) and Banco do Brasil Foundation | Expanding access to water technologies in the context of climate change | Cisterns Programme - New calls for tenders for the semi-arid region and the Amazon, totalling around R\$500 million.   | In progress  | <ul style="list-style-type: none"> <li>- Exchange of experiences in the implementation of technologies for access to water for human consumption and food production.</li> <li>- Guaranteed service in IFAD project regions</li> <li>- Complementary support for developing new technologies or improving existing ones</li> </ul>                               |
| -Engagement in public policy.<br><br>-Incorporation in the actions of IFAD Projects                        | Ministry of Social Development   | Implementation of socio-productive inclusion strategies.                | Rural Development Programme. Objective: social and productive monitoring and the direct transfer of non-refundable financial resources to families for investment in productive projects.  | In progress. | <ul style="list-style-type: none"> <li>- Exchange of experiences in the implementation of socio-productive inclusion strategies for family farmers living in poverty and extreme poverty.</li> <li>- Guaranteed service in IFAD project regions.</li> </ul>  |
| SO2 - Enhance public policies and programmes through evidence-based revision and scaling of best practices |  |   |  |              |  |

| Partnering objective  | Partner   | Nature of project or justification for partnering  | Project/Programme Coverage  | Status       | Expected results from the partnership  |
|---|---|--|---|--------------|--|
| -Engagement in rural connectivity public policies<br><br>-Knowledge sharing; training activities                              | Ministry of Agrarian Development and Family Agriculture (MDA) | Family farmers' access to quality internet in rural areas<br>Overcoming the connectivity and digital skills gap in rural areas | ACT between ANATEL and MDA within the scope of the GAPE project (Group for Monitoring the Funding of School Connectivity Projects)<br>Objective: to identify areas of interest to family farming for the installation of networks, infrastructure and internet equipment in public basic education schools in urban and rural areas. Specific actions for EFAs and CFRs are also planned. | Design stage | <ul style="list-style-type: none"> <li>- Combining resources such as financing, expertise, labour and infrastructure, increasing the region's capacity for realisation</li> <li>- Guaranteeing service in IFAD project regions</li> <li>- Access to specialised knowledge</li> <li>- Promoting political dialogue with a view to impacting on public policies and management guidelines</li> </ul> |
| -Engagement in renewable energy public policies<br><br>-Knowledge sharing; training activities; missions and technical visits | Ministry of Agrarian Development and Family Agriculture (MDA) | Strengthening public policy on renewable energy  | Articulation of projects combining irrigation and renewable energy technologies for family farming in the semi-arid region in partnership with Federal Institutes in the Northeast  | Design stage | <ul style="list-style-type: none"> <li>- Combining resources such as financing, expertise, labour and infrastructure, increasing the region's capacity for realisation</li> <li>- Guaranteeing service in IFAD project regions</li> <li>- Access to specialised knowledge</li> <li>- Promoting political dialogue with a view to impacting on public policies and management guidelines</li> </ul> |
| - Co-financing<br><br>-Knowledge sharing; training activities   | Food and Agriculture Organisation of the United Nations (FAO) | Quality of public policies   | Projects with teaching and research institutions - UnB, UFRPE, UFPE, UNIVASP and UFAM. Projects to 1) promote the dissemination of knowledge and the production of evidence-based public policies. 2) strengthening the capacity to evaluate public policies 3) generating evidence on public policies and 4) training qualified professionals for public management.                     | In progress  | <ul style="list-style-type: none"> <li>- Access to specialised knowledge</li> <li>- Carrying out research on public policies; offering courses and training on public policies. Supporting the implementation of public policies through consultancies and technical advice</li> <li>- Guaranteeing service in IFAD project regions</li> </ul>   |
| -Knowledge sharing  | Ministry of Social Development                                | Improving public policies  | Action: Collection of the final line of the impact assessments of the Rural Development and Cisterns Programmes 2 <sup>a</sup> water  | In progress  | <ul style="list-style-type: none"> <li>- Dialogue on impact assessment methodologies in public rural development policies.</li> <li>- Generating additional evidence on the effectiveness of different arrangements for rural socio-productive inclusion.</li> </ul>   |

| Partnering objective   | Partner   | Nature of project or justification for partnering                      | Project/Programme Coverage  | Status                          | Expected results from the partnership   |
|--|---|--|---|---------------------------------|---|
| -Cofinancing of complementary studies.<br><br>-Knowledge sharing;  | Ministry of Social Development and partners   | Studies and evidence to improve public policy formulation.             | National Food and Nutrition Security System (SISAN). SISAN is an intersectoral, participatory public policy management system that liaises between the three levels of government to implement and execute food and nutrition security policies. Its objectives are: to formulate and implement food and nutrition security policies and plans; to stimulate the integration of efforts between government and civil society to promote the right to food; and to promote the follow-up, monitoring and evaluation of food and nutrition security in the country. | In progress                     | - Studies and dialogues on food insecurity in the semi-arid region and strategies to overcome it.   |
| -Knowledge sharing   | National Bank for Economic and Social Development (BNDES) and the Federal Republic of Germany (KFW)               | Climate and combating deforestation                                    | Objective: Donation focused on actions for the sustainable use of forests, renewable energies, energy efficiency and sustainable urban mobility (EUR 35 million)  | In progress                     | -Exchange of experiences on topics and regions where IFAD has less expertise  |
| SO3 - Strengthen the capacities of government institutions and organizations of the rural poor to drive inclusive and sustainable rural development. |   |  |   |                                 |   |
| -Knowledge sharing; training activities<br><br>-Promotion of SSTC dialogue   | Brazilian Cooperation Agency (ABC) and the Special Secretariat for Family Farming and Agrarian Development (SEAD) | Institutional strengthening of Ater organisations (public and private) | Objective: to strengthen Family Farming and Agrarian Reform Settlers through public policies built on dialogue and within the framework of the SSTC between LAC countries. In conjunction with ABC and SEAD, the project's activities focus on training technicians and managers from government institutions and civil society in the region on public policies for Family Farming and establishing an integrated knowledge management system on Ater issues in the region.  | In progress - 01/2018 - 12/2024 | Access to specialised knowledge<br><br>- Complementing IFAD activities<br><br>- Strengthening other institutions working on the same themes and areas as IFAD<br><br>- Strengthening the capacity to disseminate knowledge and practices on sustainable rural development |
| -Knowledge sharing; training activities<br><br>-Promotion of SSTC dialogue   | National Education Development Fund (FNDE) and World Food   | Social development and food security                                   | South-South Cooperation Project to Combat the Multiple Burden of Malnutrition in Schoolchildren (R\$ 211,500.00)<br>Objective: training and capacity building for national governments of developing countries in order to promote good practices and share experiences with regard to school feeding programmes. Specifically, the project aims to   | In progress - 12/2019- 12/2023  | Access to specialised knowledge<br><br>- Complementing IFAD activities<br><br>- Strengthening other institutions working on the same themes and areas as IFAD   |

| Partnering objective  | Partner   | Nature of project or justification for partnering                                    | Project/Programme Coverage   | Status                              | Expected results from the partnership   |
|---|---|--|--|-------------------------------------|---|
|   | Programme (WFP)   |  | foster the exchange of experiences on the multiple burden of malnutrition in Brazil with another developing country, reinforcing multilateral actions within the framework of the UN Decade of Action for Nutrition and the Sustainable Development Goals (SDGs) 2 and 3.  |                                     |   |
| -Promotion of SSTC dialogue<br><br>-Knowledge sharing; training activities                                | National Supply Company (Conab)                                 | Food supply - Agricultural price policies - Storage - Agricultural market monitoring | Supply policies - Food storage techniques - Analysing the agricultural market  | In progress                         | - Access to specialised knowledge<br><br>- Complementing IFAD activities<br><br>- Strengthening other institutions working on the same themes and areas as IFAD                       |
| -Promotion of CSST dialogue   | National Institute for Colonisation and Agrarian Reform (INCRA) | Land regularisation  | Agrarian reform projects, rural development  | In progress                         | - Sharing experiences in agrarian reform - Promoting sustainable agricultural practices - Regularising traditional lands and communities  |
| -Knowledge sharing; training activities; missions and technical visits<br><br>-Promotion of CSST dialogue | Food and Agriculture Organisation of the United Nations (FAO)   | Strengthen the capacity of ATERs to promote sustainable agricultural production      | Project with ASBRAER to develop training programmes for field technicians in sustainable agricultural production practices. The project also covers support for the development of research and extension projects on sustainable agricultural production; the realisation of communication campaigns on sustainable agricultural production and the promotion of exchanges between family farmers, small rural producers and traditional communities from different regions of the country. | In progress                         | - Access to specialised knowledge<br><br>- Complementing IFAD activities<br><br>- Strengthening the capacity to disseminate knowledge and practices on sustainable rural development. |
| -Knowledge sharing; training activities; missions and technical visits                                    | Food and Agriculture Organisation of the United Nations (FAO)   | Regional development and mobilisation of the rural population                        | Projects with civil society organisations representing rural peoples and communities. Actions include: developing courses and training for public professionals. Carrying out research into sustainable rural development. Support for drawing up sustainable rural development projects.  | In progress                         | - Strengthening the capacity to disseminate knowledge and practices on sustainable rural development.   |
| -Promotion of SSTC dialogue   | Brazilian Cooperation Agency (ABC) and Spanish Agency for       | Water supply   | Project: Support for institutional strengthening to improve the provision of drinking water supply, sewage and solid waste services in Bolivia (R\$413,240.00) Objective: To strengthen institutions in the sector with a view to improving  | In progress<br>04/2015 -<br>12/2023 | - Studies and dialogues on water supply and scarcity in the semi-arid region and strategies to overcome them.   |



| Partnering objective   | Partner                                       | Nature of project or justification for partnering | Project/Programme Coverage   | Status | Expected results from the partnership |
|--|---|---|--|--------|---------------------------------------|
| -Knowledge sharing; training activities; missions and technical visits | International Development Cooperation (AECID) |   | the management and provision of drinking water supply, sewage and solid waste services at national level, in line with current state policies. |        |                                       |

## Transition projections

### Introduction

This appendix has been prepared to substantiate the assessment framework with details on a sustainable and inclusive transition pathway, including benchmarks and targets, agreed upon by IFAD and the government of Brazil to support the discussion on the need for continued IFAD engagement in Brazil.

### Assessment framework

The assessment of the expected development trajectory over the COSOP implementation period is multifaceted. As IFAD is a global institution, an effort has been made to adopt a set of standardized criteria and indicators that can be applied to all countries eligible for a COSOP with an assessment framework. Within these criteria and indicators, the proposed benchmarks and targets are mutually agreed upon by both parties as part of the COSOP design process and implementation monitoring. For transparency and objectivity, all indicators are drawn from publicly available sources.

Within this context, this COSOP defines benchmarks and targets along the following three criteria and related indicators:<sup>3</sup>

- (i) **The country's ability to access external capital for development at reasonable terms.** This criterion assesses the willingness of capital markets to lend at certain costs.<sup>4</sup> The indicator used is a country's credit rating as produced by reputable credit rating institutions. Fitch ratings have been chosen with the Brazilian government and will be followed throughout the COSOP cycle. If available, the rating(s) will be assessed once a year during COSOP annual reviews to monitor progress and trends.
- (ii) **Progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development.** For this criterion, the IFAD RSPA index<sup>5</sup> is used, along with sub-ratings for policies and frameworks for rural development and rural poverty alleviation (cluster 1.1), national climate change policies (cluster 3.2) and access to and use of rural financial services (cluster 4.1). This criterion is updated and monitored every three years when the RSPA index is generated to capture progress and trends.
- (iii) **Progress towards economic and social development,** as reflected by a selection of Sustainable Development Goals (SDGs) indicators that are most relevant to IFAD's mandate, namely: the incidence of poverty, hunger, gender inequality, and inequality within and among countries (related to SDG1, SDG2, SDG5 and SDG10, respectively).

Below is a brief discussion of each of these criteria along with proposed values for the respective targets for the indicators at the start, midterm, and end of COSOP implementation. Towards the conclusion of COSOP implementation, outcomes are presented under two distinct scenarios: "completion" targets represent feasible projected values following a six-year implementation period of the COSOP, based on the continuation of the current strong pro-poor public policies and support programmes by the federal and

<sup>3</sup> Operational Guidelines and Procedures for COSOP, IFAD, August 2023

<sup>4</sup> Based on the Graduation Policy of the World Bank this indicator measures the risk of default on sovereign debt, which should be a good proxy for access "on reasonable terms" to private capital markets.

<sup>5</sup> The IFAD RSPA index refers to the "Rural Sector Performance Assessment" tool designed to evaluate and monitor the performance of the rural sector in a country. The RSPA index provides a comprehensive assessment of the rural sector, considering various factors such as agricultural productivity, market access, rural financial services, and the policy and institutional environment. The index is used by IFAD and its partners to identify strengths and weaknesses in a country's rural sector, inform strategic planning, and make evidence-based decisions for rural development projects.

state governments, whereas "ideal" values signify the benchmarks to be attained for IFAD's role to transition from that of a primary financier to that of a global knowledge development partner and financial intermediary.

### **B.1 Criterion 1: Brazil economic outlook and ability to access external capital for development**

**Brazil's ability to attract financing for development hinges on a mix of domestic and external factors.** Domestic factors under the public administration's purview, such as economic strategies, political stability, regulatory environments, fiscal prudence, and investments in both infrastructure and human resources, directly affect the nation's appeal to foreign investors, its creditworthiness, and the overall investment landscape. These elements are pivotal in shaping the nation's credit standing, and appeal to overseas investors, with Brazil performing well in these domains in the recent administrations. However, the ability to secure external funding is also contingent upon external factors and global dynamics, which are predominantly unpredictable and beyond the direct influence of Brazil's public administration. These factors have the potential to significantly influence Brazil's access to external capital. **Key domestic factors such as projected GDP growth, monetary and fiscal policies, and institutional reforms will play a significant role in determining the anticipated creditworthiness in relation to global markets.**

Based on the latest insights, Brazil's GDP growth is expected to be modest, with economists predicting a slowdown from the higher growth rates observed in the recent past. For example, after a strong rebound post-COVID-19 in 2023, growth is now anticipated to moderate. In 2023, growth projections were adjusted upwards to around 3%, but momentum slowed significantly towards the second half of the year and the outlook for 2024 now suggests a further cooling, with GDP growth expected to range between 1.5% and 1.9%.<sup>6</sup> Over the next four years, Brazil's growth is now projected to fluctuate between 1.3% and 2.4%, which is below the growth rates of emerging market peers such as China, India, and Türkiye.<sup>7</sup>

Other influencing domestic factors include inflation and monetary policy, fiscal policy and public debt, structural challenges, and sectoral contributions. Inflation moderation and the Central Bank's policy adjustments are going to be crucial. The Central Bank has room for rate cuts, given the relatively high real interest rates.<sup>8</sup> The fiscal deficit and public debt levels are concerns, but recent tax reforms and a new fiscal framework aim to stabilize the budget and debt by 2026. These measures are expected to impact the economic outlook positively.<sup>9</sup> Persistent structural challenges, such as stagnant productivity in key sectors and rigid public spending, continue to hamper growth. Sectoral Contributions like agriculture and industry are significant contributors to Brazil's GDP. The service sector, in particular, has shown resilience and recovery, contributing positively to growth projections. However, agribusiness, a vital growth driver in previous years, may face challenges due to factors such as the impact of El Niño on planting and production.<sup>10</sup>

**However, external factors such as global economic conditions, international capital flows, and geopolitical developments will be just as crucial in determining Brazil's capacity to secure capital for development financing.**

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<sup>6</sup> <https://www.focus-economics.com/countries/brazil/>

<sup>7</sup> World Bank, Country overview, 2024 <https://www.worldbank.org/en/country/brazil/overview>

<sup>8</sup> <https://www2.deloitte.com/us/en/insights/economy/americas/brazil-economic-outlook.html>

<sup>9</sup> World Bank, Ibid

<sup>10</sup> <https://valorinternational.globo.com/economy/news/2023/12/29/brazils-gdp-growth-to-halve-in-2024-without-economic-stimulus.ghtml>

Global economic conditions such as the overall health of the global economy, including growth rates, inflation, and interest rates, can affect investor appetite for emerging market investments, including those in Brazil; International capital flows like trends in global capital flows, driven by monetary policies in major economies (such as the US Federal Reserve's interest rate decisions), can impact the availability and cost of external capital for developing countries; and Geopolitical developments such as the wars in Ukraine and in the Middle East, and the sharp tightening of monetary policy to contain high inflation can shift global investment patterns and influence the risk perception of investors towards emerging markets, including Brazil.

In conclusion, Brazil's economic outlook over the next five years indicates moderate growth, with several domestic and external challenges to navigate. The effectiveness of government policies, global economic conditions, and progress in addressing structural issues will significantly influence the country's growth trajectory.

**These factors combined with a moderately positive outlook of global economic trends and domestic policy effectiveness suggest a cautiously optimistic medium-term scenario** for Brazil's economic development and access to external development capital, with risks balanced between potential internal reforms and external global economic pressures. Ultimately it will depend on Brazil's ability to navigate domestic and international economic and political dynamics to maintain and enhance its access to external capital for development. On the one hand, Moody's has left Brazil's credit score untouched at Ba2 since 2016, two notches below investment grade, hinting that an upgrade could happen after a smooth rollout of the nation's new fiscal framework and a clear government push to stay within its economic targets. On the other hand, Fitch Ratings and S&P Global Ratings improved their stances recently. Fitch Ratings upgraded its ratings for Brazil from BB- to BB in July 2023 on the basis of better-than-expected macroeconomic and fiscal performance amid successive shocks in recent years, proactive policies and reforms that have supported this, and expectations that the new government will work toward further improvements. In June 2023, S&P Global Ratings also revised the outlook on its 'BB-' global scale sovereign rating on Brazil to positive from stable and affirmed both the global scale 'BB-/B' and 'AAA' national scale ratings.<sup>11</sup>

**In sum, all three agencies maintain a moderately positive medium to long term outlook of Brazil's economy.** In this context and based on the assumption of an economic performance akin to that observed over the past thirty years, the proposed target ratings by Fitch for this COSOP are BBB ( ) at the COSOP Mid-term benchmark, and possibly A at the COSOP completion, against an ideal target of Aa. The corresponding ratings by Moody's would be Baa1, A1 and AA, respectively.

*Table 1: Possible targets for Brazil's ability to access external capital for development at reasonable terms*

| Criteria                                       | Indicator                        | 2016 | Approval    | Mid-term Benchmark | Completion Target | Ideal Target |
|--|----------------------------------|------|-------------|--------------------|-------------------|--------------|
| <b>Access to International Capital Markets</b> |                                  |      |             |                    |                   |              |
|  | Credit Rating (long-term, Fitch) | BB   | BB (Jan-24) | BBB                | A                 | Aa           |

## **B.2 Criterion 2: Brazil's progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development**

<sup>11</sup> Bloomberg, June 14, 2023

**Brazil has made considerable progress in establishing key institutions and policies aimed at promoting sustainable and equitable socioeconomic development in rural areas.** They consist of a mix of government institutions, policies, and programs designed to address various aspects of rural development, including poverty alleviation, land reform, environmental conservation, and agricultural productivity. The following are pivotal institutions and policies that advance sustainable and fair socioeconomic development in rural areas:

- ***Instituto Nacional de Colonização e Reforma Agrária (INCRA)***: The National Institute for Colonization and Agrarian Reform is responsible for implementing land reform in Brazil, a critical aspect of promoting equity in rural areas. Land reform policies aim to redistribute land to landless farmers and improve rural livelihoods.<sup>12</sup>
- ***Ministério do Desenvolvimento Agrário (MDA)***: The Ministry of Agrarian Development (MDA) is responsible, within the federal government, for proposing and implementing public policies aimed at agrarian reform and the promotion of sustainable development and the strengthening of the rural segment made up of family farmers. Its actions are guided by the fight against rural poverty, food security and sovereignty, the sustainability of production systems and the generation and value added.<sup>13</sup>
- ***Ministério da Agricultura e Pecuária (MAPA)***: The Ministry of Agriculture, Livestock and Food Supply (MAPA) mission is to promote sustainable development and competitiveness of agribusiness for the benefit of the Brazilian society. Therefore, MAPA stimulates the increase of agricultural production and agribusiness development, in order to meet domestic demand and form an exportable surplus. This mission is contributing to employment and income generation, promotion of food security, social inclusion and the reduction of social inequalities.<sup>14</sup>
- ***Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA)***: The Brazilian Agricultural Research is a key institution in agricultural research, working to develop technologies that enhance agricultural productivity in a sustainable manner, benefitting small and large producers alike. Since its inception on April 26, 1973, EMBRAPA has been devoted to developing technologies, knowledge and technical-scientific information aimed at Brazilian agriculture, including livestock.<sup>15</sup>
- ***Companhia Nacional de Abastecimento (CONAB)***: The National Supply Company monitors and supports Brazil's food supply, including the management of public food stocks and the implementation of policies to ensure food security and regulate market prices.<sup>16</sup>
- ***Programa Nacional de Fortalecimento da Agricultura Familiar (PRONAF)***: The National Program for Strengthening Family Agriculture finances individual or collective projects that generate income for family farmers and agrarian reform settlers. The program has the lowest interest rates for rural financing, in addition to the lowest default rates among the country's credit systems.<sup>17</sup>
- ***Programa Bolsa Família (PBF)***: While not exclusively rural, this social welfare program has been pivotal in reducing poverty and inequality in rural areas by

<sup>12</sup> <https://www.gov.br/incra/pt-br>

<sup>13</sup> <https://www.gov.br/mda/pt-br>

<sup>14</sup> [https://www.abc.gov.br/training/informacoes/InstituicaoMAPA\\_en.aspx](https://www.abc.gov.br/training/informacoes/InstituicaoMAPA_en.aspx)

<sup>15</sup> <https://www.embrapa.br/>

<sup>16</sup> <https://www.conab.gov.br/>

<sup>17</sup> <https://idaf.es.gov.br/pncf-programa-nacional-de-fortalecimento-da-agricultura-familiar-pronaf>

providing direct cash transfers to low-income families. Bolsa Família is the largest cash transfer program in Brazil, internationally recognized for having lifted millions of families out of hunger and for its impact on poverty reduction (see below, discussion on SDGs). The Federal Government relaunched the program with a benefit model that considers family size and characteristics. In addition to providing basic income for families living in poverty, the Bolsa Família program seeks to integrate public policies for overcoming poverty and social transformation.<sup>18</sup>

- **Plano Amazônia Sustentável (PAS)**: The Sustainable Amazon Plan aims to promote sustainable development in the Amazon region integrating social, environmental, and economic policies to protect the rainforest while enhancing local livelihoods.

**Brazil's institutional framework for managing rural development is indeed robust, involving a variety of federal and state-level agencies that work collaboratively to oversee agriculture, land issues, rural economics, and environmental conservation.** This multi-tiered system is designed to address the diverse needs of Brazil's rural population, promote sustainable development, and ensure equitable access to resources. Besides the aforementioned federal agencies, each of Brazil's 26 states and the Federal District has its own secretariats or departments of agriculture that work in conjunction with federal agencies to tailor rural development policies to local needs. These agencies are responsible for implementing state-level programs, providing technical assistance, and supporting local agricultural and rural development projects. In addition, cross-sectoral and environmental agencies, such as the Ministry of the Environment and Climate Change (MMA), the Chico Mendes Institute for Biodiversity Conservation (ICMBio), and the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) ensure harmonization and regulation of policies and implementation.

**Challenges and Ongoing Efforts** - Despite the comprehensive nature of Brazil's institutional framework for rural development, the country faces ongoing challenges such as deforestation, land conflicts, and the need for greater inclusion of smallholder and family farmers in the agricultural economy. Efforts to address these challenges include the integration of sustainable agricultural practices, strengthening land rights and tenure security, and enhancing the participation of rural communities in decision-making processes, all areas for which IFAD offers expertise and global practices. The effectiveness of Brazil's institutional framework in promoting rural development is contingent on continued collaboration between federal and state agencies, the integration of environmental and social goals, and the adaptation of policies to address the evolving challenges of rural development in at least four big thematic areas:

- **Land Reform and Rural Development**: Despite efforts, land distribution remains highly unequal. As of today, less than 3% of Brazil's population owns over two-thirds of all arable land with the average size of these large farms exceeding 2,000 hectares. This extreme concentration contrasts starkly with the situation of the smallest farms, which are essential for the livelihoods of a large proportion of the population in developed regions like the North and Northeast. A critical issue facing Brazil's land reform efforts is the drastic reduction in funding for INCRA, whose budget decreased significantly from US\$ 913 million in 2010 to less than US\$ 57 million in 2023.<sup>19</sup> This budget cut has severely impacted INCRA's capacity to carry out its functions, resulting in a reduction in staff by more than 40% in the last four

<sup>18</sup> <https://www.gov.br/mds/pt-br/acoes-e-programas/bolsa-familia>

<sup>19</sup> Geraldo da Silva e Souza, Eliane Gonçalves Gomes, Assessing the influence of external factors on agricultural production in Brazil, Socio-Economic Planning Sciences, Volume 85, 2023,

years alone and a near stoppage in the creation of new settlements. The decline in budget and personnel has also hampered the recognition of quilombola territories and decreased the distribution of credits to settled farmer.

- **Poverty Alleviation and Social Welfare:** The Bolsa Família program has had a significant positive impact, reducing poverty and extreme poverty by about 15% and 25% respectively since its inception. However, rural poverty remains a significant issue, with rural areas having higher poverty rates than urban areas. The Bolsa Família (together with and Social Pensions - *Benefício de Prestação Continuada*, BPC) is estimated to have contributed to a 58% decline in extreme poverty, a 30% reduction in poverty, and a 41% decrease in inequality between 2004 and 2014. The program's ability to increase its coverage and improve the monitoring of conditionalities has been pivotal.<sup>20</sup> By December 2018, Bolsa Família was reaching its highest number of beneficiaries to date: a total of 46.9 million people. The program has also facilitated the harmonization of state cash transfers and supported 24 other federal programs in identifying poor or vulnerable beneficiaries.<sup>21</sup>
- **Environmental Conservation:** In recent years, Brazil has witnessed significant fluctuations in deforestation rates, with periods of both decline and increase, illustrating the ongoing challenge of balancing conservation efforts with economic development. In 2023, Brazil made notable progress in reducing deforestation in the Amazon rainforest. According to preliminary satellite data from the National Institute for Space Research (INPE), there was a 49.9% drop in deforestation compared to 2022, bringing deforestation down to 5,153 square kilometers, the lowest level since 2018. Deforestation in the Brazilian Amazon in 2023 was primarily concentrated in the states of Pará, Mato Grosso, and Amazonas, which have historically accounted for the bulk of agricultural expansion in the region. The reduction in deforestation in 2023 has been attributed to various factors, including increased enforcement efforts by Brazil's environmental agencies.<sup>22</sup> The Environment Ministry highlighted the role of "decisive" inspection efforts by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) in achieving these results, with a significant increase in the issuance of infraction notices, which rose by 106% during the period.

**Agricultural Productivity and Sustainability:** PRONAF and similar initiatives have significantly enhanced agricultural productivity and sustainability among family farmers. For instance, in the 2022/2023 period, PRONAF alone allocated approximately BRL 53 billion in credit to family farmers, underscoring the program's extensive reach, with an average of over R\$ 20 billion per year in credit made accessible to family farmers since its inception in 1995, enabling investments in production and sustainability enhancements. Over 4 million farming families have benefited from PRONAF, constituting a substantial portion of Brazil's rural population. Those who availed PRONAF credit witnessed an uptick in both production and income compared to non-recipients, thereby aiding in the alleviation of rural poverty.<sup>23</sup> Furthermore, PRONAF Bioeconomy, PRONAF Forestry and PRONAF Agroecology are credit lines geared towards sustainable agricultural practices,

<sup>20</sup> Centre for Public Impact, September 2, 2019 - <https://www.centreforpublicimpact.org/case-study/bolsa-familia-in-brazil>

<sup>21</sup> Tabosa, F. J. S., Castelar, P. U. de C., Amorim, D. I. M., da Cunha Filho, M. H., Albuquerque, E. M., & dos Santos, A. C. F. (2024). Impact of growth, inequality and the Family Grant Program (PBF) on Brazil's poverty. *OBSERVATÓRIO DE LA ECONOMÍA LATINOAMERICANA*

<sup>22</sup> Carlos A. Peres - Environmental policy at a critical junction in the Brazilian Amazon, in *SCIENCE & SOCIETY | VOLUME 38, ISSUE 2, P113-116, FEBRUARY 2022*

<sup>23</sup> <https://idaf.es.gov.br/pncf-programa-nacional-de-fortalecimento-da-agricultura-familiar-pronaf>

has facilitated the adoption of green technologies and agroforestry systems, although comprehensive data regarding their adoption rates and direct environmental impacts remain limited.

### Rural Sector Performance Assessment (RSPA)

**To assess Brazil's progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development during the COSOP implementation, IFAD uses its Rural Sector Performance Assessment (RSPA) tool**, which periodically measures the quality of pro-poor rural development and rural transformation policies and institutions. The RSPA methodology is designed to measure through publicly available resources the responsiveness of a country's policies to the needs of poor rural people through a questionnaire organized around six thematic clusters and core indicators. The proposed targets for Brazil's progress in establishing and sustaining key institutions and policies will be captured by the ratings over time of the overall RSPA index along with sub-ratings for three selected clusters, namely: (i) Policies and frameworks for rural development and rural poverty alleviation (cluster 1.1), (ii) National climate change policies (cluster 3.2), and (iii) Access to and use of rural financial services (cluster 4.1). Targets are monitored at least every three years when the RSPA index is generated to capture progress and trends to align it with IFAD performance-based allocation financing cycle.<sup>24</sup>

**Overall RSPA index score:** Following a standardized methodology, each question of the RSPA tool is broken down into a set of measurable qualitative and quantitative indicators that are used to calculate an overall RSPA score. Quantitative indicators measure the performance of policies performance, whereas qualitative indicators measure the presence of an effective policy framework. For each question, a mix of qualitative and quantitative indicators is used. RSPA scores are based on a scale from 1 to 6 and are relative to the scores of the other countries included in the assessment exercise. The RSPA baseline rating is therefore a comprehensive evaluation metric used to assess the overall effectiveness and impact of Brazil's key institutions and policies for sustainable and equitable socioeconomic rural development. Brazil RSPA in the year 2015 was 4.96 and in the year 2019 it was lower at 4.16, possibly reflecting the impact of different rural development policies for different administrations. The current administration is resuming the support of effective pro-poor and pro-rural development policies, although this might change with the next government starting in 2027. Starting from a baseline RSPA of 4.0 at the time of approval, it is anticipated that Brazil's RSPA will see an enhancement, and assuming a ~0.1 percentage point improvement per year, it could hover around 4.2-4.3 at COSOP implementation's midterm.<sup>25</sup> With no change in political direction and assuming a similar improvement after 2026, the RSPA could reach a completion target of 4.4-4.5 at the end of the COSOP implementation, with an ideal target of 4.8-4.9.

*Table 2: Possible targets for Brazil's progress in establishing and sustaining key institutions and policies: expected overall RSPA's ratings*

| Criteria   | Indicator | 2016 | Approval | Mid-term Benchmark | Completion Target | Ideal Target |
|--|-----------|------|----------|--------------------|-------------------|--------------|
| <i>Institutions/Policies for sustainable rural development</i> |           |      |          |                    |                   |              |

<sup>24</sup> IFAD's performance-based allocation system: Frequently asked questions (<https://webapps.ifad.org/members/wgpbas/docs/IFADs-performance-based-allocation-system-Frequently-asked-questions-e.pdf>)

<sup>25</sup> A 0.1 percent increase per year is comparable to other countries in Latin America that put in place pro-poor and pro-rural development policies in the last several years. Comparison with Brazil previous RSPA values may be misleading as its formula has been adjusted overtime.



|                                     |                                   |     |     |         |         |       |
|-------------------------------------|-----------------------------------|-----|-----|---------|---------|-------|
| Rural Sector Performance Assessment | Overall RSPA Rating <sup>26</sup> | 4.2 | 4.0 | 4.2-4.3 | 4.4-4.5 | 4.8-9 |
|-------------------------------------|-----------------------------------|-----|-----|---------|---------|-------|

**RSPA Cluster 1.1: Policies framework for rural organizations (ROs) and rural people:** This cluster captures to what extent the government prioritizes strategies for and investment in the rural poor, including smallholder farmers, landless peoples and other rural poor along six indicators:

1.1.1: Does the country have a national development strategy?

1.1.2: Does that strategy include a specific focus on rural development?

1.1.3: Headcount ratio of population in multidimensional poverty, which is expressed as percentage of Rural Population vulnerable to poverty (who experience 20-33.32% intensity of deprivations) according to the University of Oxford multidimensional poverty index.

1.1.4: Does the strategy mentioned above include specific plans for the development of a rural non-farm economy (i.e., develop rural areas outside of agricultural development)?

1.1.5: Percentage change in agriculture in terms of value added as measured by the World Bank

1.1.6: Change in agriculture share of the GDP (% of GDP) as measured by the World Bank

Brazil has engaged in various national development strategies over the years, designed to address its economic, social, and environmental challenges, and to promote sustainable growth. Within a long-term vision (***Estratégia Federal de Desenvolvimento para o Brasil 2020-2031***)<sup>27</sup> the ***Plano Plurianual 2020-23 and more recently 2024-2027***, which is the four-year plan mandated by the Brazilian Constitution outlines the government's medium-term strategy for economic and social development is structured around key areas such as social development, infrastructure, environmental sustainability, and economic growth. Brazil's national development strategies often emphasize sustainable development, with particular attention to the Amazon and other ecologically sensitive areas (e.g. *Transformando Nosso Mundo: A Agenda 2030 Para o Desenvolvimento Sustentável*, which focuses on the Sustainable Development Goals, the *Política Nacional de Desenvolvimento Regional* to reduce intra and inter regional disparities, the *Estratégia Nacional de Desenvolvimento Econômico e Social*, and many others). These strategies include goals related to the conservation of biodiversity, the reduction of deforestation, and the promotion of sustainable land use practices.

Additionally, Brazil has **sector-specific strategies**, such as those for agriculture, energy, and science and technology, which also contribute to national development goals. In this context not only it is plausible that Brazil will continue to adopt and implement a policy framework that takes into account the specific needs of rural organizations and people, but that specific programs aimed at reducing multidimensional poverty, boost non-farm economy, as well as support to agriculture so as to increase its value added and contribution to the GDP will continue to be adopted and implemented. In this cluster, against a baseline of 4.5 progress at mid-term is expected to be only moderate, because of the budget cycle, and to pick up during the second half of implementation with a completion target of 4.7, close to an ideal target of 5.0.

<sup>26</sup> For 2016 2024 RSPA data, information was collected in 2018 for IFAD11

<sup>27</sup> <https://www.gov.br/economia/pt-br/assuntos/gestao/estrategia-federal-de-desenvolvimento>

Table 3: Possible targets for Brazil's progress in establishing and sustaining key institutions and policies: expected Policies/Framework ratings

| Criteria   | Indicator                 | 2016 | Approval | Mid-term Benchmark | Completion Target | Ideal Target |
|--|---------------------------|------|----------|--------------------|-------------------|--------------|
| <i>Institutions/Policies for sustainable rural development</i> |                           |      |          |                    |                   |              |
| Rural Sector Performance Assessment                            | Policies/Frameworks (1.1) | 4.3  | 4.5      | 4.5                | 4.7               | 5.0          |

**RSPA Cluster 3.2: Climate change policies:** This cluster attempts to capture the extent to which the government has a strategy for dealing with climate change, and whether this strategy has been integrated into sectoral planning processes within public planning along with ten indicators:

3.2.1: Does the country have a [current] national climate change strategy?

3.2.2: Does that strategy cover adaptation?

3.2.3) Does the strategy cover adaptation for agriculture?

3.2.4) Does the strategy cover adaptation for natural resources (e.g., water, forests, crops)?

3.2.5) Global Climate Risk Index as per German Watch CRI score<sup>28</sup>

3.2.6) Agriculture Adaptation as per CCAFS<sup>29</sup>

3.2.7) Adaptation Finance as per CCAFS

3.2.8) ND-Gain Index as per the Notre Dame Global Adaptation Initiative<sup>30</sup>

3.2.9) Agricultural Inclusion as per CCAFS<sup>31</sup>

3.2.10) Does that strategy (mentioned above) consider risks to rural poor i.e. disasters, incomes, houses?

Published in 2016, the **National Adaptation Plan for Climate Change (NAP)**<sup>32</sup> is a combination of efforts and policies by a number of public entities at the national level. The national strategy addresses climate change adaptation. There are sectoral strategies outlined by the National Plan for Climate Change Adaptation and agriculture strategy is the first one listed in the strategy. The National Plan for Climate Change Adaptation includes specific strategies for water resources management, conservation of biodiversity and ecosystems, and crops. The last Global Climate Risk Index as reported by German Watch is 54.5. The existence of sectoral plans for agricultural adaptation and adaptation

<sup>28</sup> <https://www.germanwatch.org/en/cri>

<sup>29</sup> The CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS) marshals the science and expertise of CGIAR and its partners to catalyze positive change for climate-smart agriculture (CSA)

<sup>30</sup> <https://gain.nd.edu>

<sup>31</sup> <https://cgspace.cgiar.org/handle/10568/73255>

<sup>32</sup> MMA. 2016. "National Adaptation Plan to Climate Change." Volume I: General Strategy. Brasilia: Ministry of Environment (Ministério do Meio Ambiente).

[https://www.gov.br/mma/pt-br/assuntos/clima/ozoniodesertificacao/clima/arquivos/pna\\_volume-i\\_en.pdf](https://www.gov.br/mma/pt-br/assuntos/clima/ozoniodesertificacao/clima/arquivos/pna_volume-i_en.pdf). The sectors include agriculture, biodiversity and ecosystems, cities, disaster risk management, industry and mining, infrastructure, vulnerable populations, water resources, health, food and nutritional security, and strategy for coastal zones.

finance is determined through CCAFS reporting.<sup>33</sup> Evidence of implementation of actions flowing from the plans, such as budgetary allocations, applications to sources of international financial aid (e.g. The GEF, the Adaptation Fund, Green Climate Fund or bilateral assistance programs) show Improvement in climate change resilience and identify the allocation of funds for agriculture outlined in country's Intended Nationally Determined Contribution (INDC)/Nationally Determined Contribution(NDC). As part of the COP 28 agreements in 2023, Brazil has outlined its climate action plans through its NDCs, aiming for a substantial decrease (53%) in greenhouse gas emissions by 2030, compared to levels in 2005. Although these commitments may evolve due to shifts in Brazil's political, economic, and social landscape, their successful implementation is likely. Given this backdrop and starting from a baseline progress score of 3.7, an annual improvement of approximately 0.1 percentage point appears achievable. This would project a midterm score of 4.0, with the potential to advance to 4.2 by the completion of the COSOP implementation, aiming towards an optimal goal of 4.5.

*Table 4: Possible targets for Brazil's progress in establishing and sustaining key institutions and policies: expected Climate change policies ratings*

| Criteria   | Indicator                     | 2016 | Approval | Mid-term Benchmark | Completion Target | Ideal Target |
|--|-------------------------------|------|----------|--------------------|-------------------|--------------|
| <i>Institutions/Policies for sustainable rural development</i> |                               |      |          |                    |                   |              |
| Rural Sector Performance Assessment                            | Climate change policies (3.2) | 3.8  | 3.7      | 4.0                | 4.2-3             | 4.5          |

**RSPA Cluster 4.1: Access to and use of rural financial services:** This cluster attempts to capture to which extent the policy and legal framework create an enabling environment for the provision of inclusive rural financial services along with six indicators:

4.1.1 Ease of doing business index: Getting Credit - DTF - Getting credit (DB15-18 methodology)<sup>34</sup>

4.1.2 Whether the country a signatory to Maya Declaration

4.1.3 Whether country is committed to/presents progress reports

4.1.4 Findex: Borrowed to start, operate, or expand a farm or business, rural (% age 15+)<sup>35</sup>

4.1.5 Findex: Financial institution account, rural (% age 15+)<sup>36</sup>

4.1.6 Whether there is specialized capacity for financial inclusion in place in the regulatory agency

**Brazil was ranked 124 among 190 economies in the Ease of Doing Business,** according to the last published World Bank Doing Business (2020).<sup>37</sup> From 2008 to 2019, Brazil's ease of doing business ranking fluctuated, with an average position of 120.75. The country saw its lowest ranking at 109 in 2018, influenced by the introduction of new tax

<sup>33</sup> The CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS) prepares plans of work and budget each year, as well as annual reports for donors and the general public.

<sup>34</sup> <http://www.doingbusiness.org/en/data/exploretopics/getting-credit>

<sup>35</sup> <https://datacatalog.worldbank.org/dataset/global-financial-inclusion-global-findex-database>

<sup>36</sup> <https://datacatalog.worldbank.org/dataset/global-financial-inclusion-global-findex-database>

<sup>37</sup> The World Bank, Ease of doing business, 2020. The reporting of Ease of Doing Business was discontinued by the World Bank in 2021 in view of several limitations. Nevertheless, it still provides a useful benchmark study on regulations.

and accounting procedures and rising costs for businesses. While some economists criticised the index for ratings of other countries than Brazil's, and the rating was discontinued in 2021 by the World Bank, its results for Brazil indicated the great potential for improvement of the business environment in Brazil. In fact, in a turn towards improvement, recent reforms aimed at streamlining investment processes have been introduced by the Brazilian government. Despite these efforts, Brazil was ranked as the third most complex place for doing business globally in the TMF Group's Global Business Complexity Index 2023. Key business centers in Brazil include São Paulo, Rio de Janeiro, Florianópolis, and Curitiba. However, the North and Northeast regions remain less developed, partly due to diminished credit access for family farms. Nevertheless, the nationwide implementation of the Pix payment system has significantly supported small businesses across the country (see below), and the recently approved historic tax reform is also likely to reduce the administrative burden for enterprises.

**The government has a documented strategy containing specific commitments that have been partially implemented.** In 2012 the *Banco Central do Brasil* (BCB, the central bank), along with a variety of ministries, superintendencies and other federal agencies, adopted the **National Partnership for Financial Inclusion: Action Plan for the Institutional Environment**,<sup>38</sup> which lays out the G20's nine principles of financial inclusion, including financial capability (*capacitação*) and eight priority areas of action for Brazil, with specific objectives outlined for each, and the relevant agencies responsible for progress in each.

**Brazil is also a signatory of the Maya Declaration**, a global initiative for responsible and sustainable financial inclusion issued by the Alliance for Financial Inclusion<sup>39</sup> that aims to reduce poverty and ensure financial stability for the benefit of all. The Maya Declaration is broad in nature, focusing on creating the right environment; implementing the correct framework; ensuring consumer protection measures are taken and using data to inform and track financial inclusion efforts. Since its launch at the 2011 Global Policy Forum (GPF) in Mexico, members of the AFI have made concrete financial inclusion targets, continued to implement in-country policy improvements and regularly shared progress updates on the AFI Data Portal (ADP).

**The implementation of the Pix digital transaction system in November 2020 demonstrated** the power of financial technology to expand access to and use of financial accounts. In the three years since its launch, the Pix system has been used by more than 140 million individuals (about 80 percent of the adult population) as of May 2023. Pix has also supported financial inclusion by facilitating transactions by 71.5 million individuals (as of December 2022) who had not made any electronic credit transfers over a one-year period prior to the launch of Pix and are Pix users now.

**However, challenges remain, such as reaching the most remote rural communities, adapting financial products to the diverse needs of rural populations, and ensuring that smallholder farmers can meet the requirements to access credit.** Brazil political program for future development in rural financial inclusion focuses on several key areas including: (i) Digital Banking and Mobile Solutions in rural areas where traditional banking infrastructure is limited. This includes mobile banking apps, which allow users to conduct financial transactions without the need for a physical bank branch; (ii) Microfinance and Microcredit Programs, instrumental in providing small loans to rural people and small farmers who might not have access to traditional banking services; (iii) Government Initiatives and Policies such as subsidized

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<sup>38</sup> National Partnership for Financial Inclusion: Action Plan for the Institutional Environment, Banco Central do Brasil, 2012.

<sup>39</sup> The Alliance for Financial Inclusion (AFI) is a policy leadership alliance owned and led by member central banks and financial regulatory in developing countries with the objective of advancing financial inclusion. As of November 2023, AFI had 86 members from 82 countries developing and emerging economies.

loans, insurance products, and savings programs specifically tailored to the needs of rural populations; (iv) Education and Financial Literacy Programs to improve financial literacy in rural areas; (v) Partnerships with Non-Governmental Organizations (NGOs) in reaching out to the most remote and marginalized communities; and (vi) Innovative Banking Products tailored to the needs of rural customers. This includes weather-indexed insurance for farmers and flexible loan products.

By prioritizing these focal points, the current administration endeavors to establish a more inclusive financial system that caters to the needs of all its citizens. While acknowledging Brazil's significant progress in financial inclusion over the past decade, with 84% of adults now holding formal financial accounts (Findex 2021), discussions with the UN Secretary-General's Special Advocate for Inclusive Finance for Development in 2023 revealed the administration's commitment to further extending financial inclusion to the remaining 27 million unbanked adults, predominantly residing in rural and remote areas. Moreover, there's a pledge to utilize financial access to improve the financial well-being of Brazilians.<sup>40</sup>

In light of these commitments, Brazil is projected to make up for its low starting point of 3.0, attributed to years of policy reversals, and revert to the comparable level of 3.9 recorded in 2016. In the absence of any shifts in political direction, the trajectory is expected to continue, reaching a target of 4.2. However, any reversal in political direction in 2026 could lead to setbacks. An optimal goal for Brazil would be around 4.8, aligning it with other economies of similar stature.

*Table 5: Possible targets for Brazil's progress in Access to and Use of Rural Financial Services*

| Criteria   | Indicator                                 | 2016 | Approval | Mid-term Benchmark | Completion Target | Ideal Target |
|--|---|------|----------|--------------------|-------------------|--------------|
| <i>Institutions/Policies for sustainable rural development</i> |   |      |          |                    |                   |              |
| Rural Sector Performance Assessment                            | Access/Use rural financial services (4.1) | 3.9  | 3.0      | 3.9                | 4.2               | 4.8          |

### **B.3 Criterion 3: Progress towards economic and social development as reflected by selected SDGs**

The Sustainable Development Goals (SDGs) are a universal set of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all" by 2030. They were adopted by all United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs cover a broad range of social, economic, and environmental development issues, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment, and social justice.

While there are synergies and trade-offs among multiple sustainability objectives, to inform progress towards the COSOP implementation, to standardize the approach across countries only assessments of specific outcomes related to four SDGs are considered, namely: "No Poverty" (SDG 1), "Zero Hunger" (SDG 2), "Gender Equality" (SDG5) and "Reduced Inequalities" (SDG10).

<sup>40</sup> UNSGSA Office, 2023 <https://www.unsgsa.org/country-visits/building-resilience-and-financial-health-through-inclusive-finance-brazil>

SDG 1: “No Poverty” will measure the percentage of population living on less than US\$5.50 a day at 2011 international prices according to the World Bank’s World Development Indicators (WDI).<sup>41</sup>

SDG 2: “Zero Hunger” will estimate the proportion of population whose food consumption is insufficient to provide dietary energy levels required to maintain a normal, active and healthy life using prevalence of undernourishment as an indicator according to the State of Food Security and Nutrition indicators from FAO Stat database.

SDG 5: “Gender Equality” will consider women’s participation in leadership positions in the public or private sector as per United Nations Statistics Division.

SDG 10: “Reduced Inequalities” will measure the percentage share of income or consumption of subgroups of population-indicated quintiles expressed as income share held by lowest 40 per cent according to the World Bank World Development Indicators (WDI).

### **Recent and projected trends towards meeting SDG1 “No Poverty”**

SDG1 No Poverty - strives to end poverty in all its forms everywhere.

**Data relative to the first decade of the 2000s indicate that between 1999 and 2012, about 27 million Brazilians escaped from poverty.**<sup>42</sup> Such a reduction is considered an achievement of regional significance, representing half of the reduction in poverty in the whole LAC region during that period.<sup>43</sup> However, poverty rates decreased only slightly after the 2014-16 crisis<sup>44</sup> from 28.2 percent in 2012 to 26.2 percent in 2019, while extreme poverty rate, in turn, rose from 4.5 to 5.4 percent between 2012 and 2019.<sup>45</sup> Combining the pre-crisis, crisis and recovery periods (i.e., 2012-2019), the real income of the average Brazilian grew by an average of 1 percent annually while that of the poorest 40 percent went up by only 0.6 percent. More worryingly, the poorest decile’s income decreased by an average of 1.1 percent yearly.<sup>46</sup>

**However, this trend has been uneven across the country.** The Northeast region, in particular, continues to have a high concentration of poverty. As of the most recent data available, about 45% of the of the Northeast's 57 million inhabitants lives below the poverty line and 14.7% in extreme poverty. These figures are substantially higher than in other regions of Brazil. For instance, the percentages of extremely poor in the South, Midwest, and Southeast are 2.9%, 3.6%, and 3.8%, respectively. While the only region with similar values to the Northeast is the North, with 11.8% of its population living in extreme poverty, the North has about one-third of the Northeast's population, making the Northeast the region with the largest number of highly vulnerable people in Brazil<sup>47</sup>. The reduction in poverty has not been accompanied by changes in its principal characteristics or profile. There has been little change at the regional level: the North and Northeast regions still demonstrate the highest rates of poverty (as do rural areas in all regions).<sup>48</sup>

<sup>41</sup> Living on less than \$3.20 per day reflects poverty lines in lower-middle-income countries, while \$5.50 a day reflects standards in upper-middle-income countries as per World Bank

<sup>42</sup> World Bank Brazil SDC, 2016

<sup>43</sup> World Bank SDC – update, 2023

<sup>44</sup> The recent Brazilian crisis, which began in 2014, had as its main features a lack of inflation and public accounts which required a contractionary monetary policy, resulting in one of the most intense and prolonged recessions in Brazilian economic history.

<sup>45</sup> World Bank SDC - update

<sup>46</sup> Ibid.

<sup>47</sup> <https://www.ifad.org/en/web/operations/w/country/brazil>

<sup>48</sup> Poverty profile: the rural North and Northeast regions of Brazil, International Policy Centre for Inclusive Growth, 50, 2016

**Major historical challenges hinder progress towards the reduction of poverty in the Northeast region.** Firstly, the region suffers from a high concentration of poverty, as outlined above. This is compounded by the fact that the Northeast is the single largest pocket of rural poverty in Latin America, with a significant portion of its population surviving on less than \$1.60 per day.<sup>49</sup> A major driver of these conditions is the unequal distribution of land and income, which, along with poor soils and severe droughts, has perpetuated a vicious cycle of poverty dating back to the early 19th century.<sup>50</sup> The climate conditions, characterized by frequent droughts and climate change, have aggravated the situation, affecting both the agricultural output and the wellbeing of the population. This has led to significant internal migration as people move in search of better living conditions and opportunities.<sup>51</sup> Furthermore, the agricultural sector, which a majority of the poor population depends on, is highly vulnerable due to its reliance on rainfed agriculture, which constitutes 95% of farmed land. This makes it susceptible to the impacts of severe drought and high variability in rainfall, placing the livelihoods of subsistence farmers at risk. These challenges are systemic and interlinked, affecting the economic, environmental, and social dimensions of the region's development.

**Because the Northeast has poverty rates two to three times higher than southern states, a successful regional approach to pro-poor growth and rural poverty reduction can significantly contribute to reducing the national poverty headcount ratio.** Promoting pro-poor growth will require a deliberately biased strategy in favour of the poor. However, **while economic growth plays an important role in reducing poverty levels, it is not sufficient if not accompanied by redistributive measures.**<sup>52</sup> In addition, studies show that education and the labor market also play an important role in fighting poverty in Brazil,<sup>53</sup> and while spatial analysis show that poverty in Brazilian states is also affected by spatial proximity, so that economic growth or the levels of inequality in other Brazilian states would lead to a spatial spillover of poverty.<sup>54</sup>

**Brazil has implemented various redistributive policies aimed at reducing poverty and inequality, focusing on income redistribution, social welfare, education, and healthcare.** Some of the most notable policies include the Bolsa Família Program, Brazil's most significant redistributive effort through conditional cash transfers lifting millions out of poverty; Fome Zero (Zero Hunger) and Brazil sem Miséria (Brazil without Misery), a collection of programs that have contributed to a significant reduction in hunger and extreme poverty. Although precise quantitative impacts vary by study, Brazil was removed from the FAO's Hunger Map before 2015; Education Policies as a key area for redistributive policies, with programs aimed at increasing access to quality education for all; and the Sistema Único de Saúde (SUS), a universal healthcare system providing free healthcare to the Brazilian population, funded by taxes. It is one of the world's largest public health systems and plays a crucial role in reducing health inequalities and providing accessible healthcare services to the poor and vulnerable populations.

**In view of the multiple determinants of rural poverty in Brazil, the proposed poverty reduction targets for this COSOP are based on a number of assumptions.** First, that a reduction in poverty will occur more intensely when associated with reductions in the levels of inequality (see targets for SDG 10, below) and that this reduction will be

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<sup>49</sup> <https://openknowledge.worldbank.org/entities/publication/d82179e2-2ba8-5814-81f9-20c45d9b5054/full>

<sup>50</sup> <https://www.ifad.org/en/web/operations/w/country/brazil>

<sup>51</sup> [https://scholarship.claremont.edu/cmc\\_theses/2666/](https://scholarship.claremont.edu/cmc_theses/2666/)

<sup>52</sup> Araujo, J.M., Alves, J.A., & Besarria, C.N. (2013) O Impacto dos gastos sociais sobre os indicadores de desigualdade e pobreza nos estados brasileiros no período 2002 a 2009. Revista de economia Contemporânea.

<sup>53</sup> Rocha, S. (2006). Pobreza e indigência no Brasil p algumas evidencias empíricas com base na PNAD 2004. Nova Economia.

<sup>54</sup> Souza, H.G., Tabosa, F.J., Araujo, J.A. & Khan, A.S. (2017) Análise espaço-temporal da pobreza nos estados brasileiros. Revista de Desenvolvimento Económico.

higher in rural areas, where income elasticities are greater than in urban areas;<sup>55</sup> Second, that public policies will be pro-poor, with a redistributive approach to address inequality, and geographically targeted to the North and North-East, where the incidence of poverty is higher; and third that investment in education, adequate policies to favor the labor market, and spatial proximity would provide additional benefits.

The new administration that took office in January 2023 pledged an ambitious agenda of inclusive and sustainable growth. Key government priorities include addressing hunger and inequality, turning Brazil into an environmental leader, and ensuring fiscal credibility and robust public policies.<sup>56</sup> Initial actions have already been set in motion, such as safeguarding the most vulnerable through the revamped Bolsa Familia initiative, which has replaced Auxílio Brasil; initiating strategies to combat illegal deforestation and reviving the Amazon Fund; suggesting a fresh fiscal guideline and pinpointing actions to replenish fiscal incomes; and progressing with indirect tax reform.

**Most projections of the GNI per capita for next few years estimate a modest but consistent increase.** In 2022 the GNIpc was \$8,140, a 3.04% increase from 2021. (World Bank, 2023). Major financial institutions forecast it to continuously increase between 2023 and 2029 by values comprised between 1.8 and 2.8 percent according to sources.<sup>57</sup> After three years of increasing value at the mid-point value of 2.3% per year, the GNIpc can be assumed to reach a per capita value of ~US\$8.715 at implementation midterm and ~US\$9.330 at completion. Based on the past 10 years data on poverty reduction elasticity these values would therefore contribute only between 1 to 2 percentage points to the SDG 1 indicator.<sup>58</sup> The current administration has resumed a key role of leadership, financing and intra and intergovernmental coordination of pro-poor rural sector policies and instruments, and it is reasonable to expect a major impact from pro-poor policies and programs at least until the next electoral cycle: the proposed 2024-27 development plan (PPA) allocates a record R\$685 billion (US\$138 billion) for Bolsa Familia, the country's main social protection program, about four times the amount of the previous administration.<sup>59</sup> During the implementation of the first Bolsa Familia, the poverty rate in relation to the total population went from 26.7% in 2002 to 12.4% at the end of 2010, while between 2018 to 2021, years in which the program's budget had been stagnant, poverty increased from 10,4% to 13,8%.

**Numerous research efforts have assessed how spending on social protection affects poverty levels in Brazil, yielding varied results based on different methodologies and premises. Despite these differences, there is widespread agreement that robust, targeted, and effective social programs are essential for significantly reducing poverty.** According to one analysis, maintaining the social program investment levels of the 2002-2010 period, under the leadership of President Lula da Silva, could lead to a yearly reduction of the population below the national poverty line by 0.5 to 1 percentage point, depending on various external factors.<sup>60</sup> Conversely, halting or rolling back these initiatives, depending on the political direction chosen in future

<sup>55</sup> See Helson Gomes de Souza, Francisco José Silva Tabosa and Jair Andrade Araújo: Income elasticities and inequality of poverty in urban and rural areas of the Brazilian states: a spatial approach, CEPAL Review N° 129, December 2019

<sup>56</sup> Mensagem do Presidente ao Congresso, January 2023.

<sup>57</sup> Brazil: 2023 Article IV Consultation-Press Release; Staff Report; Staff Supplement; and Statement by the Executive Director for Brazil - International Monetary Fund. Western Hemisphere Dept. Volume 2023: Issue 288

<sup>58</sup> Tabosa, F. J. S., Castelar, P. U. de C., Amorim, D. I. M., da Cunha Filho, M. H., Albuquerque, E. M., & dos Santos, A. C. F. (2024). Impact of growth, inequality and the Family Grant Program (PBF) on Brazil's poverty. *OBSERVATÓRIO DE LA ECONOMÍA LATINOAMERICANA*, 22(2), e3212. <https://doi.org/10.55905/oelv22n2-081>

<sup>59</sup> The Bolsa Familia (PBF) was discontinued in 2021 and replaced by Ajuda Brasil (AB) until 2023 when replaced by the new Bolsa Familia (nPBF).

<sup>60</sup> R.J.Barbosa,P.H.G.F.Souza, andS.S.D.Souares. Income Distribution in Brazil during the2010s: A Lost Decade in the Struggle Against Inequality and Poverty. Commitment to Equity (CEQ) Working Paper 103, CEQ Institute, Tulane University, 2020. URLhttp://repec.tulane.edu/RePEc/ceq/ceq103.pdf.



elections, could lead to an increase in poverty levels.<sup>61</sup> When comparing scenarios of sustained poverty reduction efforts through the implementation of the COSOP against a backdrop of policy reversals, the mid-term poverty rate target would remain between 27.0% and 25.5%. However, the completion target could vary more significantly, ranging from 22.5% to 25.5% in a scenario of continued policy support, or it might show little to no improvement or even an increase relative to the mid-term benchmark in the case of policy reversals. Opting for a cautious strategy while presuming unwavering policy decisions during the COSOP execution, the suggested benchmarks for the SDG 1 indicator would stand at 27% for the mid-term and 25% for completion, keeping in mind that a reversal of pro-poor policies during the next electoral cycle could significantly influence this value as it is apparent from the difference between the years 2016 and 2021 (see table below). In addition, if Brazil were to continue its trajectory observed from 2002 to 2014, barring significant global disruptions, it stands a good chance of attaining a commendable reduction, with 14% of the population living below the poverty line.

Table 6: Possible targets for Brazil's progress monitoring in meeting the SDG1 "No Poverty"

| Criteria                     | Indicator                | 2016         | Approval       | Mid-term Benchmark | Completion Target | Ideal Target |
|------------------------------|--------------------------|--------------|----------------|--------------------|-------------------|--------------|
| <i>Progress towards SDGs</i> |                          |              |                |                    |                   |              |
| SDG1 No poverty              | Poverty headcount ratio* | 27<br>(2016) | 28.4<br>(2021) | 27                 | 25                | 14           |

\*National poverty headcount ratio is the percentage of the population living below the national poverty line (World Bank)

## Recent and future trends towards meeting SDG 2 "Zero Hunger"

SDG 2 "Zero Hunger" focuses on eradicating hunger, attaining food security, enhancing nutrition, and encouraging sustainable agriculture.

**Starting 2003, recognized major food insecurity challenges, Brazil invested in major social policies and programs to improve food and nutrition security.** These included the Zero Hunger Strategy (*Estratégia Fome Zero*), which included the conditional cash transfer program *Bolsa Família* (PBF). The PBF was initially established by unifying previous Brazilian social programs and quickly expanded its population coverage and the amount of cash transferred to program beneficiaries. In addition, the Brazilian government introduced measures to regulate food prices to reduce the cost of a basic food basket and established legal structures to guarantee the security of food stocks.

**In 2006, the Brazilian government strengthened the legal framework for food and nutrition security with the establishment of the National Food and Nutritional System (SISAN).** The governance of SISAN had strong civil society participation through the National Food and Nutrition Security Council (CONSEA), the intersectoral body responsible for advising the presidency on food security and nutrition policies. In 2010, the Brazilian National Congress, by constitutional amendment, defined access to food as a basic human right. In the same year, all strategies, programs, and activities gained stability under the food and nutrition security law passed by the National Congress.<sup>62</sup> These initiatives and institutional developments were essential in **enabling FAO to remove Brazil from its Hunger map in 2014.** Strong political commitment followed by legislation and investment was indeed decisive for the reduction of hunger and extreme poverty and the reduction of household FI, especially at the severe level.

<sup>61</sup> Michelle Morais de Sá e Silva: Policy dismantling by capacity manipulation in a context of democratic backsliding: The bureaucracy in disarray in Bolsonaro's Brazil – In *International Review of Public Policy*, 2022

<sup>62</sup> Decreto nº 7.272 de 25 de agosto de 2010

**This remarkable success notwithstanding, two recent surveys show an alarming regression to levels of food insecurity.** For national food insecurity monitoring, Brazil uses an experienced-based measure (the *Brazilian Food Insecurity Scale* - EBIA) with 4 mutually exclusive categories, one of food security and 3 levels of food insecurity (FI). The Brazilian Institute of Geography and Statistics (IBGE) provides information on food insecurity since 2004, however, the last estimates available are from 2018. To fill the information gap on food security in Brazil during the COVID-19 pandemic, the Brazilian Research Network on Food Sovereignty and Security (Rede PENSSAN) conducted two national surveys (December 2020 and April 2022). These two surveys identified 20.5 percent of the population that experienced moderate or severe food insecurity in December 2020<sup>63</sup> and 28.4 percent between November 2021 and April 2022.<sup>64</sup> Chronic undernourishment—the most extreme level of food insecurity—affected 4.7 percent of Brazilians between 2020 and 2022, or 10.1 million people in absolute numbers.<sup>65</sup> Furthermore, almost a third (32.8%) of the country's population struggled under severe or moderate food insecurity, adding up to 70.3 million Brazilians, up from 18.3 percent for 2014–2016.<sup>66</sup>

**The rise in food insecurity in recent years may have been exacerbated by supply chain disruptions, along with persistent high food inflation driven by global events.** While Brazil is a leading agricultural producer in the world (i.e., it is number one soybean and sugar exporter)<sup>67</sup>, the agricultural economy of Brazil is largely connected to global supply chains and exportations, thus limiting its buffer capabilities to protect local consumers when global commodities prices go up, especially the poor, whose use of disposable income is higher on food. As a result, while the overall prices index to Brazilian consumers went up by 21.7 percent between the end of 2019 and the end of 2022, food prices rose 37.5 percent. In addition, **some of the poorest states in the country present the highest food insecurity indicators.** This is because while in the poorer states of the Northeast and North regions food price increases were similar to the richer states of the South and Southeast, they experience a lower capacity to cope with the soaring prices of food, which is a higher percentage of the family disposable income.<sup>68</sup>

**At the same time, public policies directly or indirectly aimed at promoting food and nutrition security in Brazil have been underfunded or dismantled in recent years.** While these measures were meant to create fiscal space, they also contributed to revert progress in food security achievements.<sup>69</sup> Created in 2006, the Brazilian National System of Food and Nutrition Security (SISAN) has been facing large budget cuts since 2016. In 2021 the Public Food Procurement Program (Programa de Aquisição de Alimentos - PAA) and the PBF were terminated and replaced by the Alimenta Brasil and Auxílio Brasil programs, respectively, considered by analysts on the subject to be weak in their concepts and objectives, in addition to covering a limited part of the population. It is estimated that only half of the 100 million people who previously received the PBF and the Emergency Aid (*Auxílio Emergencial*) continued to have access to *Auxílio Brasil*. The amount that state and municipal governments receive per student for the Brazilian National School Feeding Program (PNAE) was not adjusted since February 2017, despite the rise in food prices. In

<sup>63</sup> PENSSAN (2021). I Inquérito Nacional sobre Insegurança Alimentar no Contexto da Pandemia da COVID 19 no Brasil [livro eletrônico]: I VIGISAN : relatório final/Rede Brasileira de Pesquisa em Soberania e Segurança Alimentar – PENSSAN.

<sup>64</sup> PENSSAN (2022). II Inquérito Nacional sobre Insegurança Alimentar no Contexto da Pandemia da COVID-19 no Brasil [livro eletrônico]: II VIGISAN : relatório final/Rede Brasileira de Pesquisa em Soberania e Segurança Alimentar – PENSSAN.

<sup>65</sup> The State of Food Security and Nutrition in the World, FAO, Rome, 2022

<sup>66</sup> Ibid

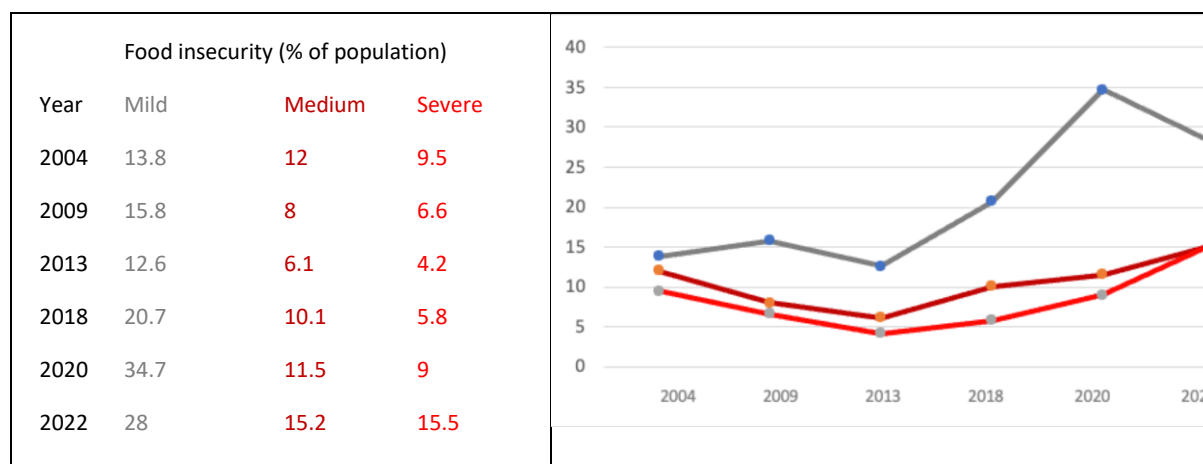
<sup>67</sup> World Trade Organization (Brazil Trade Profile) and the Observatory of Economic Complexity.

<sup>68</sup> Brazil Country Climate and Development Report. CCDR Series, World Bank, 2023, Washington DC.

<sup>69</sup> Grisa C, Schmitt CJ, Silva MAP, Leite SP, Zimmermann S, Barbosa YRS. *A desestruturação das políticas públicas de fortalecimento da agricultura familiar: mudanças institucionais, estratégias de desmonte e novas configurações*. 2022

early 2019, the CONSEA was dismantled. These trends are captured by data on mild moderate and severe food insecurity which are particularly worrisome for mild and severe food insecurity (table/graph below).

*Graph 1: Trends in mild, medium and sever food insecurity 2004-2022 (based IBGE and PENNSAN data, own elaboration)*



**The North and Northeast regions were the most affected by food insecurity in 2021/2022.** Data from IBGE shows that until 2018 the North region had the highest FI level (57.0% in 2017–8) followed by the Northeast (50.3%).<sup>70</sup> In 2020, during the COVID-19 pandemic, food insecurity affected over 60% of the households in the North and 70% in the Northeast of Brazil, with nearly 7.7 million people facing severe hunger in the Northeast.<sup>71</sup> In addition, a recent analysis of space-time distribution shows a correlation of food and nutrition security (FNS) with vulnerability markers. The highest food insecurity was in the states of Maranhão (64.6%) and Piauí (58.6%), and the lowest in Rondônia (31.7%) and Amazonas (33.1%). In the Midwest, South and Southeast, the highest prevalence of food insecurity was found in Goiás (37.8%) and Mato Grosso do Sul (30.5%), and the lowest in Santa Catarina (14.8%) and Rio Grande do Sul (19.2%).<sup>72</sup>

**Relationship between SDG1 and SDG2: Eradicating Poverty and Achieving Zero Hunger:** SDG1 strives to end poverty in all its forms everywhere, while SDG2 focuses on eradicating hunger, attaining food security, enhancing nutrition, and encouraging sustainable agriculture. Each goal encompasses sub-goals, matched with specific development indicators. To gauge progress towards SDG1.1—eradicating extreme poverty by 2030—the UN uses official World Bank estimates of the share of the global population falling below the International Poverty Line, currently set at US\$2.15 in 2017 PPP terms. For SDG2.1 — Zero Hunger — the UN relies on FAO’s Prevalence of Undernourishment (PoU) to measure progress towards SDG 2.1.1 and Prevalence of Moderate or Severe food insecurity for SDG 2.1.2.

**Tracking progress towards these SGDs is a priority for Brazil and the development community.** Recent official data on the indicators used to track SDG progress reveal a concerning trend: while reported global SDG1 data improved consistently up to the onset of the pandemic, SDG2 data veered off track raising the

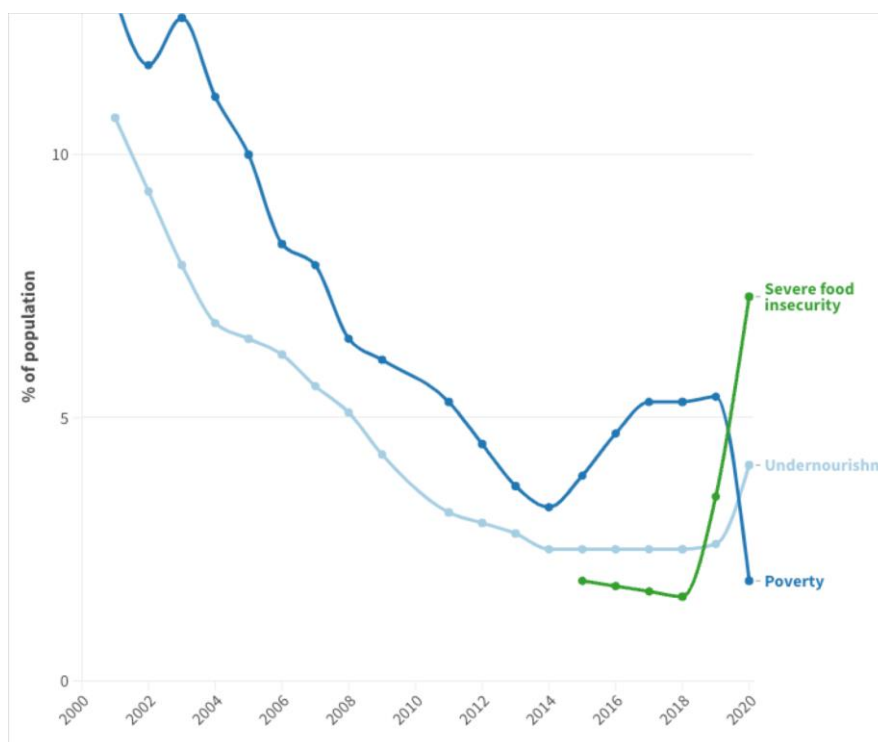
<sup>70</sup> Instituto Brasileiro de Geografia e Estatística (IBGE). Pesquisa de orçamentos familiares 2017–2018: análise da segurança alimentar no Brasil.

<sup>71</sup> PENSSAN (2021). I Inquérito Nacional sobre Insegurança Alimentar no Contexto da Pandemia da COVID 19 no Brasil.

<sup>72</sup> **Food and nutritional insecurity in Brazil and its correlation with vulnerability markers.** In *Sciencia e saude colectiva (SciELO)* 25 (10).

question of why food security deteriorated when extreme poverty dropped. While the answers are not straightforward and more granular data and better data coverage are needed, one possible explanation is that poverty reduction alone does not tackle food security, and instead a set of specific food security policies and institutions are needed such as those that created Brazil's success story in eradicating hunger until 2014.

Graph 2: Relation between poverty reduction and food security trends in the last twenty years (Source World Bank 2020)



### **Hunger and food insecurity in Brazil will reduce by restructuring public policies and actions aimed at rebuilding the rural institutions supporting food security.**

Renewed government commitment to the fight against hunger and poverty may rebuild policies, institutions and programs that proved successful. Permanent structural changes are also needed, such as agrarian reform, support to smallholder farmers and traditional populations for food production and marketing, the strengthening of organic and agroecological production, the implementation of the National Policy for the Reduction of Pesticide Use, and guaranteed income and adjustments to the minimum wage above inflation. These changes also include the right to education and high-quality school meals, following the guidelines of the PNAE. It is also important to ensure government monitoring of food insecurity in the population level by institutions such as IBGE, as well as funding for research on food insecurity and the evaluation of public policies aimed at eradicating hunger and promoting access to healthy food.

Within a framework of renewed rural institutions and policies at national level **Improving food security in the North and Northeast regions of Brazil requires a mix of short- and long-term strategies directed to adaptation to drought and risk management.** These need to be proposed by state and local governments, farmers associations, civil society, and the private sector in a coordinated, landscapes approach. These would include agricultural management and soil conservation and better

management of water resources, seasonal climate forecasts and funds transfer and credits to affected small-scale farmers.

Lessons learnt from a literature review of investment operations of World Bank, IFAD and other bilateral partners suggest that strategies to enhance food security in the North and Northeast to improve food security can include:<sup>73</sup>

1. **Agricultural Development and Diversification** by (i) Supporting Sustainable Agriculture and practices that are resilient to climate change and environmentally sustainable. This includes agroforestry, organic farming, and conservation agriculture, and (ii) Crop Diversification encouraging the cultivation of a variety of crops to reduce dependence on a few staples and increase resilience against crop failures.

2. **Infrastructure Improvement** of (i) Irrigation and Water Management, implementing efficient irrigation systems and water management practices to mitigate the impact of droughts and irregular rainfall and (ii) Transportation and Storage Facilities to enhance transportation networks and storage facilities. This will reduce post-harvest losses and improve market access for farmers.

3. **Economic and Financial Support** by (i) Providing small-scale farmers with access to affordable credit and subsidies for inputs and equipment and (ii) improving Market Access and Value Chain Development, including developing local and regional markets, and integrating smallholders into value chains to increase their income and bargaining power.

4. **Social Policies and Safety Nets** such as (i) Conditional Cash Transfer Programs, e.g. Expanding programs like *Bolsa Família*, which provide financial aid to poor families contingent upon children attending school and receiving vaccinations and (ii) Food Assistance Programs like school feeding programs and community kitchens to provide immediate relief from hunger and malnutrition.

5. **Education and Capacity Building** such as (i) Agricultural Education and Training by offering training in smart agricultural techniques, financial management, and sustainable practices, and (ii) Nutritional Education to promote awareness of nutrition and healthy eating practices, especially in schools and rural communities.

6. **Community-Based Initiatives** with (i) Local Cooperatives and Associations to support the formation and growth of farmer cooperatives and associations to strengthen community resilience, and (ii) Peri-urban Agriculture encouraging initiatives to improve food access in urban areas.

7. **Technology and Innovation** by (i) Utilizing technology for precision agriculture, improved seed varieties, and efficient resource use, and (ii) Data and Monitoring Systems for monitoring food security and agricultural productivity to inform policy decisions.

8. **Environmental Conservation and Climate Change Adaptation** for (i) Ecosystem Preservation, protecting natural resources and ecosystems that are crucial for agricultural productivity, and (ii) Developing strategies to adapt to the impacts of climate change, such as altered precipitation patterns and extreme weather events.

**The current administration electoral flagship commitments relate to food insecurity, especially the Brazil Without Hunger program (Brasil sem fome), launched in August 2023, to deliver measures across food security, social assistance and healthcare to reduce hunger.** The administration pledged to remove

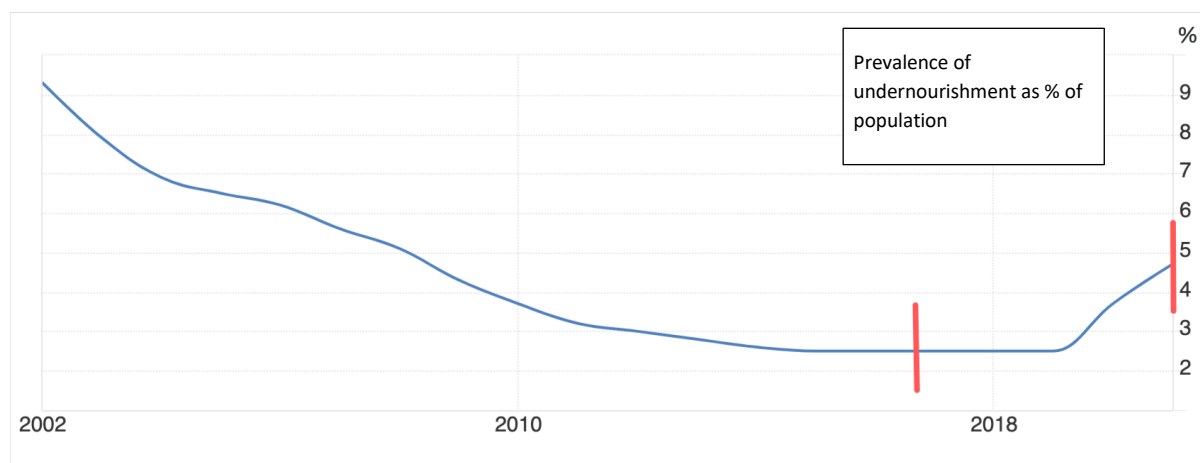
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<sup>73</sup> Drought in Northeast Brazil: A review of agricultural and policy adaptation options for food security, RMETS, 2021

Brazil from the hunger map by 2030.<sup>74</sup> Brazil's success in bolstering food security and nutrition until the mid-2010s was attributed to a blend of multi-sectoral strategies aimed at overcoming structural obstacles in food production, distribution, and consumption. Presently, several initiatives are being pursued to replicate this achievement:

- **The revised Bolsa Família program** places emphasis on monitoring conditionalities, which include health metrics for children up to seven years old, pregnant women, and women aged 14-44. Additionally, the Food Acquisition Program (PAA) facilitates public purchases of produce from family farmers and traditional communities. Notably, the program's budget surged from R\$ 2 million in 2022 to R\$ 500 million in 2023. Moreover, the 2023 Family Agriculture Harvest Plan (Plano Safra) has allocated R\$ 71.6 billion for family farm credit, marking a 34 percent increase from the previous year. The interest rates are favorable, with certain target groups paying as low as 3 percent annually.
- **Another significant initiative involves the reorganization of the National Food and Nutrition Security System (SISAN)**, which includes participatory councils at the federal, state, and municipal levels.
- **The federal council, CONSEA (National Council for Food Security and Nutrition/Conselho Nacional de Segurança Alimentar e Nutricional), was reinstated in February 2023.** It comprises a majority of civil society representatives, whose involvement in the formulation and oversight of national public policies related to food security is a hallmark of the successful Brazilian approach. IFAD is participating at the invitation of government.

**The forthcoming objectives of the federal government include coordinating these and other public policies to uphold the Human Right to Adequate Food.** The plan's goal is to eliminate severe food insecurity in Brazil within four years. To ensure continuous evaluation and adjustment of the strategies, monitoring mechanisms will be established, overseen by the Ministry of Development, Family Assistance, and Fight Against Hunger. Within this framework, to assess a target to measure progress in meeting the SDG2, it can be useful to look at the historical data, especially during the period in which similar policies as the one described above have been implemented, with the two red lines indicating the 2016 (2.5%) and the 2021 (last available, of 4.7%).



<sup>74</sup> Brazilian President Luiz Inácio Lula da Silva on 31 Aug. 2023 reaffirmed on X (former Twitter) that the fight against hunger is his main objective in life. “Quero que os trabalhadores voltem a poder fazer três refeições por dia de forma digna e que forneçam alimentação de qualidade para seus filhos. O trabalho continua.”

Source: World Bank, 2023

Aligned with Brazil's longstanding approach spanning over two decades, these reformed policies aspire to foster sustainable food production, streamline distribution channels, and enhance financial accessibility to ensure consistent access to sufficient, nutritious food.

A desirable outcome for severe food insecurity by the conclusion of the COSOP implementation would place Brazil back at the level it achieved in 2014 when it was proclaimed free from hunger, aligning with Brazil's commitment for 2030. However, considering the potential impact of the electoral cycle on policy shifts in 2026 and acknowledging the unpredictability of global variables within an unstable geopolitical landscape, a more conservative target could be set at 3.0% by the completion date. This is with a slightly adjusted mid-term benchmark, considering the ongoing commitments and policy initiatives initiated by the current administration, which are slated to continue until the COSOP mid-term.

**As a final consideration, SDG1 and SDG2 are closely correlated because poverty and hunger are often intertwined issues.** Poverty can lead to food insecurity and malnutrition, as individuals and communities may lack the financial resources to access an adequate and nutritious diet. Conversely, hunger and malnutrition can perpetuate poverty by impairing physical and cognitive development, reducing productivity, and limiting economic opportunities. Addressing poverty is therefore crucial for achieving food security and nutrition because poverty alleviation measures can empower individuals to afford food, invest in agricultural productivity, and access social safety nets. Similarly, efforts to ensure food security and improve nutrition can contribute to poverty reduction by enhancing human capital, promoting economic growth, and breaking the cycle of poverty and malnutrition.

Therefore, progress towards SDG 1 and SDG 2 often go hand in hand, with interventions targeting poverty reduction and food security mutually reinforcing each other to create sustainable and inclusive development outcomes.

Table 7: Proposed targets for Brazil's progress monitoring in meeting the SDG2 "Zero Hunger"

| Criteria                     | Indicator   | 2016       | Approval   | Mid-term Benchmark | Completion Target | Ideal Target |
|------------------------------|---|------------|------------|--------------------|-------------------|--------------|
| <i>Progress towards SDGs</i> |   |            |            |                    |                   |              |
| SDG2 Zero Hunger             | Prevalence of undernourishment (% population) <sup>75</sup> | 2.5 (2016) | 4.7 (2021) | 3.8                | 3.0               | 2.5          |

### Recent and future trends towards meeting SDG 5 "Gender Equality"

SDG 5 "Gender Equality" calls on all nations to achieve gender equality and empower women and girls.

**In Brazil, 91.7% of legal frameworks that promote, enforce and monitor gender equality under the SDG indicator, with a focus on violence against women, are in place.** SDG 5 includes nine targets that aim at ending all forms of discrimination with their respective indicators (Table below). There has been progress in some areas of discrimination, e.g., more girls in education, fewer girls forced into marriage, and more women in leadership roles, but policy decisions related to education, health and other sectors continue to take place in gendered contexts.<sup>76</sup>

Table 8: SDG 5 nine targets and relative indicators, showing the many dimensions of gender inequality

| Target   | Indicators   |
|--|--|
| 5.1 End discrimination against women and girls                                     | 5.1.1 Legal frameworks for gender equality and non-discrimination  |
| 5.2 End all violence against and exploitation of women and girls                   | 5.2.1 Violence against women from an intimate partner  |
| 5.3 Eliminate forced marriages and genital mutilation                              | 5.3.1 Women married before age 15 or 18<br>5.3.2 Female genital mutilation/cutting   |
| 5.4 Value unpaid care and promote shared domestic responsibilities                 | 5.4.1 Time spent on unpaid domestic and care work  |
| 5.5 Ensure full participation in leadership and decision-making                    | 5.5.1 Women in political positions<br>5.5.2 Women in managerial positions  |
| 5.6 Universal access to reproductive rights and health                             | 5.6.1 Women's decision -making on contraceptive use and healthcare<br>5.6.2 Guarantee of equal access to sexual and reproductive health care |
| 5.A Equal rights to economic resources, property ownership, and financial services | 5.A.1 Female land rights or ownership<br>5.A.2 Equal rights to land ownership  |
| 5.B Promote empowerment of women through technology                                | 5.B.1 Mobile telephone ownership   |
| 5.C Adopt and strengthen policies and enforceable legislation for gender equality  | 5.C.1 Systems to track gender equality   |

**Brazil, like many other countries, has been actively working to address gender inequality through various policies and legislative measures.** These efforts focus on areas such as political representation, economic participation, education, health, and combating violence against women. Key policies and initiatives include:

<sup>75</sup> The percentage of the population whose habitual food consumption is insufficient to provide the dietary energy levels that are required to maintain a normal active and healthy life.

<sup>76</sup> Morgan, R., Dhatt, R., Kharel, C., & Muraya, K. (2020). A patchwork approach to gender equality weakens the SDGs: Time for cross-cutting action. *Global Health Promotion*, 27



**Legal Framework Against Gender-Based Violence:**

- Maria da Penha Law (2006): This landmark legislation increased penalties for domestic violence and created mechanisms for protecting and supporting victims. It's named after Maria da Penha, a domestic violence survivor, and has been a crucial step in combating violence against women in Brazil.
- Lei do Feminicídio (2015): This law classifies femicide, the killing of a woman because of her gender, as a heinous crime, ensuring stricter penalties.

**Political Representation:**

- Quota Laws: Laws mandating a minimum percentage of female candidates in political parties. Although these quotas exist, their effectiveness in significantly increasing women's representation in political positions has been debated.

**Economic Empowerment and Labor Laws:**

- Equal Pay Initiatives: Efforts to close the gender wage gap, although significant disparities still exist.
- Promotion of Women in the Workforce: Programs to encourage the participation of women in various sectors, including traditionally male-dominated fields.

**Education and Training:**

- Gender Sensitivity in Education: Incorporating gender sensitivity and equality into educational curricula.
- Programs to Reduce School Dropout Rates among Girls: Special attention to keeping girls in school, particularly during adolescence.

**Healthcare Access:**

- Women's Health Policies: Comprehensive healthcare policies focused on women's health needs, including reproductive health services.
- Combating Maternal Mortality: Initiatives aimed at reducing maternal mortality rates, which are particularly high among disadvantaged communities.

**Social Policies:**

- Bolsa Família Program: Although not specifically designed as a gender equality initiative, this program disproportionately benefits women as they are often the recipients of these conditional cash transfers for families living in poverty.

**Awareness Campaigns and Education:**

- Public Awareness Campaigns: Campaigns to raise awareness about gender inequality, domestic violence, and the importance of women's rights.
- Training Programs for Public Officials: Training law enforcement and judicial officials on handling cases of domestic violence and gender discrimination.

**Support for Women in Vulnerable Situations:**

- Support for Female Victims of Violence: Networks of shelters and support services for women who are victims of violence.
- Initiatives for Rural and Indigenous Women: Targeted programs to support women in rural and indigenous communities, who often face compounded levels of discrimination.

**While these policies reflect Brazil's commitment to addressing gender inequality, challenges remain in their implementation and effectiveness.** Persistent cultural norms, socio-economic disparities, and institutional biases continue to hinder the full realization of gender equality in the country. Women earn about 77 percent of men's wages and are concentrated in low-productivity, low-paying jobs. During the COVID-19 pandemic female labour force participation fell from 66 to 62 percent, and women in service sectors suffered from the virus and economic disruptions. By the end of 2021, at 13.9% women experienced higher unemployment (16.6 percent for Afro-Brazilian women) compared to the 11.1 percent country average. Maternal mortality and gender-based violence increased. Afro-Brazilian women faced the worst obstacles to accessing health care, services, and jobs.

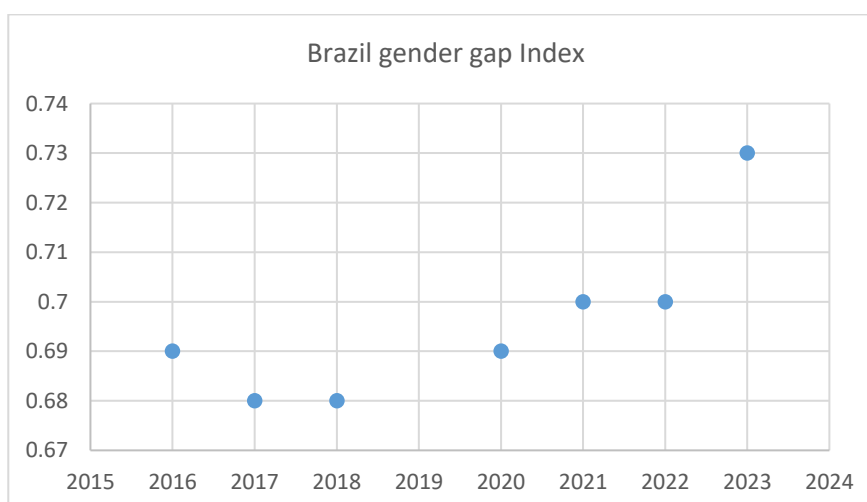
The **Global Gender Gap Report** is an index designed to measure gender equality. It was first published in 2006 by the World Economic Forum. It assesses countries on how well they are dividing their resources and opportunities among their male and female populations, regardless of the overall levels of these resources and opportunities.<sup>77</sup> According to the World Economic Forum's Global Gender Gap Report 2023, it will take exactly 131 years for the gender gap to close.<sup>78</sup> The report's Gender Gap Index ranks countries according to calculated gender gap between women and men in four key areas: health, education, economy and politics to gauge the state of gender equality in a country:

- Economic participation and opportunity – outcomes on salaries, participation levels and access to high-skilled employment
- Educational attainment – outcomes on access to basic and higher-level education
- Political empowerment – outcomes on representation in decision-making structures
- Health and survival – outcomes on life expectancy and sex ratio. In this case parity is not assumed, there are assumed to be fewer female births than male (944 female for every 1,000 males), and men are assumed to die younger. Provided that women live at least six percent longer than men, parity is assumed. But if it is less than six percent it counts as a gender gap.

The highest possible score is 1.0 (equality or better for women, except for lifespan (106% or better for women) and gender parity at birth (94.4% or better for women) and the lowest possible score is 0.79. The three highest-ranking countries have closed over 84% of their gender gaps, while the lowest-ranking country has closed only a little over 50% of its gender gap.

The Brazil gender gap index 2016-2023 is below.<sup>80</sup> The index worsened in 2017 and 2018 to catch up starting 2020 with a current value of 0.73. This Gender gap of approximately 27 percent means that woman are 27 percent less likely to have equal opportunities than men.

Graph 3: Brazil gender gap index for the last seven years (source Statista.com, own elaboration)



However, the overarching and all-encompassing nature of the gender equality target makes it difficult to measure progress on the SDG 5 using a single indicator. In fact, many indicators under SDG 5 as well as under other SDGs are relevant for monitoring the elimination of discrimination against women and girls. A widely used indicator focuses on

<sup>77</sup> World Economic Forum's Global Gender Gap Report 2023

<sup>78</sup> ["To fight climate change, more female leaders are fundamental"](#). European Investment Bank, 2023

<sup>79</sup> World Economic Forum's Global Gender Gap Report 2016

<sup>80</sup> Re-elaborated from [Statista Research Department](#), Nov 3, 2023

legal frameworks, which are a critical element for advancing gender equality agenda.<sup>81</sup> However, legal frameworks are also wide ranging, and while there is interest in capturing issues such as intersectional discrimination or cyber harassment, it can prove difficult to measure such issues consistently across countries.

On the other hand, gender equality and women's political participation have broad impacts on development, as well as economic repercussions. They promote economic stability and lead to heightened democratic outcomes<sup>82</sup> and economic participation. Therefore, higher female representation in national parliaments is also linked to greater progress in reforming discriminatory legislation and more investment in social services and welfare. The increases in elected women representatives provide opportunities for women's voices and perspectives to be injected into the legislative process, and research literature suggests that female participation in parliament has a positive and significant effect on economic progress. In particular, a 10%-point increase in women's representation in parliament leads to a 0.74%-point increase in GDP growth.<sup>83</sup> With these considerations, the indicator "Percentage of women with leadership in congress" should be tracked in the COSOP because of its far-reaching nature, easy measurement, and for comparison purposes.

On the other hand, the government is rightly concerned with tracking the gender gap in rural settings in the more disadvantaged areas or minority groups. The official SDG indicator 5.1 encourages to "Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate".<sup>84</sup> This statement has been subject of an adaptation proposal to make it more relevant and specific for Brazil as follows: "Eliminate inequality in the sexual division of paid and unpaid labor, including domestic work and care, promoting greater autonomy for all women, at the intersections with race, ethnicity, age, disability, sexual orientation, gender identity, territoriality, culture, religion and nationality, especially for women in rural areas, forests, water-based communities and urban peripheries, by means of public policies and the promotion of shared responsibility within families".<sup>85</sup> The rationale for this adaptation stems from the recognition that the original formulation does not advocate for equality between men and women in the sexual division of labor nor promotes women's economic autonomy, two core objectives that have already been provided for in international agreements. Important concepts in this revisited target are the following:

- Sexual division of labor: division in which unpaid domestic and care work has been socially and historically assigned to women, while paid work in the public sphere has been assigned to men. These positions are commonly regarded as natural ones, for they allegedly derive from the sexual difference between men and women. However, this social construct deprives women's autonomy in relation to men. The sexual division of labor presumes not only a separation, but also a hierarchy, since work assigned to men is recognized as such and is more valued socially.
- Autonomy: greater power of self-determination and decision, regardless of social norms of gender or others. Greater economic autonomy, for example, may

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<sup>81</sup> Why Gender Equality Matters Across All SDGs, UN Women, 2017

<sup>82</sup> OECD (2014), Women, Government and Policy Making in OECD Countries: Fostering Diversity for Inclusive Growth, OECD Publishing, Paris

<sup>83</sup> Does representation of women in parliament promote economic growth? *Front. Polit. Sci.*, 28 April 2023

<sup>84</sup> [https://sdgs.un.org/goals/goal5#targets\\_and\\_indicators](https://sdgs.un.org/goals/goal5#targets_and_indicators)

<sup>85</sup> Silva, Enid Rocha Andrade da (coord.) SDG – National Targets of Sustainable Development Goals, Capítulo 5 - Achieve gender equality and empower all women and girls, IPEA, 2019

translate into greater participation in the labor market, higher employment rate, higher income and wealth, as well as greater labor insurance coverage.

Within this context, for the purpose of monitoring progress in meeting SDG 5, it is proposed that the COSOP uses as additional benchmark the “Proportion of time spent in unpaid domestic and care work, female (% of 24h day)”. The latest measurement reported for the SDGs for Brasil was in 2017, with a value of 12.

*Table 9: Proposed targets for Brazil’s progress monitoring in meeting the SDG5 “Gender Equality”*

| Criteria                     | Indicator   | 2016           | Approval       | Mid-term Benchmark | Completion Target | Ideal Target |
|------------------------------|---|----------------|----------------|--------------------|-------------------|--------------|
| <i>Progress towards SDGs</i> |   |                |                |                    |                   |              |
| SDG5 Gender Equality         | 1. Women participation in leadership (proportion of parliament seats held by women) | 10.7<br>(2017) | 15.2<br>(2021) | 19.0               | 22.6              | 45.6         |
|                              | 2. Proportion of time spent in unpaid domestic and care work, female                | 12<br>(2017)   | 12<br>(2017)   | 11                 | 10                | 8            |

### **Recent and future trends towards meeting SDG 10 “Reduced Inequalities”**

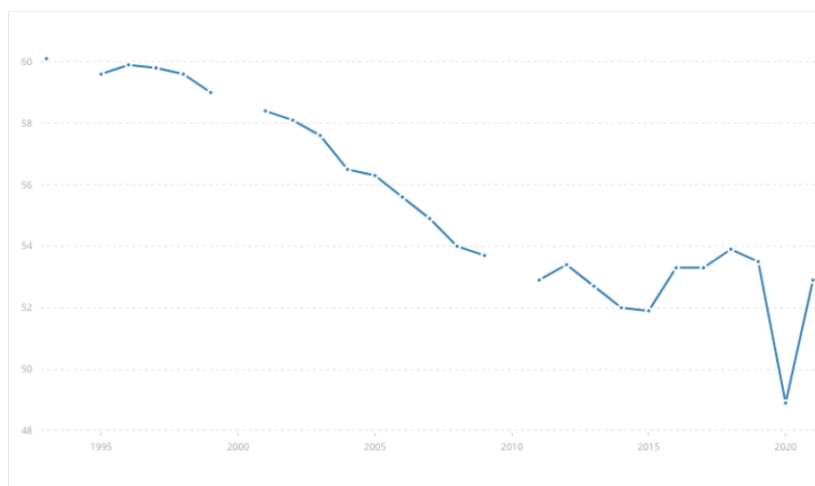
SDG 10 “Reduced Inequalities” aims at reducing inequality within and among countries.

**Despite the large gains of earlier decades, deep economic disparities remain in Brazil.** Historically poor population groups continue to be highly vulnerable. Almost three in 10 poor individuals are Afro-Brazilian women living in urban areas. Three-quarters of all children living in rural areas are poor. Residents of the northern part of the country continue to lag the rest of Brazil in both monetary and nonmonetary welfare dimensions. Northern states have poverty rates 2.7 times higher than southern states, income per capita averages about 52 percent lower, the adult population has 1.5 fewer years of education, and people’s access to sanitation and water are both 8 percentage points lower.<sup>86</sup>

**In fact, Brazil is still one of the most unequal countries in the world, with a Gini coefficient of 0.529 in 2021.** Income inequality in 2021 was as high as in 2011. Income inequality consistently decreased in the first decade of the 2000s, from 0.584 in 2001 to 0.527 in 2012, but such gains were reverted in the period 2012-2019. After reaching its lowest level since the 21st century in 2015, inequality rose sharply in 2016 and continued to increase during the recovery until 2018. The sharpest increase was during 2016 when inequality grew by 1.5 Gini points in one year — the largest single-year jump in inequality since the 1990s.

<sup>86</sup> Brazil Poverty and Equity Assessment, World Bank 2022

Graph 4: Gini index values 1993-2021, Brazil (source: World Bank data, 2023)



Income disparities are correlated with poverty ratios, and are evident along a north-south divide. States in the northern and northeast regions which have high levels of poverty have also higher inequalities. Finally, income disparities translate into wealth disparities. It is estimated that 1 percent of the population owns high concentration translates into a wealth Gini coefficient of 0.89 in 2019 up from 0.822 in 2010.<sup>87</sup>

**A convergence analysis of all Brazilian states shows a decreasing trajectory in their dispersion**, indicating that they have become, on average, more equal in economic terms.<sup>88</sup> Graphical analysis reveals that the states with the highest convergence rates are in the North-East region. The key factors behind the improvement in social conditions are the large income transfers from the government through social programs, economic stability, the expansion of the agricultural sector and an increase in the supply of credit, especially for small farmers. However, confirmation that there is a convergence process does not necessarily mean there will be a reduction in disparities. Without other regional development initiatives, regional economic inequalities are likely to persist.

**While economic growth in general always tends to reduce poverty, the relationship between economic growth and inequality has not been consistent in Brazil.** GDP growth has a different effect depending on which strata of the population benefit most from economic prosperity. To reduce inequalities, economic growth under SDG 1 needs to transmit to the bottom 40 percent. For this to happen, Brazil faces a number of development challenges. In fact, extensive research indicates that disparities in regions, education, and racial backgrounds are the primary roots of inequality in Brazil. This foundational disparity accounts for why, over the last decade, there has been only a slight shift in the overall trend of inequality, despite significant fluctuations in the short term. Given the structural basis of income inequality's causes, any changes to the underlying factors of inequality will occur slowly. Similarly, the impact of policy initiatives and enhancements in the Gross National Income (GNI) will likely manifest as short-term fluctuations, with only marginal shifts in the long-term trend observed over the six years of the implementation of the COSOP.

<sup>87</sup> Ibid.

<sup>88</sup> Demographic aspects and regional income convergence in Brazil: a panel data approach, [repositorio.cepal.org](https://repositorio.cepal.org)  
CEPAL Review Nº 139 April 2023

The World Bank Sector Country Diagnostic (SDC, updated)<sup>89</sup> identifies four crucial areas of interventions that in the medium to long term will improve the transmission of economic growth gain to lower income population:

- **The first is to create opportunities for all Brazilians through a focus on productivity-led growth and a competitive economy.** Brazil's productivity in manufacturing and services is lower than other large economies as Brazil's growth model continues to rely on factor accumulation, i.e., the expansion of labor, capital, and land. As an upper middle-income country, Brazil needs to boost its growth in total factor productivity, especially in the Northeast and North macroregions where economy is lagging. This can be achieved through Investment in Education and Training and particularly in vocational training and continuing education programs; Promoting Research and Development (R&D) both encouraging private and public investments in R&D to foster innovation and technological advancements and by strengthening collaboration between universities, research institutions, and industries to facilitate knowledge transfer and commercialization of research; by upgrading physical and digital infrastructure, simplifying bureaucratic procedures and reduce regulatory barriers to make it easier to start and operate businesses.
- **The second is to develop a people-centric strategy that increases the income-generating capacity of the poor with a targeted, regional focus.** The COVID-19 crisis further exposed the vulnerability of Brazilian households to shocks. The gains of earlier years in households' income-generating capacity, food security and shared prosperity have been reversed. The pandemic further worsened learning outcomes and inequality due to school closures and higher dropout rates, which will have long-lasting consequences on the future productivity of children. Access to relevant skills for the job market, especially in science, engineering, and technology fields, is limited, and there are gender gaps in these areas. Higher education enrollment is highly dependent on family income, reinforcing inequality. There are still gaps in basic access to health services and sanitation. Land tenure is unequally distributed, with high insecurity affecting low-income individuals. While financial inclusion has improved, certain groups still struggle to access financial assets.
- **The third is to unlock the country's potential as a green economy.** Brazil made progress in reducing deforestation in 2004-2012, but deforestation rates have been steadily increasing since 2014 reaching 11,568 km<sup>2</sup> in 2022. In 2023, public policies in support of the environmental protection agenda have been reinstated and have already shown positive results. The Amazon rainforest alone, about 60 percent of which lies in Brazil, delivers ecosystem services valued at a minimum of USD317 billion a year to Brazil and the world. Deforestation puts these services at risk, especially if a tipping point is triggered and results in the permanent dieback of the Amazon. Modernization of land registration practices and incentives for more sustainable land use are crucial to address the country's environmental needs.
- **The fourth is to finance the country's inclusive growth through a sustainable framework that relies on more efficient spending, better taxes, and a sound fiscal framework.** Structural fiscal reforms, including addressing persistent structural spending issues and improving the tax system, will be critical for the country to find ways of creating space to support a new inclusive growth model. Factors such as public sector pay and pensions, and increased demand for social protection spending, continue to strain public finances. Managing the public service wage and pension bill is crucial, with the federal government wage premium and state pension deficits being sources of concern. Human resources challenges include wage disparities, fragmented and rigid structures, and inadequate performance management. The country's tax system, highly reliant on consumption of goods and services, offers opportunities for more progressive taxation and increased efficiency.

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<sup>89</sup> Brazil Country Sector Diagnostic, update, World Bank 2023

The intergovernmental transfer system needs revamping to address horizontal gaps between states. Several state and municipal governments are facing a fiscal crisis, yet states and municipalities are responsible for the front-end provision of basic services to the population, such as education and health. Comprehensive administrative reform is needed, focusing on fiscal aspects, governance, and the quality of public service delivery.

The interventions required in the above domains necessitate investments over the medium to long term, and the entrenched factors driving inequality in Brazil have historically shown a slow response rate. In this scenario, a proposition of the targets for the income share of the bottom 40% should consider that in the short term the impact in the mean income growth per year of the bottom 40% from the above interventions and structural changes will be modest. In addition, a comparative analysis with other two well performing countries using historical data from the LAC Equity Lab of the Shared Prosperity show that in the decade 2011-2021 the mean income growth per year of the bottom 40% was only of 0.1 relative to the increase in population, which is consistent with Brazil mean income growth for the bottom 40% during the same period. Using these parameters, the proposed values are reflected in the table below.

*Table 10: Proposed targets for Brazil's progress monitoring in meeting the SDG10 "Reduced Inequality"*

| Criteria                     | Indicator                  | 2016     | Approval    | Mid-term Benchmark | Completion Target | Ideal Target |
|------------------------------|----------------------------|----------|-------------|--------------------|-------------------|--------------|
| <i>Progress towards SDGs</i> |                            |          |             |                    |                   |              |
| SDG10 Reduced inequality     | Income share of lowest 40% | 6 (2016) | 6.03 (2021) | 6.03               | 6.05              | 6.09         |

### **C. Final considerations on the proposed Criteria, Benchmarks and Targets**

Supported by institutional change and a strengthened financial framework, transformational country programs are the central pillar of IFAD's business model. The proposed criteria reflect a standardized institutional approach across countries as the COSOP articulates a sustainable and inclusive development trajectory. However, the actual benchmarks and target values are country and context specific, and as such mutually agreed upon as part of the COSOP design process. In addition, as the proposed values are based on assumptions, at the time of the COSOP design, and circumstances change over time, they are subject to further assessment as the program rolls out. In this sense, the COSOP is a living document.

The proposed table below summarizes the three areas of the assessment framework and their proposed target values, namely: (i) The country's ability to access external capital for development at reasonable terms, (ii) Progress in establishing and sustaining key institutions and policies for sustainable and equitable socioeconomic rural development.; and (iii) Progress towards economic and social development, as reflected by a selection of SDG indicators that are most relevant to IFAD's mandate.

Table 11: Summary of the assessment framework and proposed target values

| Criteria   | Indicator  | 2016                              | Approval                        | Mid-term Benchmark | Completion Target | Ideal Target |
|--|--|-----------------------------------|---------------------------------|--------------------|-------------------|--------------|
| <b>Access to International Capital Markets</b>                 |  |                                   |                                 |                    |                   |              |
|  | Credit Rating  | Ba2<br>(Feb-16)<br><i>Moody's</i> | BB-<br>(Dec-22)<br><i>Fitch</i> | Baa1/BBB           | A1/A              | AA/Aa        |
| <b>Institutions/Policies for sustainable rural development</b> |  |                                   |                                 |                    |                   |              |
| Rural Sector Performance Assessment                            | Overall RSPA Rating 1/   | 4.2                               | 4                               | 4.2-4.3            | 4.4-4.5           | 4.8-9        |
|  | Policies/Frameworks (1.1)                                      | 4.3                               | 4.5                             | 4.5                | 4.7               | 5.0          |
|  | Climate change policies (3.2)                                  | 3.8                               | 3.7                             | 4.0                | 4.2-3             | 4.5          |
|  | Access/Use of rural financial services (4.1)                   | 3.9                               | 3.0                             | 3.9                | 4.2               | 4.8          |
| <b>Progress towards SDGs</b>                                   |  |                                   |                                 |                    |                   |              |
| SDG 1 No poverty   | Poverty headcount ratio 2/                                     | 27<br>(2016)                      | 28.4<br>(2021)                  | 27                 | 25                | 14           |
| SDG 2 Zero hunger  | Prevalence of undernourishment (%pop)                          | 2.5<br>(2015-17)                  | 4.7<br>(2020-22)                | 3.8                | 3.0               | 2.5          |
| SDG 5 Gender Equality  | Women in leadership positions (% women in parliament)          | 10.7<br>(2017)                    | 15.2<br>(2021)                  | 19.0               | 22.6              | 45.6         |
|  | Recognize and value unpaid care and domestic work (#hours/day) | 12<br>(2017)                      | 12                              | 11                 | 10                | 8            |
| SDG 10 Reduced inequalities                                    | Income share of lowest 40%                                     | 6.00<br>(2016)                    | 6.03<br>(2021)                  | 6.03               | 6.05              | 6.09         |

1/For 2016 2024 RSPA data, information was collected in 2018 for IFAD11.

2/Defined as percentage of population living under \$5.51/day at 2011 international prices.



**Annex 1: COSOP criteria and indicators** source: COSOP Guidelines

| Criterion  | Indicator  | Description  | Dataset/source  |
|--|--|--|---|
| <i>Ability to access external capital for development</i>  |  |  |   |
|  | Country credit rating  | Sovereign credit rating is provided by a credit rating agency, which evaluates the creditworthiness of the issuer (country or government) of debt. Can be used as a proxy for access to international capital markets on reasonable terms. | S&P, Fitch or Moody's                                 |
| <i>Progress in establishing and sustaining key institutions and policies for sustainable rural development</i> |  |  |   |
|  | Rural sector performance assessment  | RSPA measures the quality of pro-poor rural development, and rural transformation policies and institutions. Based on a scale of 1 to 6.   | RSPA dataset (expanded in 2021 for UMICs)             |
|  | Policies and frameworks for rural development  | Assesses whether policies and frameworks are in place for rural development and rural poverty alleviation.   | RSPA cluster indicator 1.1                            |
|  | National climate change policies   | Assesses the extent to which the government has a national climate change strategy/policy, and whether cost-effective measures to address climate-related risks are being explored.  | RSPA cluster indicator 3.2                            |
|  | Access to and use of rural financial services  | Assesses access to rural financial services and priority of financial inclusion.   | RSPA cluster indicator 4.1                            |
| <i>Progress towards economic and social development (SDGs)</i>   |  |  |   |
| SDG 1: No poverty  | Poverty headcount ratio  | Percentage of population living on less than US\$5.50 a day at 2011 international prices.  | World Bank's World Development Indicators (WDI)       |
| SDG 2: Zero hunger   | Prevalence of undernourishment   | Estimated proportion of population whose food consumption is insufficient to provide dietary energy levels required to maintain a normal, active and healthy life.   | SOFI <sup>a</sup> table A1.1<br>FAO <sup>b</sup> Stat |
| SDG 5: Gender equality   | Women's participation in leadership<br><br>Recognize and value unpaid care and domestic work | Proportion of parliament seats held by women.<br><br>Proportion of time spent in unpaid domestic and care work, female   | United Nations Statistics Division                    |
| SDG 10: Reduced inequalities   | Income share held by lowest 40 per cent  | Percentage share of income or consumption is the share that accrues to subgroups of population-indicated quintiles.  | World Bank, WDI, table 1.3                            |

<sup>a</sup> State of Food Security and Nutrition in the World.<sup>b</sup> Food and Agriculture Organization of the United Nations.

## **Annex 2: The IFAD Rural Sector Performance Assessment (RSPA) tool**

The International Fund for Agricultural Development (IFAD) Rural Sector Performance Assessment (RSPA) is a tool designed to evaluate and monitor the performance of the rural sector in IFAD member countries. IFAD, a specialized agency of the United Nations, focuses on eradicating poverty and hunger in rural areas of developing countries. The RSPA plays a crucial role in this mission by providing a comprehensive assessment of the rural sector, which includes agriculture, rural development, and poverty reduction initiatives. Here's an overview of what RSPA entails:

### **1. Purpose:**

- The primary aim of the RSPA is to assess the effectiveness and impact of IFAD's investments and strategies in its member countries. It helps to understand how well these countries are performing in terms of rural development and poverty reduction.

### **2. Components of Assessment:**

- The RSPA evaluates various aspects of the rural sector, such as agricultural productivity, market access, natural resource management, rural finance, governance, and institutional development.
- It also looks at socio-economic indicators, including poverty levels, food security, employment opportunities, and gender equality in rural areas.

### **3. Methodology:**

- The assessment uses a set of indicators and benchmarks to measure performance. These indicators are often quantitative and are derived from various data sources, including national statistics, IFAD project data, and international databases.
- The RSPA employs a rigorous analytical framework to ensure that the assessments are objective, comprehensive, and comparable across different countries.

### **4. Usage:**

- The findings from the RSPA are used to inform IFAD's strategies and policies in its member countries. It helps in identifying areas that need more attention or different approaches.
- The assessment is also a valuable resource for policymakers, researchers, and development practitioners interested in rural development and poverty reduction.

### **5. Frequency and Reporting:**

- The RSPA is conducted periodically, allowing for tracking progress over time and adjusting strategies as needed.
- The results are typically compiled into reports that provide insights into the successes and challenges in the rural sectors of various countries.

### **6. Stakeholder Engagement:**

- The process involves engagement with a range of stakeholders, including government officials, local communities, and other development partners. This ensures that the assessment reflects a wide range of perspectives and on-the-ground realities.

The RSPA is an essential tool in guiding IFAD's work and in understanding the broader trends and challenges in rural development globally. By providing detailed and nuanced assessments, it aids in the effective allocation of resources and the design of interventions that are more likely to succeed in reducing rural poverty and promoting sustainable development.

# SECAP background study

## Introduction

1. The objective of this study is to provide analytical support for the sustainability of IFAD's social, environmental and climate investments to be designed for the next investment cycles. This is done by providing strategic recommendations for the COSOP design process, enabling the proper identification of current/potential environmental and climate issues, gender and social inclusion, addressing key trends and assessing the feasibility of sustainable environmental, social and climate options to help COSOP-G Brazil achieve its strategic objectives.
2. The analysis uses the Social, Environmental and Climate Assessment Procedures (SECAP 2021<sup>1</sup>), the IFAD Strategy and Action Plan for the Environment and Climate Change (2019-2025<sup>2</sup>), the Biodiversity Strategy (2022-2025<sup>3</sup>) and the COSOP Completion Review (2022) as a reference framework for analysis and recommendations. This analysis therefore emphasises the social, environmental and climate challenges and opportunities linked to the development of family farming and poverty reduction.

## Part 1 - Situational analysis and main challenges

### Socioeconomic situation

3. **Demographics:** Brazil has a population of 214 million<sup>4</sup> (49% men and 51% women), of which 13% live in rural areas<sup>5</sup>. Of the more than 72 million (urban and rural), 48% are headed by women<sup>6</sup>. Most of the total population is concentrated in the Southeast (42%), followed by the Northeast (26%), South (14%), Centre-West (7.9%), and North (9%)<sup>7</sup>. The population is made up of whites (43%), blacks (9%) and browns (46%)<sup>8</sup>. The latest data on indigenous peoples (IBGE, 2019) reports the presence of 7103 *indigenous* settlements or *localities*<sup>9</sup> (632 officially recognised lands; 5494 indigenous groupings<sup>10</sup> and 977 other localities). They are mainly concentrated in the north and north-east (4504 and 1211 respectively). As for *quilombola* settlements, they account for 5972 (404 officially recognised lands; 2308 *groupings* and 3260 *other localities*) of which 873 are in the North and 3171 in the Northeast<sup>11</sup>.
4. **Employment and the labour market:** Brazil is like other middle-income countries, where the performance of the labour market is a key determinant of poverty reduction. The total labour force in Brazil is 99,470,102 (women 43.2 per cent). Labour force participation (over 15 years old) is

<sup>1</sup> [https://www.FIDA.org/documents/38711624/44600056/secap2021\\_01.pdf/31edfeff-f70c-67b0-994a-d0ec4630dd81?t=1644422496395](https://www.FIDA.org/documents/38711624/44600056/secap2021_01.pdf/31edfeff-f70c-67b0-994a-d0ec4630dd81?t=1644422496395)

<sup>2</sup> <https://webapps.FIDA.org/members/eb/125/docs/EB-2018-125-R-12.pdf>

<sup>3</sup> [https://www.FIDA.org/documents/38711624/45005260/biodiversity\\_strategy\\_e.pdf/f6882166-043f-e944-574e-a6299e70f579?t=1646128033211](https://www.FIDA.org/documents/38711624/45005260/biodiversity_strategy_e.pdf/f6882166-043f-e944-574e-a6299e70f579?t=1646128033211)

<sup>4</sup> World Bank data, 2021 ([link](#))

<sup>5</sup> World Bank data, 2021 ([link](#))

<sup>6</sup> Brazilian Institute of Geography and Statistics (IBGE), *Continuous National Household Sample Survey* (PNAD-C), 2021. Table 6788 ([link](#))

<sup>7</sup> IBGE, Demographic Census, 2022 ([link](#)). No urban/rural breakdown available.

<sup>8</sup> IBGE, PNAD-C, 2021. Table 6408 ([link](#))

<sup>9</sup> All places in the national territory where there is a permanent agglomeration of inhabitants.

<sup>10</sup> An indigenous group is considered to be a group of 15 or more indigenous individuals in one or more contiguous dwellings who establish family or community ties. These settlements can be in rural or urban areas, inside or outside Indigenous Lands. The maximum distance criterion for considering that there is spatial contiguity between households adopted by the IBGE when delimiting clusters and residential groupings is 50 metres. Information can be found in the technical notes of the *Geographical and Statistical Information Base on indigenous people and quilombolas to combat Covid-19* ([link](#))

<sup>11</sup> According to the 2010 Census (IBGE), they represented 817,963 people or 0.4 per cent of the total population in 2010 and more than half lived in rural areas (502,783)

62.3 percent<sup>12</sup>; female participation is 49 percent<sup>13</sup>. Given the pandemic and the deterioration of the labour market, the current situation shows an increase in unemployment compared to the pre-pandemic period, where the total unemployment rate is 14.4<sup>14</sup> (more than double compared to 6.7 in 2014, and higher than 11.9 in 2019).

5. The labour market sector reflects persistent social inequalities. The level of unemployment among people with basic education is 16 per cent (22 per cent of women and 13 per cent of men)<sup>15</sup> showing a higher proportion for women. Black and brown people have less access to employment and job opportunities compared to the white population (3% of the unemployed population is white, 14 black and 50 brown)<sup>16</sup>.
6. **Agriculture:** The agricultural sector plays an important role in the Brazilian economy. Although it only accounts for 6.9% of the country's GDP<sup>17</sup>, it is extremely important as a generator of income and employment. In rural areas, there are a total of 5.07 million farms: 23% in the agribusiness sector and 76% in family farming. However, agribusiness occupies 76.9 per cent of the area (a total of 351,289,816 hectares) and family farming only 23 per cent. The gender breakdown indicates that 82 per cent of farms in Brazil are run by men and 18 per cent by women, of which the vast majority are family farms (women lead family farms with 19.7 per cent). Most farms are concentrated in the Northeast (45.7%), where 80% are classified as family farms and 20% as agribusinesses<sup>18</sup>. Family farms led by women in this region account for 24 per cent.
7. Most of the sector's dynamism is created by corporate farming (occupying most of the land) and driven by the production of export commodities, mainly harvested in the South, Southeast and Centre-West regions. Family farming is still characterised by low economic dynamism and a high incidence of poverty, especially in the Northeast. Low-quality inputs and a lack of access to technical assistance contribute to the many restrictions that limit the sector's development. Other factors include low productivity and weak connections to markets that trap many small farmers in poverty, and young people moving to the cities for lack of prospects. In this context, public services are characterised by low coverage of technical assistance, credit and complementary cash transfer programmes (especially for poor farmers, young people and women farmers), the degradation of food procurement programmes and access to water, and the lack of an integrated approach between production, the environment and marketing that allows for sustainable insertion into profitable value chains. In addition, small farmers are highly vulnerable to climate change, the negative effects of which they are experiencing more and more.
8. Developing agriculture while preserving and protecting Brazil's biomes is another crucial challenge. Brazil has already lost most of its Atlantic Forest (85.5 per cent); 12.5 per cent of the Amazon biome has been altered, with 9.5 per cent converted for agricultural or livestock use. More than half of the Pampa's area has been converted (54.2 per cent); only 50 per cent of the *Cerrado's* natural vegetation has been conserved; the Caatinga's deforested area is 46.6 per cent, and the Pantanal has lost 15.4 per cent<sup>19</sup>. Preserving and conserving the biodiversity of these biomes<sup>20</sup>, especially in the North (Amazon) and Northeast (*Caatinga* and *Cerrado*), is one of the major challenges.

## Poverty

9. **Poverty dynamics:** Brazil experienced an unprecedented reduction in poverty and inequality between 2001 and 2015. During this decade, the favourable external environment, the expansion of the labour force and the expansion of social assistance programmes (e.g. *Bolsa Família*, the Continuous Cash Benefit, social pensions and rural pensions) contributed to rapid economic and social progress, when 24.2 million Brazilians escaped poverty and the Gini coefficient of family income fell from 0.59 in 1999 to 0.51 in 2015. Most of this reduction was explained by the creation

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<sup>12</sup> World Bank data, 2021 ([link](#))

<sup>13</sup> World Bank data, 2021 ([link](#))

<sup>14</sup> Ibidem ([link](#))

<sup>15</sup> Ibidem ([link](#))

<sup>16</sup> IBGE, PNAD-C, 2021. Table 6402 ([link](#))

<sup>17</sup> World Bank data, 2021 ([link](#))

<sup>18</sup> IBGE, Agricultural Census, 2017. Table 6753 ([link](#)).

<sup>19</sup> Ministry of the Environment and Climate Change, 2022 ([link](#))

<sup>20</sup> Additional and more specific information is provided in the environmental sections of this document

- of jobs in the formal sector, with a sharp drop in the unemployment rate to a low of 6.8 per cent in 2014.
10. Between 2012 and 2021, the prevalence of poverty increased from 27.3 per cent to 29.4 per cent of the population, while extreme poverty increased from 6 to 8.4 per cent. Poverty fell from 27.3 in 2012 to 23.8 in 2014, then experienced a slight increase in 2020 (24.1) and reached 29.4 in 2021.
  11. In 2020, the country suffered its worst economic downturn in history due to the COVID-19 pandemic. However, the country's fiscal response prevented an increase in poverty by implementing a large cash transfer programme. Unfortunately, Brazil's economic recovery in 2021 was unable to prevent a rebound in poverty. Among other factors, fewer individuals were actively participating in the labour market than before and the reduction of the government's "Emergency Aid" programme and the high inflation rate also contributed to the country's poverty rate surpassing its pre-pandemic levels. In 2021, around 29.4 per cent of Brazilians (or around 60 million individuals) were poor. The north and northeast regions had higher poverty rates than the country: 44.9 and 48.7, respectively<sup>21</sup>.
  12. Although Brazil is considered an upper middle-income country, the disparities within the country at state level reflect a striking picture of poverty and inequality. Inequality is greatest in rural areas, especially in the semi-arid northeast. The region is home to 26 per cent of Brazil's population, around half of whom are in poverty and 16.5 per cent in extreme poverty. In 2021, considering the poverty lines established by the World Bank<sup>22</sup>, around 62.5 million people (or 29.4 per cent of the Brazilian population in the country) lived in poverty. Among these, 17.9 million (or 8.4% of the population) lived in extreme poverty<sup>23</sup>, with the majority deprived of formal jobs and living in households headed by someone with less than an elementary level of education.
  13. **Geographical distribution of poverty:** The highest incidence of extreme poverty and poverty is registered in the North and Northeast regions. In 2022, the Northeast region accounted for 26 per cent of the country's total population, with 16.5 per cent of them considered to be in extreme poverty (below the US\$ 1.90 line) and 44.9 in poverty (below the US\$ 5.50 line). In the North, the percentage of those living in poverty is 48.7 and in extreme poverty is 12.5. In the Southeast and Centre-West, 20.6% (one in five residents) were below the poverty line. The lowest percentage was recorded in the South (14.2 per cent)<sup>24</sup>.
  14. Maranhão stands out with 21.1% of the population in extreme poverty (US\$ 1.90 line), followed by Pernambuco (18.7%), Acre (16.5%), and Bahia (15.8%). Santa Catarina (2.1%), Rio Grande do Sul (2.8%), and Mato Grosso (3.0%) stand out with the lowest proportions. According to the US\$ 5.50 poverty line, in Maranhão 57.5% of the population is poor and almost all the states in the North and Northeast regions - except for Rondônia and Tocantins - have a poverty incidence of over 40%<sup>25</sup>.
  15. **GINI Index:** Income inequality in Brazil is closely associated with a less equitable distribution of education, greater wage differentials, access to public services, social exclusion, gender and identity. Brazil's economic inequality is also linked to its historically unequal distribution of land.
  16. The crisis from 2014 to 2016 and the covid-19 pandemic have widened disparities in Brazil, already one of the most unequal countries in the world. Before the pandemic, the richest 10 per cent in Brazil had an average per capita income more than 50 times that of the poorest 10 per cent, and the income of the richest 5 per cent was 77 times higher. In fact, the economic recovery of 2017-2019 was significantly regressive, and in 2019 the poorest decile had still not recovered the income levels it had before 2014. The Gini index reached 0.544 in 2021, 3.9 per cent higher than in 2020, when it registered 0.524. In regional terms, these disparities are most pronounced in the Northeast

<sup>21</sup> IBGE, Synthesis of Social Indicators (SIS), 2022 (link)

<sup>22</sup> The World Bank adopts a per capita income of US\$ 5.50 PPP as the poverty line, which is equivalent to R\$ 486 per month per capita. The extreme poverty line is US\$ 1.90 PPP, or R\$ 168 per month per capita. In recent years, the income threshold for eligibility for social programmes (such as the Bolsa Família Programme) has also been used as a reference for monitoring poverty (for example, IBGE 2022). In addition, the Brazilian Institute of Geography and Statistics (IBGE) has published poverty rates using the World Bank's poverty lines of US\$ 1.90 and US\$ 5.50 (in 2011 PPP).

<sup>23</sup> IBGE, Synthesis of Social Indicators (SIS), 2022

<sup>24</sup> Ibid

<sup>25</sup> Ibid

with the highest Gini index (0.556) and the South with the lowest (0.462). Among the states, the index was 0.424 in Santa Catarina, while Roraima reached 0.596, a difference of 40.6%<sup>26</sup>.

17. **Poverty and human development:** Brazil's Human Development Index (HDI) for 2021 was 0.754 - which places the country 87th out of 191 countries and territories<sup>27</sup>. The Human Development Index is considered low in 82 per cent of the municipalities in Brazil's semi-arid zone, and the Gini coefficient is higher than 0.6 in more than 32 per cent of the cities. Since 2013, Brazil has adopted the Municipalised Human Development Index (MHDI)<sup>28</sup> and the country is ranked 0.766, registering the lowest MHDI of the states of the Northeast and North: Maranhão 0.676; Alagoas 0.684; Ampa 0.688; Para 0.690; Piauí 0.690; Bahia, 0.69; Paraíba 0.698. The highest were recorded in Minas Gerais 0.774; Santa Catarina 0.792 and São Paulo 0.806<sup>29</sup>.
18. **Multidimensional Poverty Index:** The most recent survey data for estimating Brazil's MPI refers to 2015. Based on these estimates, 3.8 per cent of the population in Brazil (8,191 thousand people in 2020) are multidimensionally poor, while an additional 6.2 per cent are classified as vulnerable to multidimensional poverty (13,241 thousand people in 2020). The intensity of deprivation is 42.5 per cent. The effective or incidence of multidimensional poverty is 2.1 percentage points higher than the incidence of monetary poverty. This implies that individuals living above the monetary poverty line can still suffer deprivations in health, education and/or standard of living<sup>30</sup>.
19. More detailed studies on multidimensional poverty at a regional level show that the MPI for the Northeast is 47%. The vulnerability of the rural population is higher (66%) when compared to the population living in urban areas (37%) and half of the population living in the semi-arid region (50%) suffers from multidimensional poverty (Amazon Biome 50%; Caatinga Biome 49%; Cerrado Biome 52% and Atlantic Forest Biome 42%). The MPI for the Northern region reached the same value as the Northeastern region (47%), with the rural population being most affected (67%)<sup>31</sup>. In the North, the situation of multidimensional poverty according to biome is 48 per cent for the Amazon and 41 per cent for the Cerrado.
20. **Poverty, gender and vulnerable groups:**<sup>32</sup> Socio-economic disparities based on race and gender are well known in Brazil. The gender and ethno-racial divide are still substantial, with women being poorer than men 8.8% in extreme poverty (men 8.0%) and 30.2% in poverty (men 28.6%)<sup>33</sup>. The proportion of black and brown people below the poverty line (37.7%) is almost double that of white people (18.6%). The situation of people below the extreme poverty line is similar: black and brown people account for 73.7 per cent compared to 25.4 per cent for white people<sup>34</sup>.
21. Among black and brown women, the percentages of those living in poverty and extreme poverty reach 11.6 and 39.0 per cent respectively. Households made up of black or brown women without a spouse and with children under the age of 14 have the highest incidence of poverty.<sup>35</sup> The percentage of young people aged 15 to 29 in poverty (33.2 per cent) is three times higher than that of the elderly (10.4 per cent). Also in 2021, around 62.8 per cent of people living in households headed by a woman and with children under the age of 14 were below the poverty line<sup>36</sup>.
22. Agrarian Reform settlers have various socio-economic vulnerabilities, including: i) insecure access to land, since not all of them have land titles; ii) insecure access to water, since collective sanitation

<sup>26</sup> IBGE, Synthesis of Social Indicators (SIS), 2022

<sup>27</sup> UNDP, Human Development Report, 2022 ([Country Data Brazil](#))

<sup>28</sup> The Municipal Human Development Index (MHDI) considers the same three dimensions as the Global HDI (longevity, education and income), including its three components, MHDI income (MHDII), MHDI longevity (MHDIL), MHDI education (MHDIE), but is adapted to the national context and uses available local indicators for the calculation.

<sup>29</sup> Atlas Brazil ([link](#)) see attached table

<sup>30</sup> UNDP, multidimensional poverty index, Brazil, 2022 ([link](#))

<sup>31</sup> AKSAAM study on multidimensional poverty, 2023

<sup>32</sup> A vulnerable group comprises people from a minority who are prevented or denied access, participation and/or equal opportunities to universal goods and services available to the population. These groups suffer materially, socially and psychologically from the effects of exclusion for various reasons, such as gender, sexual orientation, ethnicity, race and physical or mental disability.

<sup>33</sup> IBGE, Synthesis of Social Indicators (SIS), 2022 - table 8.

<sup>34</sup> Ibid

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

and water access infrastructures are non-existent or precarious; iii) lack of access to technical assistance; and iv) precarious access to public policies on credit, education, security, health and housing, among others.

23. Indigenous peoples (IPs) and *quilombolas* have the highest poverty rate: 96% of IPs are poor, and 79% are extremely poor, while 91% of *quilombolas* are poor and 73% extremely poor (living on less than R\$178). Indigenous peoples and *quilombolas* are among the poorest and experience the most severe poverty<sup>37</sup>. They suffer from insecure land and property rights, discrimination, greater vulnerability to risk and climate change, and a wide range of socio-economic disparities related to health, education and others.
24. According to the National Health Survey (PNS),<sup>38</sup> people with disabilities (PwD) suffer from various dimensions of social exclusion, mainly education, income and job opportunities. In Brazil, 67.6 per cent of people with disabilities have had no education or have completed secondary school, and only 5 per cent have completed higher education. Based on this research, the predominant profile of people with disabilities is that of women, Afro-descendants, older people, born in the North and Northeast regions of Brazil. The percentage of PwDs in the state of Maranhão is higher than the national average (8.4%). 9% of the state's population (around 1.6 million people) have disabilities in at least one of their functions (visual; hearing; upper or lower limb motor; and mental or intellectual).<sup>39</sup>
25. **Correlation between poverty and climate change:** The combination of high spatial and temporal variability in precipitation, lack of irrigation, land degradation due to inadequate soil management and high incidence of poverty in rural areas make the Brazilian semi-arid region one of the most vulnerable areas in the world to the impacts of climate change. The semi-arid region occupies 56% of the entire Northeast region, extending over an area of 982,500 square kilometres, of which 89.5% belongs to the Brazilian Northeast and the rest to the north of Minas Gerais.<sup>40</sup> The region is known for its serious socio-economic problems related to a long dry season and recurrent droughts.

### Food safety

26. According to the second national food and nutritional security survey carried out in 2022 (*Inquérito Nacional de Insegurança Alimentar e Nutricional, 2022*), 33 million Brazilians suffer from hunger, while in the Northeast region hunger affects 68 per cent of the population. The food situation of the rural population is worse than in urban areas, with food insecurity affecting more than 60 per cent of households and hunger 18.6 per cent. While in 2021/2022, FI affected 58.7 per cent of Brazilian households (125.157 million people); in the Northeast, it affected 68 per cent of households (21 per cent severe FI) and in the North 71.6 (of which 25.7 were severe FI) (VIGISAN, 2022).
27. Of the population facing hunger in the North, the majority (2.6 million) are in the state of Pará, while in the Northeast 2.4 million live in Ceará; 2.1 million in Maranhão; the same number in Pernambuco; and 1.7 million in Bahia. The proportion of moderate and severe food insecurity, above 30.0 per cent, is registered in households with children under the age of 10, especially in the North and Northeast states of Maranhão (63.3 per cent), Amapá (60.1 per cent), Alagoas (59.9 per cent), Sergipe (54.6 per cent), Amazonas (54.4 per cent), Pará (53.4 per cent), Ceará (51.6 per cent) and Roraima (49.3 per cent).

<sup>37</sup> Brazil Poverty and equity assessment, 2022

<sup>38</sup> IBGE. National Health Survey (published in 2021; base year 2019) [link](#)

<sup>39</sup> The state's percentage rate is above average

<sup>40</sup> The Brazilian semi-arid region is mainly located in the Northeast, occupying approximately 12% of Brazil's territory and hosting 12% of the population, 11 million urban inhabitants and 9 million rural inhabitants in 1,262 municipalities, according to the official delimitation released in 2017. The Northeast is made up of nine states: Bahia, Ceará, Pernambuco, Paraíba, Rio Grande do Norte, Piauí, Maranhão, Alagoas and Sergipe. Half of these states have more than 85% of their area characterised as semi-arid.

## Gender

28. **Gender equity challenges:** Over the last 20 years Brazil has experienced significant improvements in various dimensions of gender equality, but the country remains one of the countries with the highest rates of inequality in the world, and women are disproportionately affected. According to the Global Gender Gap Report, the country has closed 69.6 per cent of its overall gender gap, a small improvement from 2021. Based on the Gender Inequality Index (GII), Brazil ranks 94th out of 146 countries<sup>41</sup>.
29. Challenges remain in terms of women's access to economic opportunities, particularly in rural environments. In the agricultural sector, gender inequalities in access to and control over resources are persistent. Compared to men, women farmers face many disadvantages. They have less access to tangible assets and credit than men. Due to traditional cultural norms and the division of labour within the family, women have less mobility and time available than men to participate in learning events and producer organisations. Their insufficient access to information, technical assistance and extension services hampers their ability to learn about innovative and productive practices.
30. **Women's participation in the labour market:** Working women are concentrated in the wholesale and retail sector, agriculture, education, health and social work, and in private households<sup>42</sup>. The average time spent in paid and unpaid work of the population aged 15 and over shows that 22.1% of women spent time in unpaid work, compared to 11.1 of men; among the rural population with no income of their own, women account for 28.5, compared to 21.3 of men. As for the economic participation rate of those living in poverty (aged 15 and over) divided by rural/urban areas, women represent 26.1 per cent of the rural population living in poverty and 42.7 per cent of the urban population living in poverty who participate in the economy<sup>43</sup>.
31. Unemployed women with basic education account for 22 per cent, while women with higher education account for just 9 per cent. The proportion of young women without education, employment or training is 28.3 per cent (men 18.6 per cent). In addition to education, early motherhood is a factor that inhibits women's full participation in the labour force, especially in rural areas and in the North and Northeast regions. This specifically affects indigenous women.
32. According to the UNFPA (2020), around 380,000 births were to mothers under the age of 19, which corresponds to 14 per cent of all births in Brazil. In 2019, this proportion was 14.7 per cent and 15.5 per cent in 2018. The data indicates that among live births to teenage mothers in 2020, the highest concentration is in the North (21.3%) and Northeast (16.9%), followed by the Centre-West (13.5%), Southeast (11%) and South (10.5%). Of all the live births to indigenous mothers, 28.2 per cent were teenagers. Among all brown women who became mothers, 16.7% were teenagers, among black women 13% and among white women 9.2<sup>44</sup>.
33. Limited access to daycare and pre-school inhibits female labour force participation, among other factors. Lack of access to safe transport reduces women's access to economic opportunities by 16.5 per cent, according to the World Bank<sup>45</sup>. Finally, women are more likely to be victims of domestic violence, further affecting their agency and economic opportunities.
34. **Violence against women:** The percentage of women (15-29) who report having suffered some form of violence in 2019 is 19.40; those who report that their partners have physically or sexually abused them at some point is 23 per cent. Black women experience a higher rate of violence compared to non-black women (5.69 versus 3.89).<sup>46</sup> Factors that perpetuate this type of violence include weak or discriminatory legal and institutional structures, patriarchal social norms that sustain gender differences in power, and attitudes that tolerate violence against women.

<sup>41</sup> World Economic Forum (WEF), Global Gender Gap Report, 2022 ([link](#))

<sup>42</sup> IBGE, MANA, 2022

<sup>43</sup> Economic Commission for Latin America and the Caribbean (ECLAC), Gender Equality Observatory, Brazil Country Profile, 2019 ([link](#))

<sup>44</sup> [link](#)

<sup>45</sup> World Bank, Brazil Country Gender Scorecards, 2021 ([link](#))

<sup>46</sup> IPEA; Atlas of violence, Brazil, 2019 data ([link](#))



35. According to the report *Conflicts in the Countryside Brazil 2021*, published by the Pastoral Land Commission (CPT), women suffer the most violence in Brazil's rural areas. Out of a total of 446 who have received death threats related to land conflicts in the last ten years, agrarian reform settlers (90), quilombolas (60) and landless labourers (49) are the main groups of rural women who have suffered violence against women. According to the report, this violence increases on land with a higher concentration of men, such as in the construction of significant works like dams, monocultures and motorways.
36. **Women in the agricultural sector:** According to the 2017 Agricultural Census, of the 5.07 million agricultural establishments, 81.3 per cent (4.11 million) are under male management and 18.7 per cent (947,000) under female management. The Census data shows that the number of women who are in charge (the manager) of agricultural production has grown from 12.6 per cent (2006 National Agricultural Census) to 19 per cent (2017 National Agricultural Census); while the participation of men has decreased from 87.3 per cent to 81.3 per cent. These figures may reflect the emigration of men to off-farm jobs. The increase in women's participation does not reflect a similar increase in women's access to the main agricultural assets, services and income associated with agricultural activities.
37. **Women's agricultural production:** Family farms run by women account for 19.7 per cent, compared to 15.2 per cent for non-family farms. Of the total number of establishments run by women, 24 per cent produce for home consumption while 14 per cent are dedicated to marketing, showing that women are more involved in subsistence farming than men (75 per cent self-consumption and 85 per cent marketing, respectively)<sup>47</sup>. The highest percentage of farms run by women is found in the Northeast (23.2 per cent in total and 24.3 per cent among family farms). Most of the farms run by women produce for self-consumption and are run by black and brown women<sup>48</sup>.
38. **Women's access to information and representation:** Despite women's participation in agricultural activities, their access to information and participation and representation in associations is still significantly lower than that of men. Being primarily responsible for domestic labour, women also face a double burden that challenges their participation in capacity building and training, and therefore the opportunity to improve their skills. Women who receive technical assistance represent only 12 per cent, compared to 87.8 per cent of men<sup>49</sup>. In addition, women are less likely to be members of cooperatives or associations (5.3 per cent of women compared to 12.8 per cent of men)<sup>50</sup>.
39. **Women's access to land:** Only 18 per cent of women own property, despite the existence of regulations guaranteeing access to their land. The average land size for women's farms is less than 5 ha<sup>51</sup>. Of the total agricultural area at national level, women occupy only 8.5 per cent, while men occupy 80.5 per cent. Access to land and resources represents an important asset for women farmers, and not just in terms of gender equality: access to assets, and particularly land, allows women to increase their bargaining power within the family, which means that they play a more active role in making decisions about family production and consumption that also contribute to the family's general well-being.
40. **Women's access to rural credit:** According to the Central Bank of Brazil (BCB), from January 2022 to January 2023, women accessed only 16% (R\$49 billion) of the total amount of credit granted by the rural credit system (R\$302 billion). They also signed 581,856 contracts, which corresponds to 28% of the total number of rural credit contracts (2,044,287)<sup>52</sup>. In this context, it is

<sup>47</sup> IBGE, Agricultural Census, 2017. Table 6753 ([link](#))

<sup>48</sup> Ibid

<sup>49</sup> IBGE, agricultural census, table 6779 ([link](#))

<sup>50</sup> Brazilian Agricultural Research Corporation (Embrapa), 2020 ([link](#))

<sup>51</sup> Among women who own land, 50 per cent of economic activities are related to livestock and other animal husbandry, 32 per cent to the production of temporary crops and 11 per cent to the production of permanent crops. Among non-owners (producers without land; concessionaires or settlers awaiting final title; squatters; borrowers or tenants), 42 per cent of economic activities are related to the production of temporary crops; 39 per cent to livestock and the rearing of other animals and 7 per cent to the production of permanent crops. In addition to traditional agricultural activities (crops and livestock), women are involved in agro-extractive activities (e.g. babassu coconut), especially in the Northeast, where 95 per cent of all babassu coconut activities are found.

<sup>52</sup> Central Bank of Brazil, Statistics: Quantity and Value of Contracts by Gender, Region and UF 2021-2021 ([link](#))

reasonable to assume that access is more likely for those who own the land and are responsible for the business<sup>53</sup>. Land ownership and investments in agriculture are strictly correlated.

### Young people

41. Brazil's Youth Statute (2013)<sup>54</sup> defines young people as those aged 15-29. Young people aged between 15 and 29 represent 52 million people (50% girls), which corresponds to 24.6% of the total population<sup>55</sup>. A greater presence of young people is found in the Southeast (20 million) or 45% of the total young population, followed by the Northeast (15 million or 28.6%)<sup>56</sup>.
42. Around 20 per cent of young people aged between 14 and 29 have not completed basic education, either because they dropped out or because they never attended. Of this total, 71.7 per cent were black or brown. Among the main reasons for leaving school were the need to work (39.1%) and lack of interest (29.2%). Among women, pregnancy (23.8 per cent) and household chores (11.5 per cent). Delayed completion or dropping out of school affected 12.5 per cent of adolescents aged 11 to 14 and 28.6 per cent of people aged 15 to 17<sup>57</sup>.
43. **Youth and unemployment:** Young people aged 14-24 account for 16.7% of the total labour force, while those aged 25-39 account for 38%. For the first age group, the level of employment is 14.7 per cent while unemployment rises to 37.9 per cent. The rise in unemployment is particularly serious among young people (aged 18-24). Many young people are engaged in informal labour: unpaid family workers, non-contracted wage earners, day labourers, small business owners or sole traders<sup>58</sup>.
44. **Involvement of young people in agriculture:** Individuals aged up to 25 comprise one per cent of all agricultural producers who manage farms, while the 25-39 age group accounts for nine per cent (10.8 per cent are dedicated to agribusiness and eight per cent to family farming). The majority of farm managers are over 40 years old<sup>59</sup>. Young people are mainly engaged as unpaid family labourers, especially on family farms.
45. **Migration of young people to urban areas:** Comparing the 2000 Census with the 2010 data, the proportion of young people (15-24) in the total rural population fell from 20% to 18.3%, while the population over 60 went from 8.3% to 10.9%<sup>60</sup>. This migration is due to the fact that the Brazilian rural environment doesn't offer attractive employment opportunities, as it combines low income generation capacity and harsh working conditions<sup>61</sup>. According to ABMRA<sup>62</sup> the average age of rural producers is 46.5 years. The increased mobility of rural youth, who move to small and large urban centres quite frequently, contributes to the ageing of the rural population.
46. **Indigenous Peoples** Latest data on indigenous peoples (IBGE, 2019) reports the presence of 7103 indigenous settlements (localidades indígenas)<sup>63</sup> in the country (632 officially recognised

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<sup>53</sup> As part of the National Programme to Strengthen Family Farming during the period January 2022-2023, women signed 33% of the total contract (501,187 against 1,504,425) for a total value of R\$9.4 billion (19% of the total value). The *National Programme to Strengthen Family Farming* offers a line of credit dedicated to rural women, and has supported women - rural producers, indigenous people, quilombolas, extractivists and fisherwomen, among others.

<sup>54</sup> Brazilian Youth Statute 2013, ([link](#))

<sup>55</sup> United Nations Population Division, Data Portal, 2022 ([link](#))

<sup>56</sup> IBGE, PNAD-C, 2021. Table 6407 ([link](#))

<sup>57</sup> PNAD education, 2019([link](#)) additional tables can be seen at ([link](#))

<sup>58</sup> IBGE, Agricultural Census, 2017. Table 4094 ([link](#))

<sup>59</sup> Ibid. Table 6845 ([link](#))

<sup>60</sup> Ibid. Table 200 ([link](#))

<sup>61</sup> Efforts are made to attract young people by introducing more innovation and technologies, as well as facilitating young people's access to rural credit (e.g. PRONAF jovens dedicated to young agricultural producers 16-29). Other "Brazilian active labour market programmes" consist of training for vulnerable and unemployed groups (Pronatec-BSM and Pronatec-Seguro desemprego, Pro jovem); public employment services (Mais Emprego), and entrepreneurship programmes (Programme for the Promotion of Rural Productive Activities, Technical Assistance and Rural Extension).

<sup>62</sup> Brazilian Rural Marketing Association (ABMRA), 7th Rural Producer Habits Survey, which interviewed 2,835 farmers and livestock producers from 15 states in all regions of the country.

<sup>63</sup> All places in the national territory where there is a permanent agglomeration of inhabitants.

lands; 5494 indigenous groupings<sup>64</sup> and 977 other localities). They are mainly concentrated in the North and Northeast (4504 and 1211 respectively). With a total of 4504, the North is the region of Brazil with the highest number of indigenous settlements. The North is also home to the largest number of officially recognised indigenous lands (305). But it is in the state of Amazonas, in the North region, that most of the settlements with official delimitation (148) and indigenous groupings (2295) are found. The north-east region has 1211 indigenous settlements. The state of Maranhão is home to the most (351), followed by Pernambuco (328).

47. **Quilombolas:** *Quilombola* communities<sup>65</sup>, descendants of African slaves, are officially recognised as traditional communities in the Brazilian Constitution<sup>66</sup>. As of 2019, the IBGE registered 5972 *quilombolas* localities (404 officially recognised territories; 2308 groupings and 3260 other localities) of which 873 are located in the north and 3171 in the northeast<sup>67</sup>. The north-east is the region of Brazil that concentrates the largest number of *quilombola* sites. It is also home to the largest number of officially recognised *quilombola* territories (176). But it is in the state of Pará, in the North, that the majority of officially delimited sites are found (75)<sup>68</sup>.
48. **Issues affecting indigenous peoples and marginalised groups:** The majority of indigenous peoples and *quilombolas* live in rural areas in poverty. Among the IPs registered with CadÚnico<sup>69</sup>, 75% live in rural areas, 96% live below the income threshold of R\$499, and 79% live below the income threshold of R\$178. The proportion of *quilombolas* living in rural areas is 80%, made up of 91% who are poor and 73% who live on less than R\$178<sup>70</sup>.
49. Around a third of IPs and 8 per cent of *quilombolas* don't have access to electricity, much more than the 2 per cent of the rural population living in poverty. The lack of infrastructure can cause obstacles for these families to integrate into economic value chains, but their needs are even greater. Around 51 per cent of IP and 42 per cent of *quilombola* households have no water supply, and a significant proportion of their homes lack protective layers on the walls (78 per cent of IP and 49 per cent of *quilombola* households) and floors (33 per cent of IP and 19 per cent of *quilombola* households), conditions that can harm health and the development of human capital<sup>71</sup>.
50. Indigenous peoples, *quilombolas* and traditional communities are vulnerable and disadvantaged social groups whose livelihoods and food security depend largely on natural resources and land-based production activities. In addition, land, territories and related resources are of fundamental importance, as they not only form the basis of their economic livelihoods, but are the sources of their spiritual, cultural and social identity. They have contributed to the conservation of their living habitats, guaranteeing their livelihoods, social cohesion and cultural ties, but their traditional forest

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<sup>64</sup> An indigenous group is considered to be a group of 15 or more indigenous individuals in one or more contiguous dwellings who establish family or community ties. These settlements can be in rural or urban areas, inside or outside Indigenous Lands. The maximum distance criterion for considering that there is spatial contiguity between households adopted by the IBGE when delimiting residential clusters and groupings is 50 metres. Information can be found in the technical notes of the *Geographical and Statistical Information Base on indigenous people and quilombolas to combat Covid-19* ([Link](#)).

<sup>65</sup> According to Decree No. 4887 of 20 November 2003, *quilombola* communities are ethnic-racial groups based on criteria of self-determination, with their own cultural identity and historical trajectory, endowed with specific territorial relations, with supposed black ancestors related to resistance to slavery.

<sup>66</sup> *Quilombos*, or *quilombola* communities, villages settled mainly by blacks who escaped slavery during Brazil's colonial period. Even after the legal end of slavery in 1888, these communities resisted with their own rules and social norms that functioned apart from the central government.

<sup>67</sup> According to the 2010 Census (IBGE), they represented 817,963 people or 0.4 per cent of the total population in 2010 and more than half lived in rural areas (502,783)

<sup>68</sup> IBGE, Demographic Census, 2010.

<sup>69</sup> CadÚnico (Unified Registry) is Brazil's main tool for selecting low-income families and including them in social programmes. It is a database that serves to identify and learn about the country's most vulnerable individuals and families and thus help the federal government develop public policies aimed at this population. Currently, 28 federal programmes use the Cadastro Único database to manage their actions, such as the *Bolsa Família* Programme, the *Continuous Cash Benefit*, the *Social Electricity Tariff*, the *Happy Child* Programme, among others.

<sup>70</sup> World Bank, Brazil, poverty and equity assessment, 2022

<sup>71</sup> *ibid.*

management/land use systems, livelihoods and cultural survival are under increasing threat<sup>72</sup>. The factors of social and economic vulnerability have been further accentuated by the adverse effects of COVID-19<sup>73</sup>.

## Nutrition

51. According to SOFI 2022, the prevalence of malnutrition in the total population is 4.1% (2019-2021 period), the prevalence of severe food insecurity is 7.3, while moderate FI is 17.4. Stunting among children under 5 is 6.1%; wasting is 1.8%; the prevalence of overweight is 7.3%. It is estimated that 28.2 per cent of adult women (aged 18 and over) and 22.1 per cent of adult men are living with obesity. The prevalence of obesity in Brazil is lower than the regional average (24.2). Child malnutrition is mainly concentrated in the North.
52. The National Child Food and Nutrition Study (ENANI, 2019) shows that 47.1% of Brazilian families with children under 5 live with some degree of food insecurity. By region, the highest prevalence is recorded in the North (61.4% of families) and the Northeast (59.7%). The prevalence of Brazilian children under 5 with some degree of food insecurity was 40.0% among whites, 51.2% among browns and 58.3% among blacks<sup>74</sup>.
53. Traditional and indigenous communities are also more exposed to food vulnerability. As a case study (2017) showed, stunting in children under five still affects 9.8 per cent of indigenous children, wasting 2 per cent, while 16 per cent experience overweight and obesity<sup>75</sup>. At the same time, the quilombola population has the worst morbidity profiles in relation to obesity and malnutrition in the country<sup>76</sup>.
54. Among the main underlying causes of malnutrition in IFAD's areas of operation are the low productivity, diversification and fragility of local production systems. In addition, poor sanitary conditions, limited access to clean and safe water (both for human consumption and agricultural production) and the spread of water-borne diseases are also fundamental causes of malnutrition in the rural regions of the North and Northeast.

## Environmental and climate context, trends and implications

55. Brazil is the most biodiverse country in the world, harbouring between 15 and 20% of all global biodiversity. In addition to the species already catalogued (more than 120,000 species of invertebrates, around 9,000 vertebrates and more than 4,000 species of higher plants catalogued) there are countless species yet to be discovered and described, and with economic potential. This potential is strategically important for tackling climate change and its impacts on agriculture. Biodiversity provides genetic resources both for the improvement of agricultural species (e.g. in the development of varieties more adapted to climate change) and for the development of new

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<sup>72</sup> External and internal pressures are undermining their capacity for adaptation and social resilience, and increasing their social and economic vulnerability. The expansion of the agricultural frontier and the adverse impacts of climate change are largely contributing to the erosion of the effectiveness and adaptive capacity of their traditional ways of life and sustainable livelihoods. The reduction in resources for dedicated institutions responsible for demarcating IP lands and quilombola territories has further aggravated their situation.

<sup>73</sup> Since the mid-2010s, the availability of public resources to support the rights and needs of Indigenous Peoples, Quilombolas and Traditional Communities (IPQTCs) has decreased. A recent evaluation by the Institute for Applied Economic Research (IPEA) showed that - between 2012 and 2017 - Indigenous Peoples became more present in budgetary instruments, but this does not mean that, in fact, more resources have been spent to make their rights more effective. On the contrary, although the Federal Indigenous Budget (IFB) showed an increase of 36% in this period, the Management and Maintenance Programme and the Programme for the Protection and Promotion of the Rights of Indigenous Peoples - under the responsibility of the National Foundation for Indigenous Peoples (FUNAI) - had their resources reduced and the "dehydration of FUNAI is evident". The process of designating Indigenous Lands and Quilombola Territories - critical for the protection of their habitats and livelihoods - has also been hampered.

<sup>74</sup> National Child Feeding and Nutrition Study (Enani) 2019, ([link](#))

<sup>75</sup> Mourão, 2018. Analysis of the nutritional status of indigenous children under 5 in Brazil, 2016. Ministry of Health, Special Secretariat for Indigenous Health ([link](#))

<sup>76</sup> Neves, Félix de Jesus, 2017. Factors Associated with Structural Deficit in Quilombola Children Under 5 Years of Age in the Northeast Region of Brazil ([link](#))

sources of food, fibres and oils (e.g. unconventional food plants - UFP). Protected areas and indigenous lands cover around 30 per cent of Brazil's territory.

56. However, the percentage protected by protected areas in each biome is not homogeneous and there are biomes that are still poorly protected. In percentage terms, the area under protection in each biome is, respectively: Amazon, 28 per cent; Atlantic Forest, 9.5 per cent; Caatinga, 8.8 per cent; *Cerrado*, 8.3 per cent; Pantanal, 4.6 per cent; Pampa, 3 per cent. A large part of Brazil's biodiversity is therefore found in the remaining 70 per cent of the rural landscape, and reconciling the use of land for agriculture and the preservation of the environment is one of the biggest environmental challenges for the sustainable development of agriculture. In addition to the issue of deforestation, the over-exploitation of species through extractivism (e.g. rosewood - *Aniba roseodora Ducke*), invasions of exotic species (e.g. *Brachiaria spp.*), the use of agrochemicals (pesticides and fertilisers) represent threats to the survival of various species.
57. **Climate change:** The climate in Brazil in the coming decades is expected to be warmer - with a gradual and variable increase in the average temperature in all regions of the country of between 1 °C and 6 °C by 2100, compared to that recorded at the end of the 20th century. During the same period, rainfall is also expected to decrease significantly in a large part of the central, northern and north-eastern regions of the country. In the South and Southeast, on the other hand, there will be an increase in rainfall. Extreme events of drought and prolonged dry spells, especially in the Amazon, Cerrado and Caatinga biomes, are expected to increase and these changes are likely to become more pronounced towards the middle and end of the 21st century. The temperature in the Amazon is expected to increase progressively by 1 °C to 1.5 °C by 2040 - with a 25 to 30 per cent reduction in rainfall - between 3 °C and 3.5 °C between 2041 and 2070 - with a 40 to 45 per cent reduction in rainfall - and between 5 °C and 6 °C between 2071 and 2100 (PBMC, 2014). Deforestation due to intense land use change activities in the Amazon aggravates the effects of climate change, increasing the risk of fires due to growing fragmentation that creates fire-prone edges<sup>77</sup>.
58. The temperature of the Caatinga is also expected to increase by between 0.5 °C and 1 °C and rainfall in the biome will decrease by between 10% and 20% by 2040. Between 2041 and 2070, the region's climate is expected to become 1.5 °C to 2.5 °C warmer and the rainfall pattern is expected to decrease by 25 to 35 per cent. By the end of the century, the biome's temperature is expected to progressively increase by between 3.5 °C and 4.5 °C and rainfall to decrease by between 40 and 50 per cent. Combined with unsustainable agricultural practices and other land uses, these changes could trigger the process of desertification in the biome. In turn, the temperature in the Cerrado is expected to increase by between 5 °C and 5.5 °C and rainfall will decrease by between 35% and 45% in the biome by 2100. In the Pantanal, the temperature is expected to warm by 3.5°C to 4.5°C by the end of the century, with a sharp decrease in rainfall patterns in the biome - with a drop of 35% to 45%.
59. As for the Atlantic Rainforest, since the biome covers areas from the south of the country, through the southeast and up to the northeast, the projections point to two distinct regimes of climate change. In the Northeast, there should be a relatively low increase in temperature - between 0.5 °C and 1 °C - and a decrease in precipitation levels (rainfall) of around 10 per cent by 2040. Between 2041 and 2070, the region's climate is expected to warm by between 2 °C and 3 °C, with a decrease in rainfall of between 20% and 25%. By the end of the century - between 2071 and 2100 - intense warming conditions are expected - with a 3 °C to 4 °C increase in temperature - and a 30% to 35% decrease in rainfall.
60. In the south and southeast, projections indicate a relatively low increase in temperature of between 0.5 °C and 1 °C by 2040, with a 5% to 10% increase in rainfall. Between 2041 and 2070, the trends of a gradual increase of 1.5 °C to 2 °C in temperature and 15% to 20% in rainfall should be maintained. For the Pampa, projections indicate that by 2040 the region's climate will be between 5% and 10% wetter and up to 1 °C warmer. Between 2041 and 2070, the biome's temperature is expected to increase by between 1 °C and 1.5 °C and there will be an increase in rainfall of between 15% and 20%. Projections for the region's climate between 2071 and 2100 are more aggravating, with an increase in temperature of 2.5 °C to 3 °C and rainfall between 35% and 40% above normal.

<sup>77</sup> Cochrane, M., & Laurance, W. (2002). Fire as a large-scale edge effect in Amazonian forests. *Journal of Tropical Ecology*, 18(3), 311-325. doi:10.1017/S0266467402002237

61. **Land use:** changes in land use in Brazil have been quite intense over the last few decades, with the increasing incorporation of wild areas into agriculture and the expansion of urban areas. According to IBGE data (see table below), despite this trend, areas with forest vegetation occupy around 42.49 per cent of the 8,752,566 km<sup>2</sup> of Brazilian territory. Agriculture and livestock occupy 7.87 per cent and 12.94 per cent respectively, making these activities the largest land use class after forest vegetation. Grassland vegetation (types of open vegetation such as the Cerrado) occupies 18.57 per cent and has been subject to intense conversion to agriculture. Continental bodies of water have been greatly reduced, losing 15.7 per cent of their area since the 1990s, according to a MapBiomias survey. Several factors can explain the reduction in water surface area in Brazil over the last 36 years. Land use dynamics based on the conversion of forest to livestock and agriculture interfere with local temperature rises and often alter the headwaters of rivers and springs, which can also lead to the silting up of rivers and lakes. The construction of dams on farms for irrigation and drinking along rivers reduces water flow; and, on a larger scale, large dams for energy production, with extensive water surfaces subject to evapotranspiration processes that lead to the loss of water to the atmosphere.

| Land use category                     | km <sup>2</sup> | %       |
|---------------------------------------|-----------------|---------|
| Artificial Area                       | 37,366          | 0.43%   |
| Agricultural Area                     | 688,900         | 7.87%   |
| Managed Pastures                      | 1,132,213       | 12.94%  |
| Mosaic of Occupations in Forest Areas | 820,941         | 9.38%   |
| Forestry                              | 86,610          | 0.99%   |
| Natural Forest                        | 3,718,891       | 42.49%  |
| Wetlands                              | 33,585          | 0.38%   |
| Grasslands                            | 1,625,591       | 18.57%  |
| Mosaic of Grassland formations        | 253,204         | 2.89%   |
| Continental water body                | 127,128         | 1.45%   |
| Coastal water body                    | 224,395         | 2.56%   |
| Uncovered Area                        | 3,742           | 0.04%   |
| Total                                 | 8,752,566       | 100.00% |

Source: IBGE 2020

62. Despite its impacts on biodiversity and the climate, deforestation continues to advance, threatening biodiversity and being the main source of greenhouse gas (GHG) emissions in Brazil. In 2020, Brazil lost 16,557 km<sup>2</sup> (1,655,782 ha) of native vegetation cover in all its biomes last year<sup>78</sup>. Brazil has already lost most of its Atlantic Forest (85.5 per cent); 12.5 per cent of the Amazon biome has been altered, with 9.5 per cent converted to agricultural or livestock use. More than half of the Pampa's area has been deforested (54.2 per cent); the Cerrado retains only 50 per cent of its natural vegetation; the deforested Caatinga area is 46.6 per cent and the Pantanal has lost 15.4 per cent of its area. According to data from the System for Estimating Greenhouse Gas Emissions and Removals (SEEG)<sup>79</sup>, Brazil emitted 2.2

<sup>78</sup> Source: MapBiomias Annual Report on Deforestation in Brazil (RAD).

<sup>79</sup> The System of Estimates of Greenhouse Gas Emissions and Removals (SEEG) is an initiative of the Climate Observatory created in 2013 to produce annual estimates of greenhouse gas (GHG) emissions in Brazil.  
<https://seeg.eco.br/contexto#:~:text=As%20emiss%C3%B5es%20worldwide%20of%20gases,5%20%25%20of%20emiss%C3%B5es%20global%20annually.>

billion tonnes of GHG in 2019. Of these, 72 per cent of GHG emissions result from changes in land use<sup>80</sup>.

63. It is important to emphasise that deforestation can still advance legally in these biomes (except for the Atlantic Forest), due to the relative absence of positive incentives (particularly economic incentives) for the preservation and sustainable use of natural vegetation in rural areas. For farmers, especially small farmers, the economic and administrative difficulties in carrying out forest management and restoring areas can favour the option of converting new areas and fueling an increase in deforestation<sup>81</sup>. In addition to deforestation, another major challenge for biodiversity and the climate is the use of fire, burn-offs and forest fires. This is an important source of GHG emissions, with harmful impacts on biota, soil fertility and the hydrological cycle.
64. A significant part of the converted areas has resulted in degraded pastures. The total pasture area is 159 million hectares, of which 66 million are in a state of intermediate degradation and 35 million in a situation of severe degradation<sup>82</sup>. In other words, 63.5 per cent of the country's total pasture area shows signs of degradation. Among the causes of pasture degradation are overgrazing, lack of fertility management and the use of fire. This results in low productivity rates for livestock farming and pressure to open new areas, resulting in new deforestation<sup>83</sup>. Pasture restoration activities through the introduction of agro-sylvo-pastoral systems have shown cost-effective results in addition to providing greater resilience and reducing the vulnerability of production systems to climate fluctuations.
65. Some of the wood resulting from deforestation is used for energy purposes, both for domestic and industrial use. In regions such as the Caatinga and the Amazon, firewood is still the main source of energy for cooking. The use of inefficient domestic ovens, as well as requiring larger quantities of fuel, represents a health problem<sup>84</sup>, especially for women, due to the production and inhalation of soot and smoke, and is therefore a serious public health problem. This situation offers a huge opportunity for climate mitigation, as the production of wood for energy purposes under sustainable management is a carbon-neutral activity that can promote the reconciliation of productive activity with the preservation of biodiversity - both in the Caatinga and in the Amazon. Of course, there are alternatives to energy production, such as wind and solar power, which are certainly beginning to gain importance in the Brazilian energy matrix. However, only energy from forest biomass provides a possible double bonus about emissions resulting from changes in land use.
66. **Water resources:** Brazil holds 12 per cent of the planet's freshwater reserves, making up 53 per cent of South America's water resources. For Brazil, the management of water resources must be guided by Agenda 21 and refer to the principles contained in the Rio Declaration on Environment and Development (1992),

<sup>80</sup> <https://www.gov.br/mcti/pt-br/acompanhe-o-mcti/sirene/emissoes/emissoes-de-gee-por-setor-1>

<sup>81</sup> According to article 17 of the Forest Code, analysed below in this document, economic exploitation of the Legal Reserve is permitted through sustainable management, previously approved by the competent Sisnama body. This law also stipulates that for the purposes of managing Legal Reserves on smallholdings or family rural possessions, the agencies that make up Sisnama should establish simplified procedures for drawing up, analysing and approving such management plans. However, the costs of drawing up a management plan tend to be prohibitive for small farmers and many state agencies still lack simplified procedures for drawing up, analysing and approving such management plans. Added to the problem is the level of requirements for transporting and marketing forest products, which can far exceed the producer's capacity (see the relevant standard of the NATIONAL SYSTEM FOR CONTROLLING THE ORIGIN OF FOREST PRODUCTS - SINAFLORE <http://www.ibama.gov.br/sophia/cnia/legislacao/IBAMA/IN0021-231214.pdf>).

<sup>82</sup> <https://www.embrapa.br/agrobiologia/pesquisa-e-desenvolvimento/pastagens#:~:text=No%20Brasil%20a%20%C3%A1rea%20of,est%C3%A3o%20with%20signs%20of%20degradation%C3%A7%C3%A3o>.

<sup>83</sup> <https://mapbiomas.org/pastagens-brasileiras-ocupam-area-equivalente-a-todo-o-estado-do-amazonas>

<sup>84</sup> In particular, the use of wood-burning cookers can cause Chronic Obstructive Pulmonary Disease (COPD) - a generic term used to describe progressive lung diseases, including emphysema, chronic bronchitis and refractory (non-reversible) asthma.

principle 2 - according to which states have the right to exploit their resources in accordance with their environmental and development policies.

67. Agriculture and livestock account for around 60 per cent of the consumptive use of water in Brazil (urban human use accounts for 24 per cent and industrial use for around 9 per cent). Despite this abundance, water resources are not distributed equally across the different biomes, with water shortages in the Caatinga. There are also episodes of regional scarcity in states such as São Paulo, Rio Grande do Sul and the Federal District.
68. The main regulatory framework for water use is Law 9.433/1997, which instituted the National Water Resources Policy and created the National Water Resources Management System. This policy includes the following instruments: I - the Water Resources Plans; II - the classification of bodies of water into classes, according to the predominant uses of the water; III - the granting of rights to use water resources; IV - charging for the use of water resources; V - compensation to municipalities; and VI - the Water Resources Information System. Among these instruments, the Water Resources Plans and the granting of licences play a central role in allocating rights over access to water, especially in rural areas. Although these instruments are being implemented by the federal, state and municipal governments, the situation of water resources in Brazil is a cause for concern due to the loss of areas (see above) and the deterioration in the quality of water bodies as a result of pollution (particularly that caused by deficits in rural and urban basic sanitation) and impoundment and extraction for irrigation.

## **Part 2 - Institutions and legal framework**

### Environment and Climate Change

#### **Institutions**

69. **At** the federal level, the executive branch is responsible for implementing environmental rules and policies, with the Ministry of the Environment and Climate Change (MMA) and its related entities such as the Brazilian Forest Service (SBF), the Chico Mendes Institute for Biodiversity (ICMbio) and the Brazilian Institute for the Environment (IBAMA). The Brazilian Congress is responsible for legislating and monitoring the implementation of the budget, and the Chamber of Deputies and the Senate have committees on the environment and agriculture. These committees provide a forum for social participation in both the drafting and monitoring of the implementation of regulations.
70. To draw up the norms and guidelines that regulate federal laws and directives, there is also **the** National Environment Council. The National Environmental Council (CONAMA) is the consultative and deliberative body of the National Environmental System (SISNAMA). It was established by Law 6.938/81, which provides for the National Environmental Policy. The Council is a collegiate body made up of five sectors: federal, state and municipal bodies, the business sector and environmental organisations. CONAMA is responsible for: establishing norms, criteria and standards relating to the control and maintenance of environmental quality, with a view to the rational use of environmental resources, especially water resources<sup>85</sup>.
71. To promote compliance with this standard, the federal government, states and **municipalities** exercise concurrent competence and are therefore jointly responsible for environmental management. This arrangement is important to ensure that the rules and their application take account of the country's enormous regional diversity, but it also sometimes involves the emergence of overlaps and gaps in the application of the rules.

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<sup>85</sup> <http://conama.mma.gov.br/o-que-e-o-conama>



72. Finally, there is a vast third sector in Brazilian society, whose participation in the formulation and implementation of policies, programmes and projects is fundamental. This third sector includes parastatal bodies such as the National Confederation of Agriculture (CNA), the National Rural Apprenticeship Service (SENAR), the National Confederation of Agricultural Workers (CONTAG), non-governmental organisations, rural unions, rural workers' unions, cooperatives and associations working on various agendas at the interface between agriculture, rural development and the environment. Therefore, institutional dialogue for the identification, design and implementation of projects, especially if they require some level of regulatory reform, will involve extensive coordination between the different levels of government and powers, and possibly the development of a communication strategy aimed at raising awareness and disseminating results, good practices and project experiences.
73. In addition to partnerships with the organisations mentioned above, it is possible to list the **following** agencies (non-exhaustive list) as potential IFAD partners in their respective areas of activity:

| Cross-cutting themes           | Possible partnerships  |
|--------------------------------|--|
| Environment and climate change | World Bank, Inter-American Development Bank, BNDES/Amazon Fund, GCF, GEF, UNEP, UNDP, Universities, EMBRAPA. |
| Basic infrastructure           | World Bank, Inter-American Development Bank, BNDES, CAF.   |

#### Policies and regulatory framework

74. Brazil has a broad legal and institutional framework for protecting the environment and promoting sustainable family farming. This legal framework is supported by the chapter on the Environment in the 1988 Federal Constitution and by subsidiary legislation - of relevance being the Forest Code, the National Biodiversity Policy, the National Water Resources Policy Law and the National Climate Change Policy. All these pieces of legislation establish as obligations of the state the supervision of ensuring mechanisms for the provision of these public goods, and the Public Prosecutor's Office is responsible for defending the diffuse interests of society against forms of appropriation whose negative externalities represent a threat or damage to collective rights.
75. Brazil is a signatory to international environmental conventions. The country's commitments to the environment and climate include, among others, the Nationally Determined Contributions (NDCs), Nationally Appropriate Mitigation Actions (NAMAs), National Adaptation Plans (NAPs) and strategies/action plans under the United Nations Convention on Biodiversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD). The Government of Brazil has also committed to the Bonn Challenge and the 20x20 Initiative, pledging to restore 12 million hectares of degraded forests by 2030, along with 10 million hectares of agricultural land and pastures. To exemplify Brazil's record in global restoration, it became a pioneering showcase for REDD+ and the first country to receive results-based payments. However, these targeted the Amazon and the Atlantic Forest, leaving the Caatinga comparatively underfunded.
76. Among the main measures that Brazil has committed to take to achieve its NDC target, there are: (i) Zero illegal deforestation in the Amazon rainforest by 2030; (ii) Restore and reforest 12 million hectares (29.6 million acres) by 2030; and (iii) Restore 15 million hectares of degraded pastures and improve 5 million hectares of integrated crop-livestock-forest systems by 2030. The COSOP's strategic objectives, especially

SO1, will directly support Brazil in reaching its NDC's agricultural targets and priorities. IFAD-supported projects will develop adaptation strategies and support a range of mitigation measures, including recovering degraded lands, increased accumulation of organic matter (carbon) in the soil, and agroforestry.

77. Brazil's Forest Code (LEI Nº 12.651/2012<sup>86</sup>) is the main public policy instrument for managing forest resources and the environmental agenda: forest management, deforestation and changes in land use (deforestation and the use of fire). According to the Forest Code, all Brazilian rural properties are obliged to conserve a percentage of their area with native vegetation. The FC therefore stipulates how much can be legally deforested within each farm, according to the biome in which it is located. The legislation defines the following areas<sup>1</sup>) Permanent Preservation Area (APP) - a protected area, whether or not covered by native vegetation, with the environmental function of preserving water resources, the landscape, geological stability and biodiversity, facilitating the gene flow of fauna and flora, protecting the soil and ensuring the well-being of human populations; and 2) Legal Reserve (RL) - an area located within a rural property or possession, with the function of ensuring the sustainable economic use of the rural property's natural resources, assisting in the conservation and rehabilitation of ecological processes and promoting the conservation of biodiversity, as well as sheltering and protecting wild fauna and native flora.
78. To ensure compliance with the Forest Code, the Rural Environmental Registry (CAR) was also created in 2012. It is an electronic public registry, mandatory for all rural properties, whose purpose is to integrate environmental information about APP and RL areas in rural properties and possessions in the country. Part of the National Environmental Information System (Sinima) and implemented by Normative Instruction 2/2014<sup>87</sup> of the Ministry of the Environment, the CAR consists of a decentralised database shared between the states and the federal government for controlling, monitoring and combating deforestation. The registry associates the name of the landowner with specialised information on the georeferenced location of their RL and APP areas.
79. Implementation of the CAR in Brazil, particularly the validation stage, is progressing slowly<sup>88</sup>. Given the continental size of the country, the number of rural establishments and the relative lack of physical and human resources in the environmental agencies, the implementation of the CAR is well behind schedule, especially in its final validation stage. Small rural producers and *quilombolas* are particularly affected by the situation due to the costs, lack of basic documentation (e.g. birth certificates) and difficulty in accessing state services. This situation makes it difficult to implement environmental recovery programmes (PRA) and the effective land management promised by the instrument. As the CAR is now required of rural producers to be granted credit, delays in its implementation have an impact on the financing of this activity and create obstacles for credit programmes aimed at promoting sustainable activities, for example in public financing programmes such as the National Programme for Strengthening Family Farming (PRONAF), PRONAF ABC+Bioeconomics<sup>89</sup> and PRONAF ABC+Agroecology<sup>90</sup>.

### **Programmes and partnerships**

80. Brazil has several policies and programmes to promote low-carbon agriculture and the internalisation of biodiversity in rural areas. Examples of this are the ABC Programme and credit instruments such as PRONAF ABC, PRONAF ABC+Bioeconomics, PRONAF

<sup>86</sup> [https://www.planalto.gov.br/ccivil\\_03/\\_ato2011-2014/2012/lei/l12651.htm](https://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12651.htm).

<sup>87</sup> [https://www.car.gov.br/leis/IN\\_CAR.pdf](https://www.car.gov.br/leis/IN_CAR.pdf)

<sup>88</sup> <https://www.climatepolicyinitiative.org/pt-br/publication/onde-estamos-na-implementacao-do-codigo-florestal-radiografia-do-car-e-do-pra-nos-estados-brasileiros-edicao-2021/>

<sup>89</sup> <https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/pronaf-bioeconomia>

<sup>90</sup> <https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/pronaf-agroecologia>

ABC+Agroecology and PRONAF ABC+Forest, implemented by the BNDES in partnership with other banks such as Banco do Brasil (BB), Banco do Nordeste (BNB) and Banco da Amazônia (BASA). However, for these instruments to be able to reach the target audience of IFAD projects more widely and effectively, it is important to make progress in implementing the CAR and in providing Technical Assistance and Rural Extension (ATER). There are potential synergies with programmes such as PRONAF should IFAD projects help to resolve the challenges of implementing the Forest Code (notably in the environmental regularisation of properties). It is recommended that the projects work to strengthen and train the environmental agencies in the states and municipalities responsible for implementing the CAR, and therefore provide small rural producers with access to these programmes.

### **Poverty, gender and social inclusion**

#### **Institutions**

81. The federal-level institutions responsible for supporting poverty reduction, social protection, women's empowerment and social inclusion include, among others: the Ministry of Women; the Ministry of Indigenous Peoples; the Ministry of Human Rights and Citizenship; the Ministry of Racial Equality; and the Ministry of Social Development.
82. Attention to indigenous peoples will be given through collaboration with the main government institutions responsible for promoting and protecting indigenous peoples' rights: the Ministry of Indigenous Peoples and the National Foundation for Indigenous Peoples (FUNAI). Among its tasks, FUNAI is responsible for supporting the identification, demarcation and regularisation of Indigenous Lands, registering the territories traditionally occupied by indigenous peoples and taking action against illegal encroachment on indigenous peoples' lands. At the same time, FUNAI promotes policies aimed at the self-determined and sustainable development of indigenous peoples, such as the conservation and sustainable management of natural resources in Indigenous Lands.
83. The regional-level institutions to be considered for strategic partnership include the Interstate Consortium for the Legal Amazon, involving the 9 states of the Legal Amazon. It is a key platform for sharing innovations and good practices and intervention models to strengthen and expand public policies in support of the Amazon, poor rural populations and indigenous peoples.
84. IFAD has also involved municipalities as technical assistance providers, including through inter-municipal consortia. Municipalities support the formulation of territorial and investment plans, in some cases providing additional support. Partnerships with agencies such as EMBRAPA and research institutions have a sustained track record of supporting smallholder production.
85. Other partners include the Institute for Society, Population and Nature (ISPN); the State Commission for Public Policies for Indigenous Peoples (COEPI); the National Coordination for the Articulation of Rural Black Quilombola Communities (CONAQ); the Forum of Secretaries Responsible for Family Farming in the Northeast and the Interstate Consortium of the Northeast; the Babaçu Consortium, which includes COPPALJ (Cooperative of Small Agro-Extractivist Producers of Lago do Junco) and CIMQCB (Interstate Cooperative of Women Babaçu Coconut Breakers).

#### **Policies and regulatory framework**

86. **Indigenous Peoples:** The 1988 Federal Constitution requires the Brazilian state to protect popular, indigenous and Afro-Brazilian cultural expressions. In relation to indigenous peoples, it includes provisions to: (i) recognise their right to their distinct social organisation, customs, languages, beliefs and traditions, as well as their original rights over the lands they traditionally occupy; (ii) ensure their right to use their own languages and processes for education at primary school level; (iii) determine that

indigenous lands must be permanently occupied by indigenous peoples, who must enjoy exclusive use of the soils, rivers and lakes located on them; and (iv) declare that the exploitation of water resources, including energy potential, research and extraction of mineral wealth on indigenous lands can only be carried out with the authorisation of the National Congress, after hearing the affected communities.

87. There are also a significant number of laws supporting the environmental and territorial management of indigenous lands (PNGATI, Decree No. 7.747/2012), indigenous peoples' rights over traditional knowledge (Biodiversity Law, Law No. 13.123/2015), and the protection of isolated and recently contacted indigenous peoples. Brazil has also signed Convention No. 169 of the International Labour Organisation, known as the Indigenous and Tribal Peoples Convention, and incorporated it into domestic law through Decree No. 5.051/04 and Decree No. 10.088/2019; and signed the United Nations Declaration on the Rights of Indigenous Peoples and regulated its provisions. Decree 1775/96 determines the conditions and stages for the demarcation of indigenous territories<sup>91</sup>. FUNAI - The National Indian Foundation, a federal agency created in December 1967, is responsible for implementing the country's indigenous policy. FUNAI is linked to the Ministry of Justice. Other instruments include the National Policy for the Sustainable Development of Traditional Peoples and Communities (PNPIR); and the National Policy for the Promotion of Racial Equality (PNPIR).
88. **Quilombolas:** The 1988 Federal Constitution establishes that the remaining *quilombola* communities (as they are referred to in legal terms) will have definitive ownership of the lands they occupy, and that the state must issue the respective deeds for these lands. The process begins with a self-declaration by the community, to be received by the *Palmares* Cultural Foundation, which issues the Quilombola Certification. With this document, the land titling process begins, under the responsibility of the National Institute for Rural Settlement and Agrarian Reform (INCRA)<sup>92</sup>. Important programmes to mention: Brazil Quilombola Programme (PBQ), Brazil Quilombola Seal.
89. **Traditional Communities:** The National Policy for the Sustainable Development of Traditional Peoples and Communities (PNPCT Decree No. 6.040/2007) establishes that the state must recognise and protect other culturally differentiated groups. The main objective is to promote their sustainable development, with an emphasis on recognising, strengthening and guaranteeing their territorial, social, environmental, economic and cultural rights, with respect and appreciation for their identity, their forms of organisation and their institutions<sup>93</sup>. The policy is subordinate to the Ministry of the Environment. In this context, it is important to mention the movement to recognise land titles for babassu coconut breakers<sup>94</sup>, *the Interstate Movement of*

<sup>91</sup> The process begins (i) with FUNAI, (ii) the declaration of territorial limits by the Ministry of Justice, (iii) they are sanctioned by the Presidency of the Republic, and (iv) once demarcated, they are included in the Union Patrimony Secretariat - SPU;

<sup>92</sup> The Institute operates through its Regional Superintendencies or can establish agreements with the states of the federation.

<sup>93</sup> The following are considered traditional populations: extractivists, fishermen, rubber tappers, traditional nut gatherers, babassu coconut breakers, hull breakers, backyard and closed pastoralists, terreiros, gypsies, faxinalenses, riverside dwellers, caiçaras, praiheiros, sertanejos, jangadeiros, açorianos, campeiros, varjeiros, pantaneiros and geraizeiros. Although it falls under the responsibility of the Ministry of the Environment, the MDH is responsible for the "Opportunity for All" project, which seeks to promote entrepreneurship and cooperative techniques in line with traditional forms of community organisation.

<sup>94</sup> Traditional Peoples and Communities (PCTs), as established in Decree no. 6040, which institutes the National Policy for the Sustainable Development of Peoples and Communities, defines PCTs as "culturally differentiated groups that recognise themselves as such, have their own forms of social organisation, occupy and use territories and natural resources as a condition for their cultural, social, religious, ancestral and economic reproduction, using knowledge, innovations and practices generated and transmitted by tradition". PCTs include quilombolas, indigenous peoples, river dwellers, rubber tappers, gypsies, grazers, babassu coconut breakers, caiçaras, among others.

*Babassu Coconut Breakers* (MIQCB)<sup>95</sup>. The self-described "babassu coconut *breakers*" are mostly women, often from landless families, dedicated to sustainable harvesting (*agro-extractivism*) and agricultural work, fishing, hunting and raising small animals.

90. **Women's rights:** The National Council for Women's Rights (CNDM) formulates guidelines for the promotion of women's rights and implements gender-related policies. Since 2012, the Ministry of the Environment has had a Gender Committee, responsible for discussing and proposing actions to ensure gender equality in programmes and policies, specifically those related to Sustainable Development Goal 5 (SDG 5).
91. **Youth:** The National Youth Council (CONJUVE), together with the national youth conferences, is one of the most important spaces for young people to participate in proposing policies and exercising public control. CONJUVE is responsible for developing a national youth policy based on the material generated at the conferences, as well as meetings and seminars that include researchers, groups of youth activists and members of government institutions to debate youth policies<sup>96</sup>. Another key instrument is the National Rural Youth Plan (PNJSR), whose aim is to expand rural youth access to public services; provide access to land and opportunities to generate work and income through productive inclusion; expand their participation in decision-making spaces, especially in public policies on family farming and agrarian reform. The main organisation responsible is CONDRAF (National Council for Sustainable Rural Development).
92. **People with Disabilities:** Law 13146/2015 establishes the Statute of People with Disabilities, defining state obligations and rights associated with the PCD, such as (i) priority assistance in health and care services; (ii) exemption from federal and state taxes for the purchase of equipment and vehicles; (iii) reservation of jobs in public or private companies, in a percentage associated with the number of workers. The National Secretariat for the Promotion of the Rights of People with Disabilities is an integral body of the Secretariat for Human Rights of the Presidency of the Republic. It is responsible for developing and coordinating public policies aimed at people with disabilities. Another instrument for supporting people with disabilities and their inclusion is the National Policy for the Integration of People with Disabilities.
93. **Food and Nutrition Security:** The National Food and Nutrition Security System is an intersectoral system based on participatory management and articulating the three levels of government for the implementation and execution of Food and Nutrition Security Policies to promote the monitoring and evaluation of food and nutrition security in the country. The implementation of the National Food and Nutrition Security Policy (PNSAN) involves the integration of efforts between government and civil society and strategic actions and programmes, such as Access to Water (Cisterns Programme), Rural Support for family farming production activities and the Food Acquisition Programme (PAA)<sup>97</sup>.

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<sup>95</sup> MIQCB website ([link](#))

<sup>96</sup> [link to the page](#)

<sup>97</sup> Brazil's Food Acquisition Programme (PAA) was launched in 2003 within the Zero Hunger Programme as part of the structuring of an integrated food security policy in Brazil (Delgado, 2005). The programme contributes to guaranteeing the right to adequate food by encouraging the diversification of agricultural production, connecting family farm supply to a diversified public demand, and working to rescue, recover and market forgotten regional and local products, such as Neglected and Underutilised Crop Species (NUCS), some of which have never been marketed before. Source: FAO, IFAD, PAHO, UNICEF, and WFP. 2023.

### Programmes and partnerships

94. To reverse the current situation where cash transfer policies and food and nutrition security programmes have been weakened and have been unable to achieve the goal of reducing poverty, the new government is taking strong action to revitalise social programmes. In this context, the further reduction of inequality will depend significantly on reducing subsidies to the non-poor to sustain programmes that benefit the poor.
95. The preliminary report of the technical working group on social development and the fight against hunger (Transition Commission 2022) identifies the main priority actions to improve access to and the quality of public services to support the poor and most vulnerable: (i) the reconstruction of the *Unified Social Assistance System (SUAS)*; (ii) the launch of *Bolsa Família*, (iii) the re-creation of the National Committee for Food and Nutritional Security (National Council for Food and Nutritional Security) re-establishing the National System for Food and Nutritional Security (SISAN), as well as (iv) reactivating and improving cash transfer programmes and sustainable development actions that require integration between social, economic and environmental policies, to guarantee healthy food, social protection and family income<sup>98</sup>.
96. The most prominent poverty reduction programme is *Bolsa Família*, a conditional cash transfer programme created by the federal government in 2004. It provides financial assistance to families living in poverty with pregnant women, children and adolescents between the ages of 0 and 17 with extremely low per capita income. Its conditional elements, which have been gradually abandoned over the last 6 years, are planned to be reintroduced by the new Lula government.
97. At the same time, the new government wants to promote the strengthening of the national school feeding programme (PNAE) to be developed in collaboration with municipalities to guarantee quality and access to food and in coordination with the SUS to identify children suffering from malnutrition or at risk of malnutrition. In addition to cash transfers and school feeding, other key areas to support the poverty reduction agenda include improving livelihoods and economic opportunities for the rural population, especially for poor family farmers, and focussing on the Amazon area.
98. Another federal programme is the National Programme for Strengthening Family Farming (PRONAF), which was launched in 1996. The programme now includes a special credit line for women and young people. It is operated through public banks<sup>99</sup>. Then there is government support: *Brasil Sem Miséria (Brazil Without Poverty)*, the Fomento Programme to support small farmers with technical assistance and rural extension services, combined with the transfer of money to small farmers' projects; CadUnico to register families claiming land; the Land Credit Programme (PCF), a credit programme that allows rural farmers to acquire their land to combat rural poverty and strengthen family farming; the Food Acquisition Programme (PAA) creates an

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<sup>98</sup> [Link to the](#) final report

<sup>99</sup> In addition to *Bolsa Família* and PRONAF, other important programmes that target family farmers include: The National Agrarian Reform Programme (PNRA), under the responsibility of the National Institute for Colonisation (INCRA), establishes and registers families claiming land in the Single Registry; the Land Credit Programme (PCF), a credit programme that allows rural farmers to purchase their land in order to combat rural poverty and strengthen family farming; the Family Farming Price Guarantee Programme (PGPAF), which establishes minimum prices for the main family farming products; the Food Acquisition Programme (PAA), which creates an institutional market for products produced by family farmers and their organisations through a bidding system. The National School Feeding Programme (PNAE) requires that at least 30% of the resources spent on school meals be purchased by family farmers and cooperatives and works with simplified procurement processes.

institutional market for products produced by family farmers and their organisations through a bidding system.

99. At the federal level, IFAD's strategy for reducing poverty and supporting the development of the livelihoods of small farmers and vulnerable groups is aligned with the following public policies and programmes: the National Policy for Technical Assistance and Rural Extension in Family Farming (PNATER), the National Programme for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform (PRONATER), the PAA, the PNAE, the National Policy and Programme for Environmental Education (ProNEA), the National Policy for the Sustainable Development of Traditional Peoples and Communities. To stimulate the production and consumption of native local products, the federal government launched the National Plan for the Promotion of Socio-Biodiversity Supply Chains<sup>100</sup> and the Minimum Price Guarantee Policy for Socio-Biodiversity Products<sup>101</sup>.
100. In this context, among the International Financial Institutions (IFIs), a major contribution to poverty reduction has been made by IFAD. The fund helped around 257,000 rural families overcome poverty in Brazil between 2016 and 2022, with an invested budget of US\$453 million that allowed the fund to establish six different projects dealing with rural development<sup>102</sup>. Most of the country's agriculture comes from family farms, which produce most of the food consumed in the country. IFAD has also supported the Amazon Sustainable Management Project (PAGES), a programme aimed at reducing rural poverty and deforestation in the Amazon region. The success shows the link to investing in agriculture as a way of reducing poverty and inequality.
101. As for the programmes financed by other IFIs such as the Inter-American Development Bank and the World Bank IFAD, synergies can be found with (i) the Northeast Agricultural Development Support Programme - *Agronordeste*, implemented by the Ministry of Agriculture (MAPA) with the support of the National Institute for Colonisation and Agrarian Reform (INCRA). The aim is to contribute to the agricultural development of the Northeast region through interventions to develop agricultural value chains, land and environmental regularisation and consolidation of agrarian reform settlements (IADB, 2022); (ii) the Integrated Landscape Management Project in the Cerrado Biome (funded by the WB), whose aim is to strengthen the adoption of environmental conservation and restoration practices and low-carbon agricultural practices in selected watersheds of Brazil's Cerrado Biome. The programme has been implemented by the Ministry of Agriculture, the National Rural Apprenticeship Service, Brazil (GIZ), the Ministry of the Environment and the Brazilian Forestry Service.

### **Part 3 - Strategic recommendations**

#### Lessons learnt

102. According to the COSOP evaluation report, "land and environmental regularisation continue to be challenges that threaten the full development of small, low-income family farmers, especially those from traditional communities, and must be considered in future projects. IFAD will need to find solutions to integrate effective but realistic activities into its projects, including dialogue with state and federal governments." In this sense, understanding the opportunities and challenges regarding the implementation of the Forest Code during the preparation and execution of projects plays a fundamental role, particularly in the Caatinga and Amazon biomes, for an agenda in which such projects can promote the achievement of IFAD's and the Brazilian government's strategic objectives in the environmental area.

<sup>100</sup> National Plan for the Promotion of Socio-Biodiversity Product Chains ([link](#))

<sup>101</sup> Minimum Price Guarantee Policy for Socio-Biodiversity Products ([link](#))

<sup>102</sup> [link](#)

103. The report also mentions that activities that increase diversity in production were observed to be better suited to the conditions of the most vulnerable families, allowing them greater resilience and autonomy. Agroecological approaches generated higher and more stable yields. Examples include native and adapted fodder (local agrobiodiversity), social technologies and beekeeping/meliponiculture (native biodiversity), as well as productive backyards and poultry farming, which are more related to food security.
104. Finally, the report also noted that in traditional communities, IFAD projects have been fundamental in providing technical assistance and broadening access to other public policies, with an approach that has considered the particularities of these collectives and supported recognition processes. The still scarce access of these vulnerable communities to rural development and social protection policies and their engagement in socio-economic inclusion projects remain a challenge.
105. In the social, gender and nutrition field, the COSOP evaluation report (2022) highlights several lessons to be considered for inclusion in the new COSOP. Firstly, the relevance of participatory consultation processes, training and strengthening local committees when engaging with vulnerable communities. Other key lessons include: (i) providing access to information and technical assistance through training activities and project meetings; (ii) increasing diversity in production more suited to the conditions of the most vulnerable families for greater resilience and autonomy; (iii) strengthening the nutritional agenda as an essential element for reinforcing food security and self-consumption strategies; (iv) increase the use of technology as an opportunity to involve young people; (v) promote the direct inclusion of women in productive projects, the use of educational tools (such as agroecological logbooks), as well as the strengthening of ownership of productive assets, greater participation of women in local committees.
106. The Rural Business Project for Small Producers (PDT) and the Cariri, Seridó and Curimataú Sustainable Development Project (PROCASE) (, for example, contributed to the creation of new state councils to ensure that gender transformative activities were incorporated into local rural development. IFAD's expertise and long-standing role in supporting the empowerment of Brazilian women, especially through the application of gender transformative approaches, is also well documented in the book "Innovative Practices in Rural Gender Transformation. Lessons from Brazil and Uruguay" (IFAD, 2021)<sup>103</sup> .

#### Strategic orientation

107. IFAD puts small producers and the marginalised rural population, who are most vulnerable to the impacts of crises and external shocks, at the centre of this transformation, emphasising women, young people, indigenous peoples and traditional communities. Such investments will have a multiplier effect among the Sustainable Development Goals (SDGs). IFAD's strategy is aligned with Sustainable Development Goals (SDGs) 1 (End poverty in all its forms everywhere) and 2 (End hunger, achieve food security and improved nutrition, and promote sustainable agriculture). It also relates to SDG 5 (Achieve gender equality and empower all women and girls), SDG 8 (Decent work and economic growth) and SDG 13 (Climate action).
108. COSOP will be aligned with the key areas outlined in the documents prepared by the technical working groups (Transition Commission, December 2022) organised in the areas of Social Development, Human Rights, Women and Youth, Indigenous Peoples, Agriculture and Livestock, Agrarian Development, Regional Development, Environment and others<sup>104</sup> .
109. It will also align with existing national policies and plans for social inclusion, zero hunger, poverty reduction and family farming (e.g. *Bolsa Família*, Brazil Without

<sup>103</sup> [link to publication](#)

<sup>104</sup> [Link](#) outline



Misery Plan (BSM) to reduce poverty and hunger; The *National Plan for Food and Nutritional Security (PLANSAN)*; The *National Policy for the Sustainable Development of Traditional Peoples and Communities (PNPCT)* to promote the sustainable development of traditional peoples and their communities, including indigenous peoples; Brazil's National Action Plan on Women, Peace and Security to support gender equality and women's empowerment<sup>105</sup>.

110. In the context of the priorities identified by the transition team, IFAD's comparative advantage lies in successful models for targeting poor rural communities and differentiated approaches for priority groups such as indigenous and traditional peoples, women and young people, as well as in providing a wide range of proven and innovative solutions to improve their productive capacities and climate resilience, thanks to its experience of working in highly vulnerable ecosystems that have been subject to degradation of their environmental and productive functions. In addition, its comparative advantage in Brazil lies in its experience of working with the federal and state governments, promoting inter-institutional coordination mechanisms at various levels of implementation.
111. Considering the focus on family farming, IFAD resources should be used strategically and catalytically in areas where Brazilian resources are difficult to implement in order to promote the internalisation of environmental and climate issues in family farming. In this sense, IFAD projects can provide a platform for experimentation and learning on different themes with the potential to help improve public policies and their respective instruments, particularly in *mainstreaming* global themes such as biodiversity protection and climate change.
112. IFAD can therefore act as a policy catalyst through its funding and its dialogue with governments by giving visibility to "frontier issues" that are not yet sufficiently involved, such as the bioeconomy, environmental services, renewable energy, access to water, adaptation to climate change and rural digitalisation (as a tool for accessing technical assistance and rural extension services and knowledge of climate and environmentally friendly agricultural practices). Including and strengthening these issues in the public debate can guarantee the participation of family farming in technological advances. Including issues such as environmental restoration in projects is a possible way to increase the efficiency and effectiveness of *mainstreaming*.
113. IFAD should continue to support the testing and dissemination of innovations and good practices in its projects, to generate new solutions for promotion among federal, state and municipal governments. In addition, IFAD can help promote agro-ecological practices with the cultural diversification of production systems, the use of local agrobiodiversity and forms of participatory research based on learning from other agencies' projects, such as the Caatinga Sustainable Rural Project supported by the IDB/DEFRA (UK Department of Energy, Agriculture and the Environment) or the GEF, Agriculture and Environment) or the GEF Atlantic Forest supported by the IDB/GEF (partly aimed at promoting the restoration, conservation and preservation of biodiversity through agroecology and using payments for environmental services as a funding mechanism for rural producers).
114. These innovations should focus on areas of strategic importance, including: (i) adaptation to climate change (new technologies for water storage, efficient irrigation and use of grey water, zero-carbon goat production, regenerative/agroecological agriculture, agroforestry systems), (ii) digitalisation (including the provision of ATER Pilots with face-to-face visits and online support via mobile phones to expand coverage, digital infrastructure and in the use of tools (such as e-commerce) and (iii) sustainable agricultural practices and use of natural resources in fragile environments, (iv) community forest management; (v) support for environmental and land regularisation for small producers and (vi) support for the development of solutions

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<sup>105</sup> Other policies National Policy on Technical Assistance and Rural Extension for Family Farming and Agrarian Reform (PNATER),

for rural basic sanitation and solid waste management. Some of these pilots can also support the government in establishing new structures or services, both for digital ATER and for the environmental and land regularisation of rural properties.

115. Solutions for adapting to climate change can also involve the use of alternative energies. There is room to promote renewable energy produced in rural areas. For example, renewable biomass energy from waste materials (such as coconut shells, cashew nut shells and wood from forest plantations and sustainably managed forestry and agroforestry systems) can be a source of diversification for smallholders and is vital to help states move towards more renewable energy sources and halt deforestation in the Caatinga and Amazon.

### **Strategic actions and targeting**

#### **Geographical objective and priority areas**

116. Based on SECAP's analysis and in line with the recommendations of the COSOP review, this analysis confirms the choice of the semi-arid area of the Northeast as the focus area for IFAD's operations in the country, based on the greater number of rural people living in poverty and the high levels of inequality and malnutrition. In the semi-arid northeast, where IFAD concentrates its operations, most of the poor rural population does not have sufficient access to water - for human consumption and for production - and has low productivity in their agricultural and livestock activities. In addition, they have been increasingly affected by environmental and climate change problems, including intensified and more frequent droughts and floods, and an increase in areas at risk of desertification. Poor family farmers often find it difficult to access federal programmes due to a lack of information, complicated procedures, insufficient technical assistance and the limited capacity of the state and municipal governments responsible for their implementation. In addition, community and rural organisations are generally weak, which makes it difficult for rural families to access markets. In the northeastern semi-arid region, there is a clear correlation between poverty rates, environmental restrictions and food and nutritional insecurity. Severe and recurrent droughts and water shortages threaten the food and nutritional security of family farmers who already live in poverty and extreme poverty<sup>106</sup>.
117. This SECAP analysis also provides strong reasons to expand to the Northern region, based on its percentage of poor population and the emergence of malnutrition, along with the link between poverty and the environmental, biodiversity and climate crises observed in this region. The Northern region has a number of socio-economic deficiencies, and in many ways, you can see the disparity when compared to the other regions of the country. The unemployment rate in the North was approximately 11.93 per cent in 2020. The FGT Poverty Index for the Northern region in 2020 (percentage of the population below the poverty line of US\$1.90) was 3.17 per cent and, in terms of income concentration, the region's Gini Index was 46.40 per cent. Multidimensional poverty in the North reached 47 per cent. Of the families in the rural areas of the North, 67% could be characterised as being in a situation of multidimensional poverty, much more than the 38% in the urban areas.
118. Therefore, based on the preliminary results (highest percentage of environmental degradation, loss of biodiversity and highest concentration of people living in poverty and extreme poverty of vulnerable communities, including IPs and food insecure households), the North and Northeast regions should be considered priority areas for IFAD and there the biomes where the target groups and the poorest and most vulnerable live (e.g. Amazon Rainforest, Atlantic Forest, Cerrado and Caatinga). This is particularly relevant for partnerships with organisations supporting climate change adaptation and mitigation activities and access to climate funds (e.g. Global Environment Facility, Green Climate Fund, Adaptation Fund). Expansion to the North

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<sup>106</sup> The semi-arid regions of the states of Minas Gerais and Espírito Santo face similar socio-economic, environmental and climatic challenges.

would also align with national policies aimed at reducing regional disparities and prioritising geographical interventions in the North and Northeast.

119. The *Cerrado* is a fundamental biome for the provision of global public goods, being considered the most biodiverse savannah biome in the world and the source of the three largest river basins in South America: The Amazon/Tocantins, the São Francisco and the Plata. In addition, the *Cerrado* plays an important social role, as many traditional populations (indigenous people, *geraizeiros*, river dwellers, *babaçueiras*, *quilombolas*, among others) survive off its natural resources and are fundamental to its preservation. In the last 38 years, the biome's territory has been reduced by 25%, equivalent to 32.1 million hectares, with native vegetation being replaced mainly by pastures, soybeans, and corn. Currently, 50% of the biome is occupied by anthropogenic use. The degradation situation is most alarming in the states of Maranhão, Tocantins, Piauí and Bahia (the region known as MATOPIBA), as the areas of pasture and agriculture have grown by 252% and 2199% respectively. The region is marked by land conflicts that lead to the often-violent expulsion of indigenous peoples and traditional communities. In 2016 alone, 61 people were murdered because of land conflicts in MATOPIBA. In the regions of the states of Maranhão, Piauí and Bahia that make up MATOPIBA, there are 342,893 family farming establishments, 81.8 per cent of the total, of which only 3.5 per cent receive technical assistance. Among the families registered in the Unified Registry, 68 per cent live in poverty.
120. It is suggested that the methodology for geographically targeting projects include a territorial classification exercise, in addition to the usual socio-economic criteria (e.g. percentage of poverty, prevalence of malnutrition, presence of marginalised communities and IPs below the poverty line, insecurity), environmental criteria such as the degree of native vegetation cover/land use, endemism indices and hydrography. An assessment of the degree of CAR implementation in these regions can also be useful for better evaluating the risks and sustainability of investments.

#### **Target group, gender strategy and social inclusion**

121. CadÚnico has proven to be an effective targeting tool for projects to ensure that the poorest are targeted, and it is suggested that it be continued. Accompanied using GIS data to identify areas subject to high climate vulnerability and environmental degradation, projects can ensure that they reach the most disadvantaged populations.
122. **Priority group:** COSOP's priority group is families living in poverty in rural communities (family farmers and landless families) and in agrarian reform settlements. Priority will be given to women, young people, indigenous peoples, *quilombolas* and other traditional communities, persons with disabilities, and the LGBTQIAPN+ community. COSOP will have a special focus on indigenous populations, supporting communities through demand-driven development, participatory approaches and in line with Free, Prior and Informed Consent (FPIC).
123. Services should be provided according to the socio-economic characteristics of the target groups (i) men and women subsistence farmers with growth potential, in particular those interested in switching to more commercial agriculture; (ii) extremely poor and poor men and women (with a focus on FHHs and those from marginalised groups) living below the poverty line, who are either landless or producing at a minimum subsistence level; (iii) underemployed rural youth looking for job opportunities.
124. **Gender strategy:** COSOP's gender strategy should be aligned with national priorities. In line with the areas identified by the national transition team (Gender), it is recommended that IFAD's COSOP-G project take into account the following to support the government in supporting the social and economic empowerment of rural women: (i) increase income generation and strengthen women's productive organisations; (ii) support women's access to credit and support technical assistance (specific in agroecology, conservation, recovery and sustainable use of natural

- resources); (iii) promote diversified and healthy agroecological food production, (iv) support access to land title and specifically in joint titling; (v) increase women's representation in community committees; (iv) support activities to raise awareness about violence against women.
125. The above should also be in line with the objectives of IFAD's Gender Policy Strategy: (i) to promote economic empowerment; (ii) to strengthen women's voice, participation, and influence in decision-making bodies, particularly in rural institutions and organisations, (iii) to achieve a more equitable balance in the workload and in the sharing of economic and social benefits. It is recommended that women make up at least 50 per cent of the beneficiaries.
126. **Youth strategy:** Considering the results of the SECAP study, it is recommended that IFAD's COSOP project integrate interventions aimed at supporting rural youth: (i) increasing economic empowerment and (ii) strengthening voice, participation and influence in decision-making in rural institutions and organisations<sup>107</sup>. Young people must represent at least 20 per cent of project beneficiaries (50 per cent of whom must be young women).
127. In this regard, it is also recommended that IFAD's COSOP project consider some of the strategic areas and actions identified by the transition team (Youth). It was planned to develop the new plan to strengthen rural youth with a focus on: (i) increasing youth access to technical assistance; (ii) increasing youth access to credit lines and PRONAF; (iii) promoting the exchange of youth learning experiences (agroecology); (iv) strengthening the role of youth in the National Agrarian Reform Programme (v) creating a marketing network for young farmers' products (vi) creating opportunities for agroecological tourism. The initiative should be carried out in consultation with CONDRAF (National Council for Sustainable Rural Development).
128. **People with Disabilities (PWD):** Whenever possible, each project will make efforts to include PWD (with a focus on women with disabilities) in its activities through: (i) assessment of activities where PWDs can be included, based on consultations with PWDs; (ii) special awareness-raising sessions at community level to ensure the inclusion of PWDs in selected activities (ii) awareness-raising and advocacy on the rights of PWDs, such as the right to decent work (iii) special trainings to support self-employed PWDs in Income Generating Activities (IGAs) that they can carry out. The initiatives should be carried out in coordination with the Ministry of Human Rights and Citizenship and related institutions.
129. **Nutrition Strategy:** COSOP must be nutrition-sensitive, i.e. systematically consider how it can improve the nutritional outcomes of participating populations. Based on a comprehensive evidence-based assessment of the country's nutritional situation, tailor-made strategies will be drawn up. One key path to transformation will be to encourage the increase and diversification of food production with a focus on nutrition-rich products such as NUS (neglected and underutilised species). Another recommended impact pathway is to promote nutritional education to improve knowledge, attitudes and practices at the household level. In indigenous and quilombola communities, attention will be paid to promoting dietary diversity and valuing traditional knowledge about nutrition, food systems, biocultural heritage, food culture and preparation methods. To ensure that the diversification of agricultural production translates into better diets, dedicated activities will support project participants in addressing gaps in nutritional knowledge. The identification and selection of value chains will be analysed according to the nutritional lens.
130. **Principle of engagement:** COSOP social inclusion strategies will adopt a multi-sectoral approach, ensure coherence and seek to increase effectiveness by integrating

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<sup>107</sup> To this end, the strategy could consider IFAD's flagship Youth Agribusiness Hubs Programme (Rwanda, Nigeria, Mozambique, Kenya, Cameroon) and its potential for expansion.

all of IFAD's cross-cutting themes - nutrition, gender, youth, environment and climate change.

### **Grievance Redress Mechanisms**

131. By IFAD's environmental and social policies, a public and accessible grievance redress mechanism (GRM) must be made available to the Projects' target groups for individuals or community representatives affected by Projects' implementation. Existing GRMs will be accessed for new projects to analyze whether they can be used or strengthened.
132. At the Federal level, the main system where citizens can request information, file complaints, and give suggestions is Fala BR, an Integrated Platform for Ombudsman and Access to Information (<https://falabr.cgu.gov.br/web/home>). The Ministry of Agrarian Development and Family Farming (MDA) has two effective mechanisms – one Ombudsman channel ([https://www.gov.br/mda/pt-br/canais\\_atendimento/canais-de-atendimento](https://www.gov.br/mda/pt-br/canais_atendimento/canais-de-atendimento)) and the Citizen Information Service – SIC ([https://www.gov.br/mda/pt-br/acao-a-informacao/copy\\_of\\_servico-de-informacao-ao-cidadao-sic-1](https://www.gov.br/mda/pt-br/acao-a-informacao/copy_of_servico-de-informacao-ao-cidadao-sic-1)).
133. At the state level, there are frequently effective GRM mechanisms available, which are always accessed for their effectiveness and often used and strengthened by IFAD's projects. It is recommended that existing local GRMs are also accessed and built upon for new projects.

### **Monitoring**

134. To ensure that the expected results are achieved in the social, environmental and climate change areas, it is important that the project portfolio develops and implements a social and environmental management plan, in accordance with IFAD guidelines and procedures. To monitor progress and results achieved in the COSOP cycle for indigenous peoples and marginalised groups, gender, youth inclusion and nutrition mainstreaming, key indicators should be included in the COSOP results framework. Indicators should be disaggregated by gender and age as far as possible and measure the impact of poverty reduction, including multidimensional poverty.
135. A community feedback mechanism (CBM) should be developed and used for each intervention and should consider the modalities that the community can use to share their comments and complaints. This can consider access to technology and literacy levels. The monitoring system should also be participatory and include the communities involved. It is recommended that key performance indicators be designed around the main pillars of government and IFAD strategies, such as: climate resilience and adaptation, mitigation, reducing deforestation, reducing the use of fire and environmental restoration.
136. The proposed environmental indicators should take into account an increase in the percentage of: (i) rural properties that are environmentally regularised in accordance with the Forest Code; (ii) an increase in areas for environmental recovery; (iii) areas under sustainable land management practices; (iv) areas under sustainable forest management; (v) an increase in the area of degraded pastures that have been restored (including through agro-ecological agro-sylvo-pastoral practices); (iv) households that use more efficient cookers.

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**ANNEX****Municipal Human Development Index (MHDI) By State**

| <b>STATE</b>        | <b>MHDI 2021</b> |
|---------------------|------------------|
| BRAZIL              | 0,766            |
| MARANHÃO            | 0,676            |
| ALAGOAS             | 0,684            |
| AMAPÁ               | 0,688            |
| PARÁ                | 0,690            |
| PIAUI               | 0,690            |
| BAHIA               | 0,691            |
| PARAÍBA             | 0,698            |
| RORAIMA             | 0,699            |
| AMAZONAS            | 0,700            |
| RONDÔNIA            | 0,700            |
| SERGIPE             | 0,702            |
| ACRE                | 0,710            |
| PERNAMBUCO          | 0,719            |
| RIO GRANDE DO NORTE | 0,728            |
| TOCANTINS           | 0,731            |
| CEARÁ               | 0,734            |
| MATO GROSSO         | 0,736            |
| GOIÁS               | 0,737            |
| MATO GROSSO DO SUL  | 0,742            |
| RIO DE JANEIRO      | 0,762            |
| PARANÁ              | 0,769            |
| ESPÍRITO SANTO      | 0,771            |
| RIO GRANDE DO SUL   | 0,771            |
| MINAS GERAIS        | 0,774            |
| SANTA CATARINA      | 0,792            |
| SÃO PAULO           | 0,806            |
| FEDERAL DISTRICT    | 0,814            |

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SOURCES: IBGE DATA AND ADMINISTRATIVE RECORDS, AS SPECIFIED IN THE METADATA AVAILABLE AT: [HTTP://ATLASBRASIL.ORG.BR/ACERVO/BIBLIOTECA](http://atlasbrasil.org.br/acervo/biblioteca).

## Appendix V: Theory of Change

1. IFAD's challenge in Brazil is to facilitate the government's efforts to transform the fragile family farming production systems in the Northeast into models that ensure food, nutritional and financial security, while being socially compatible, environmentally sustainable and resilient to climate change, and ensuring fair access to markets.

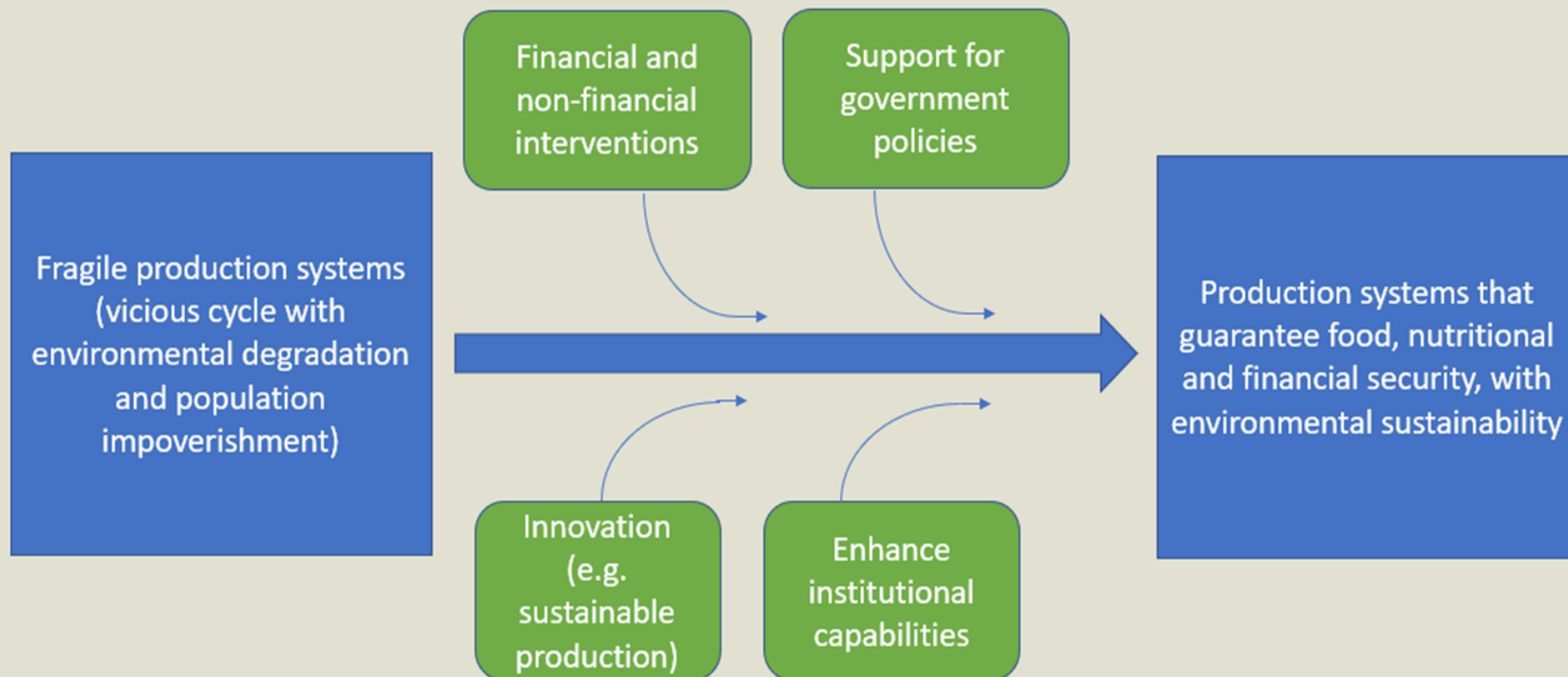
2. The Theory of Change for the COSOP centers on integrating sustainable natural resource management in intensified production systems, thus achieving soil fertility and physical protection improvements that will sustain increased productivity in the long-term that can withstand temporary shocks. Interventions will prioritize innovations in agroecological production practices adapted to climate change, aimed at guaranteeing nutritional, food, and financial security for small farmers. This will involve increasing the capacities of families and their organizations, especially disadvantaged groups, through sustainable agricultural practices.

3. The theory aims to break the "vicious cycle" resulting from environmental degradation and population impoverishment. Degradation of natural resources leads to reduced access to water, loss of productive capacity and vulnerability to climatic and other shocks, exacerbating food insecurity and agricultural income decline. This perpetuates environmental degradation and poverty. Lack of access to technical support, agroecological technologies, water, knowledge, and policies further exacerbates challenges, impacting agricultural productivity and market access.

4. To break this cycle, IFAD will improve sustainable agricultural production, food security, nutrition and market access with a focus on environmental and climate sustainability (Strategic Objective 1, SO1) and support the refinement and implementation of effective pro-poor policies, an area of excellence of Brazilian public institutions (SO2). IFAD will support improved federal and state government policies and interventions to create adaptive and resilient capacities in diversified production systems. This will include technological and organisational innovations to enhance food and nutritional security. IFAD will promote coordination between government levels to pool resources and competencies for social and productive development and ensure sustainable management of natural resources. Moreover, supporting effective and well-capacitated institutions (SO3) is a foundation for the productive, inclusive and sustainable improvements to be integrated in government and rural society, so that the gains can be sustained.

5. The sustainability strategy will be integrated with state and federal public policies, ensuring continuity and expansion of acquired capacities and knowledge. Knowledge products and activities will support South-South and Triangular Cooperation, contributing to policy dialogues and replicating lessons learned for broader impact in Brazil and other countries.

# Theory of Change of the COSOP



# COSOP preparation process

## I. Introduction

1. The previous RB-COSOP for Brazil, originally covering the period 2016-2021, underwent two extensions, being the second one, for 18 months until June 2024 to facilitate close collaboration with the new government elected in October 2022 for the new strategy preparation. The newly elected Brazilian Government expressed its determination to de-emphasise the dialogue on the sustainable development pathway, which needed to be included in the design process in accordance with the policy referring to COSOP for countries above the Graduation Discussion Income (GDI) threshold, since Brazil has exceeded it for three consecutive years, as reported by the IMF in July 2021.

2. The preparation process for the new COSOP started with preparatory studies that started in December 2022 and finalised between April-May 2023 by a key partner of IFAD in the country, the Federal University of Viçosa (UFV). These analyses, along with the updated COSOP Completion Review (CCR) of the previous strategy, as well as other studies and reports were the foundation for the consultations and negotiations for the COSOP with the new federal and state governments.

3. The formal initiation of discussions with the Brazilian government with the Ministries of Finance and Planning, regarding the COSOP preparation started in April 2023. A COSOP design mission carried out in two phases followed this work, the first one from 25 September to 4 October, and the second one from 16 to 20 October 2023.

4. Since the Brazil COSOP is the first one being designed applying the county strategic opportunities programme guidelines for countries above the GDI threshold, its preparation process included various in-house specific meetings with specialised IFAD divisions. This was carried out to include in the analysis potential IFAD new instruments that could better support Brazil in addressing remaining rural development challenges, through private sector engagement and other financing instruments in addition to traditional loan and grant operations. Furthermore, meetings with the COSOP development team (CDT) were intensified during the design process.

5. The submission of the COSOP document to the Government of Brazil for comments and confirmation was done in a timely manner, according to the schedule agreed for the COSOP preparation process. Below the detailed description of the main activities carried out during the preparation.

## II. Preparatory studies

6. The entry on duty of the new Lula da Silva administration was strongly focussing on the fight against hunger and poverty, with poverty reduction as its top priority, along with addressing climate change and biodiversity. Within this framework, specific studies were prepared at the beginning of 2023 to provide key inputs to the COSOP, related with issues within the main operational area of IFAD portfolio in Brazil. This work was undertaken by AKSAAM, an UFV project financed by IFAD grant resources.

7. The studies focused on the following topics: i) Diagnosis of Income and Multidimensional Poverty in the North and Northeast Regions of Brazil; ii) Dimensions of Development and Capacity Building in Agenda setting for Family Farming; ii) Impacts of Climate Change on Family Farming in the North and Northeast of Brazil and iv) Public policies and family farming: Evolution and current situation for Brazil and the Northeast region. All studies were prepared in three languages: Portuguese, English and Spanish and are available following the [AKSAAM link](#).

8. In addition, the SECAP background study and the Financial Management Issues Summary were entrusted to highly specialised consultants for its development. Both appendices started its preparation in early 2023 and were finalised prior the COSOP preparation process was commenced.

### III. Mission Implementation

7. The COSOP design work was performed in two phases during the mission. The first phase was conducted from 25 September to 4 October 2023. During this period, a focal point was the series of face-to-face meetings in Brasilia. These in-person interactions were crucial for engaging in essential consultations, particularly with key figures from the Ministries of Agrarian Development (MDA), Social Development (MDS), as well as the Planning, Finance and External Affairs Ministries. To ensure a comprehensive dialogue, efforts were also directed towards consultations with various stakeholders, including representatives from donor entities and small producers' organizations. These consultations culminated with an indigenous consultation in Petrolina, Pernambuco in addition to a public hearing that was carried out virtually. The mission's first phase produced key strategic elements and recommendations for review and subsequent confirmation during the second phase.

8. **Consultation with civil society.** The Brazilian government counterparts and IFAD meticulously planned this activity, with agreed-upon format and agenda. A joint invitation, coordinated by the Ministry of Finance and IFAD, was extended to civil society institutions already involved or potentially participating in IFAD future activities and operations. To ensure widespread participation, the consultation took place virtually on September 28, 2023.

9. **Event opening and context setting.** The event commenced with remarks of the Federal Government, Civil Society and the Consortium of the Northeast and IFAD. The audience was provided with an overview of IFAD's work in the country, highlighting the key aspects of the Brazil Country and the main features of the COSOP structure. Emphasis was placed on the imperative of the new COSOP to incorporate Brazil's development trajectory, along with IFAD's contributions extending beyond lending to encompass innovations, monitoring and evaluation (M&E), institutional and policy dialogue, South-South and Triangular Cooperation (SSTC) and knowledge management (KM) closely linked to the portfolio of projects. The consultation focused in the following three overarching themes: i) Territorial/regional expansion of IFAD operations; ii) Environment, climate change and resilience; and iii) Knowledge Management, M&E and SSTC. Detailed discussion on each topic is outlined below.

10. **Territorial/regional expansion of IFAD operations.** Discussions revolved around IFAD's objective to strengthen and expand successful investments in the semi-arid Northeast, which remains a priority area for its operations in Brazil due to the substantial population living in poverty, high levels of inequality and malnutrition. However, participants actively advocated for expanding operations to the North region, citing the COSOP's baseline study, which justifies the expansion based on the percentage of impoverished individuals and the prevalence of malnutrition. The link between poverty and the observed environmental, biodiversity, and climate crises in this region was highlighted. Suggestions were made to extend geographical targeting to include other biomes in the Northeast region, based on the experience in the Amazon in Maranhão and the Atlantic Forest in Bahia. This territorial expansion would also enable collaboration with the semi-arid region of Minas Gerais and Espírito Santo, as well as with the *Cerrado* of the Northeast in areas of Maranhão, Piauí, and Bahia, all part of the agricultural expansion region known as MATOPIBA.

11. The discussion emphasised the crucial role of the *Cerrado* biome in providing environmental services, considering it the most biodiverse savannah biome globally and the source of the three largest river basins in South America: The Amazon/Tocantins, São Francisco, and Prata. Additionally, the *Cerrado* plays a significant social role, as many traditional populations (including indigenous people, *geraizeiros*, river dwellers, *babaqueiras*, *quilombolas*, among others) rely on its natural resources for their survival and are integral to its preservation.

12. **Environment, climate change and resilience.** The main messages received during the discussion in this area can be summarized as follows:

- a. The discourse surrounding climate change must shift its focus from solely carbon to encompass a broader consideration of sustainable living, with emphasis on three critical elements: soil, water, and dry forests. Addressing the water aspect requires concentrated attention on i) source preservation, ii) efficient transport, and iii) effective treatment methods, acknowledging the reliance on rainwater and the necessity of cisterns.

- b. It is imperative to instate public policies, reinforcing institutions like DAKI, the National Family Farming Commission, the National ATER Policy, the Semi-Arid Farmers Network, and recognizing successful precedents, such as the PDHC's Territorial Management Committees.
- c. ATER programs should prioritise climate resilience, agroecology, desertification prevention, and biodiversity preservation, with a specific focus on the empowerment and education of youth and women, fostering rural employment and aiding in the fight against hunger. Remote ATER initiatives should complement rather than replace in-person interactions, enabling meaningful dialogues within and among families.
- d. Effective communication strategies are indispensable for raising awareness about desertification, climate resilience, and agroecology, particularly targeting the younger demographic through online platforms and social networks. Communication efforts should transcend mere dissemination and encompass data management, active listening, acknowledgment, and knowledge sharing within communities.
- e. Vigilant project monitoring necessitates the development of comprehensive indicators across soil health, water management, vegetation cover, and should extend to encompass the circular economy, incorporating metrics such as prevented degradation and recycled resources.
- f. The absence of zoning regulations for organic agriculture poses a significant challenge to organic farmers, especially when large-scale conventional farming entities encroach upon their vicinity and introduce harmful chemicals, jeopardizing their certification.
- g. Prioritise the implementation of established social technologies, including the reuse of greywater, cisterns, energy-efficient cookstoves, small-scale biodigesters, sustainable agroforestry systems (SAFs), zero-based dams, and stone cordons (to combat erosion and desertification). The primary objective is to meet Brazil's ambitious targets, ensuring 99% of households have access to clean drinking water and 90% benefit from comprehensive sewage collection and treatment facilities by 2033.
- h. Strive to preserve existing forests while concurrently intensifying efforts in Ecological Restoration and Reforestation endeavours, aligning with Brazil's commitments under the Paris Agreement.
- i. Embrace the core tenets outlined in the Convention on Biological Diversity (CBD), emphasizing preservation, sustainable use, and equitable benefit sharing in the promotion of socio-biodiversity products.
- j. Encourage the utilization of available resources, including tools like LUME, Pfeifer chromatography, and other open-source platforms, while acknowledging and preserving traditional technologies such as weathervanes.

13. **Knowledge Management, M&E and SSTC.** The main points of debate in this topic are summarised as following:

- a. Endeavour to provide robust support for ongoing projects, ensuring their continuity and fostering their sustainable development. Directing resources towards these initiatives will reinforce their impact and facilitate the realization of long-term goals.
- b. Bolster efforts to broaden the registration and dissemination of exemplary practices cultivated within supported projects. Enhancing the visibility of these successful models will not only encourage emulation but also contribute to a more extensive repository of best practices accessible to a broader audience.
- c. Forge a cohesive link between communication strategies and knowledge management, harnessing this integration as a pivotal strategy in fostering the formulation of comprehensive plans for future projects and programs. Encouraging an iterative feedback loop between communication and knowledge management will fortify the efficacy and impact of initiatives.
- d. Implement robust data management practices that establish meaningful connections and correlations between various ongoing and forthcoming projects. By leveraging interconnected datasets, it becomes possible to uncover synergies and identify areas for cross-collaboration, leading to more holistic and impactful outcomes.
- e. Enhance the dissemination of knowledge to communities, ensuring the utilization of more accessible and contemporary languages and formats. Leveraging modern communication channels and user-friendly formats will facilitate more effective and engaging knowledge sharing, fostering greater community participation and understanding.
- f. Foster the creation of collaborative spaces that facilitate the cultivation of synergies among different projects. By establishing platforms for knowledge exchange and collaborative action,

the aim is to amplify project results and ensure long-term sustainability through the establishment of robust network linkages and partnerships.

- g. Recognise the paramount importance of preserving and revitalizing traditional techniques by undertaking initiatives for the historical recovery of indigenous and ancestral practices. Documenting these traditional techniques will not only safeguard cultural heritage but also promote their integration into contemporary sustainable practices, thus fostering a rich and holistic approach to development.
- h. Sustain and expand both national and international exchanges, with a strategic emphasis on the effective management of traditional knowledge and the innovations generated by communities. Facilitating knowledge transfer across borders and cultures serves to enrich global best practices and promotes a more comprehensive understanding of sustainable development strategies.
- i. Undertake comprehensive mapping and documentation efforts to recognise and record the breadth of traditional knowledge held by various communities. By meticulously cataloguing and acknowledging these invaluable insights, it becomes possible to preserve cultural heritage while also leveraging these insights to inform and enrich contemporary sustainable development initiatives.
- j. Introduce mechanisms to appropriately remunerate actions directly linked to the transmission of traditional knowledge and innovations, particularly within rural areas. Drawing from successful examples like the '*Mestres da Cultura*' programme in the State of Ceará, incentivizing the preservation and transfer of traditional knowledge serves as a crucial step in ensuring the continued vitality and sustainability of indigenous practices.

14. **Consultation with Indigenous Peoples.** During the initial phase of this initiative, comprehensive considerations were made regarding the objectives and potential coordination strategies for engaging indigenous communities residing in the geographical sphere influenced by IFAD operations, primarily in the semi-arid northeast of Brazil. Notable participants included representatives from the indigenous movement in Pernambuco, alongside key figures from the Articulation of Indigenous Peoples and Organizations of the Northeast, Minas Gerais, and Espírito Santo (APOINME), as well as the Truká Indigenous Youth Organization (OJIT) and the Truká Indigenous Teachers Organization (OPIT). The presence of the Kiriri de Banzaê indigenous representatives in the consultation was facilitated by the Pro-Semiarido Project (PSA) in implementation in Bahia.

15. The consultation took place on September 30, 2023, at the Truká indigenous territory - Ilha da Assunção - Sabonete village Captain Dena Indigenous State School. A total of 32 indigenous individuals attended, representing various tribes, including 24 from the Truká community, 4 from the Kiriri, 2 from the Pankararu, 1 from the Tuxá, and 1 from the Guarani-Kaiowá. This diverse group consisted of 13 women and 19 men, reflecting a rich array of profiles, ranging from experienced leaders to young participants. Notably, the presence of the Kiriri members enriched the discussion due to their prior involvement in IFAD projects.

16. The agenda for the consultation encompassed several key topics. It began with an introduction to IFAD's approaches and strategies, followed by a discussion of the challenges and opportunities that indigenous peoples face in the Northeast region, especially women and youth.

17. Notably, the younger participants emphasised their keen interest in technological involvement, advocating for enhanced educational opportunities beyond secondary schooling in alignment with the long-term vision of their communities. Regarding the concerns raised by women, issues related to combatting violence and fostering avenues for skill development and income generation emerged as central points of discussion, underscoring the significance of empowerment initiatives.

18. In the domain of nutrition, emphasis was placed on the significance of reinforcing and supporting the adoption of traditional agricultural practices to ensure food quality and promote cultural appreciation and recognition. Moreover, the participants acknowledged the efficacy of sustainable measures, such as the implementation of agroforestry systems, in fostering resilience in the face of climate change. The recognition of the value of traditional agricultural practices and the implementation of sustainable measures like agroforestry systems demonstrated a shared understanding of the importance of preserving cultural heritage while simultaneously addressing environmental challenges such as climate change.

19. Overall, the consultation was a success, serving as a critical platform for the COSOP design exercise promoting inclusive development, preserving cultural heritage, addressing environmental concerns, and fostering sustainable economic growth within the indigenous communities of the semi-arid northeast of Brazil. The active participation of diverse indigenous communities and organizations, such as the Truká, Kiriri, Pankararu, Tuxá, and Guarani-Kaiowá, in the consultation process indicates the importance of incorporating a wide range of perspectives and experiences when addressing issues relevant to these communities. The inclusion of women, youth, and experienced leaders in the discussion showcased IFAD's conscious effort to ensure that the voices of all community members are heard, fostering a more inclusive and representative approach to decision-making processes. Furthermore, the engagement of various indigenous organizations and their active participation in the consultation process implies a willingness to collaborate and engage in dialogue, fostering a culture of mutual understanding, cooperation, and collective decision-making.

20. During the second phase (16 to 20 October 2023), the focus shifted towards hosting more expansive virtual meetings. These gatherings provide a platform for engaging representatives from both state governments and the federal government. The primary objective was to align perspectives on strategies, investment prioritization, geographical areas of impact, and other relevant aspects. This phase also facilitated validation meetings, fostering discussions on crucial agreements necessary for finalizing the initial comprehensive COSOP draft report. Complementing the agenda, IFAD conducted bilateral meetings with its non-governmental partners to ensure alignment and synergy.

21. An important milestone during this phase was the introduction of proposed criteria, benchmarks and targets for the COSOP Assessment Framework. These were presented to key figures from the Ministries Planning, Finance and Agricultural Development. The presentation encompassed tangible benchmarks and targets derived from publicly available resources, projected for the COSOP mid-term implementation period and for the final review. Furthermore, additional information was included to facilitate open dialogue with the country, focusing on: i) the indicators that would have been used for the preparation of the previous COSOP (2016-2024) had they been required, and ii) the country's anticipated development trajectory, proposing ideal targets for these indicators that the country could consider prioritizing access to alternative forms of support, such as non-IFAD financing, rather than borrowing from IFAD.

#### **IV. Review process and Government endorsement**

22. Aligned with the agreed schedule and following IFAD's procedures for COSOP design, the draft report was shared with the government for comments on January 2024. After addressing comments received from government as well as from IFAD internal review process, the final version of the report was presented for Government's formal endorsement.



## South-South and Triangular Cooperation strategy

In recent years, Brazil has gone through a period of low economic growth and cuts in public accounts, which has had an impact on the budgets of various institutions, which currently have reduced financial investment capacity and greater difficulties in providing new financial resources for specific international cooperation actions. As an alternative, these organisations have sought support from funds, national and international agencies such as the Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP), Amazon Fund, International Fund for Agricultural Development (IFAD), National Development Bank (BNDES), *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), among other institutions that support rural development.

IFAD currently has a diverse portfolio of projects underway in Brazil. Ongoing projects include Dom Helder Câmara II (PDHC II), Pro-Semiárido (PSA) and the Amazon Sustainable Management Project (PAGES). It also has projects in the planning stage. These include *Sertão Vivo* (PCRP), *Piauí Sustentável e Inclusivo* (PSI), *Compensação Brasil*, *Parceiros da Mata*, Dom Helder Câmara III (PDHC III), Paulo Freire II (PPF II) and PROCASE II. These programmes cover various regions of the Northeast and reinforce IFAD's commitment to expanding its impact in the country, supporting sustainable development, reducing inequality and strengthening rural communities, playing a vital role in strengthening agriculture and environmental conservation.

From this perspective, IFAD's cooperation agenda and projects have evolved in such a way as to reaffirm the Fund as an important partner for Brazilian foreign policy. In this way, South-South and Triangular Cooperation (SSTC) has also become an important mechanism for correcting social and economic asymmetries in developing countries.

### Opportunities for rural development investment promotion and technical exchanges

Despite the significant disparities between regions, Brazil is classified as an upper middle-income country (UMIC) and has a growing demand for co-operation, mainly from developing countries seeking to learn more about successful Brazilian innovations and public policies. This context has led to the creation of mechanisms to share experiences and identify joint actions. This diverse portfolio of Brazilian experiences has allowed the country to strengthen its role and partnerships in regional and international forums and dialogues, such as Mercosur, the Community of Portuguese Speaking Countries (CPLP), the India-Brazil-South Africa Dialogue (IBSA), the Ibero-American General Secretariat (SEGIB), among others.

Brazil's growing return to the international stage is another element that creates opportunities and drives the strengthening of SSTC actions in the National Programme. In 2025, the country will host the Conference of the Parties to the United Nations Convention on Climate Change (COP-30), bringing together world leaders to find solutions to curb global warming and create sustainable conditions for life on Earth. In addition, Brazil will be holding the presidency of the G-20 in 2024, creating space for debate on the fight against hunger, poverty and inequality, on the energy transition and sustainable development, as well as the reform of the international governance system. At regional level, Brazil is also taking over the presidency of Mercosur on an interim basis and has strengthened its work with the Mercosur Specialised Network on Family Farming (REAF), an important forum for technical and political dialogue.

In geographical terms and in line with the country's strategy, IFAD will continue to prioritise the border, regional and extra-regional dimensions with Latin America, the Caribbean and Africa. Co-operation actions could also reach countries in Asia and Oceania. Cooperation with nations in the CPLP will also be a priority, particularly for school feeding and food procurement programmes, as well as Technical Assistance, M&E methodologies and the creation of national family farmer registration databases.

This alignment between IFAD's action strategy and development objectives of the country, especially with regard to SDG 1 - Eradication of Poverty, SDG 2 - Zero Hunger and Sustainable Agriculture, SDG 13 - Action against Global Climate Change and SDG 17 – Partnerships and means of implementation, has created significant opportunities for joint collaboration and integration of the Fund's initiatives with the government, highlighting its comparative advantage before other institutions. Successful targeting of the most vulnerable rural communities differentiated approaches for priority groups; provision of a wide range of innovative and effective solutions to improve the productive capacities and climate resilience of family farmers are some of the elements highlighted as differentiating the Fund.

### **SSTC engagement rationale**

The SSTC carried out by IFAD has been an important mechanism for promoting the country's technological and productive capacities, providing cumulative gains in human capital, institutional strengthening and production capacity in various sectors. It has also provided significant benefits for Brazil and partner countries, offering substantial gains for the institutions involved, allowing for the expansion of specialised staff and the enrichment of technical knowledge.

IFAD has made progress in integrating SSTC into its policy at various levels. In this way, these actions have been linked in the strategies of its country programmes, in the design and execution of projects, in knowledge management and exchange activities, in technology transfer and intra- and inter-regional initiatives, to strengthen partnership building and resource mobilisation.

These strategies have also been gradually integrated into the Fund's principles of action, with the following guiding principles: country ownership; compliance with IFAD's focus areas; assessment of the potential for scaling up the experiences identified; a focus on results and adaptation to the country's particular context. The SDGs and the United Nations 2030 Agenda are also important guiding principles for these processes.

Along these lines, the COSOP's Theory of Change incorporates these elements and broadens the debate around the valorisation of the provision of environmental services, the development of agriculture according to environmentally sustainable practices and low-carbon production systems.

In terms of its operationalisation, IFAD is expected to participate in global SSTC activities, through *Needs assessment and stock-taking analysis; Training activities; Knowledge sharing and management; Technical missions and visits; and Assistance in the design, implementation and M&E of projects, policies and programmes; Technical missions and visits; and Assistance in the design, implementation and M&E of projects, policies and programmes*, as shown in Table 1, detailing the CSST activities by category.

**Table 1. SSTC activities by category<sup>1</sup>.**

|             |  |  |
|-------------|--|--|
| <b>SSTC</b> | <b>Needs assessment and stock-taking analysis</b>  | IFAD and ABC intend to jointly conduct a needs assessment and stock-taking analysis, with a diagnosis of the country or countries jointly identified, based on the country or countries' demand.   |
|             | <b>Training activities</b>   | organize a number of technical training activities, to be carried out in Brazil or in partner countries jointly identified, with a view to furthering inclusive and sustainable rural transformation. The content of such training activities will be jointly defined by ABC, IFAD and the requesting country or countries through the above-mentioned needs assessment and stock-taking analysis. The training activities will be coordinated by ABC, and delivered by reputed Brazilian technical institutions - such as ministries, foundations, universities, etc. - with the required expertise, experience and track record. Special attention will be devoted to targeting the rural youth and women under this track.  |
|             | <b>Knowledge Sharing</b>   | <p>(i) facilitate exchange visits of project staff, farmers' organizations, government officials and others working in smallholder agriculture and rural development, from and to Brazil, and other jointly identified developing countries. The purpose of such exchange visits is to facilitate sharing of innovative solutions and knowledge on successful approaches to smallholder agriculture and rural development;</p> <p>(ii) Identification of new forms of partnership with foreign governments and international organisations for the execution of trilateral projects; Promotion of participation mechanisms of subnational federative entities, of civil society organisations, of academia, and of the private productive sector.</p> <p>(iii) organise knowledge sharing events at the country, regional and global levels on topics of mutual interest, within the broader context of Agenda 2030 and the SDGs;</p> <p>(iv) identify representatives from Brazil and IFAD and other developing countries to participate - as speakers and/or participants - in relevant workshops and conferences organised by Brazil and IFAD, respectively, with the aim of sharing lessons and good practices, as well as for networking and identifying opportunities for development cooperation; and</p> |
|             | <b>Technical missions and visits</b>   | organise technical missions to Brazil, for personnel from identified developing countries where IFAD operates. Such missions will be organised to promote dialogue with technical specialists and high-level officials in the Brazilian Government and will consist of meetings with Government representatives and field visits in project areas.   |
|             | <b>Assistance in the design, implementation and M&amp;E of projects, policies and programmes</b> | together with relevant Brazilian institutions, provide assistance to developing countries' government institutions for the design, revision, implementation, monitoring and evaluation of policies, strategies and programmes in specific technical areas jointly agreed upon. This includes identifying and deploying Brazilian experts in IFAD missions, as well as peer reviewing programme/project documents.  |

This entire set of actions will be supported by IFAD's SSTC and Knowledge Centre for Latin America and the Caribbean (LAC), based in Brasilia. This centre, created in 2018, has introduced new impetus to non-loan activities, especially at regional level, and has allowed IFAD to expand its capacity to engage in policy dialogue. This Centre has played an important role in expanding this agenda in Latin America and the Caribbean, and in consolidating partnerships with Brazilian and regional institutions. The Centre is part of the wider TSSC and GC network, acting as a link between IFAD offices and other centres based in Addis Ababa and Beijing.

In this COSOP, the Centre will continue to play an important role in identifying opportunities, encouraging exchange and incorporating innovations for rural transformation within and between IFAD

<sup>1</sup> Drawn up from the *Letter of Intent between the Government of the Federative Republic of Brazil and the International Fund for Agricultural Development on Trilateral South-South Cooperation* and other partner documents during the COSOP preparatory missions.

country programmes and others being implemented by the Brazilian Cooperation Agency (ABC). It will also play an important role in sharing lessons learned both from the work carried out in the different biomes (*Caatinga, Cerrado, Amazon, Atlantic Forest*) and from interventions linked to the portfolio of other countries in Africa, Latin America and the Caribbean; and it will also ensure that public organisations (federal, state and municipal governments) benefit from and are involved in IFAD's SSTC and Knowledge actions. Despite the decrease in IFAD's activities supported through grants, this new phase is expected to see a strong expansion in co-financing, especially in comparison with the previous cycle, enabling the synergy of various partners committed to tackling Brazil's rural development challenges as well as the global climate and biodiversity crises.

### Partnerships and initiatives

IFAD will support the SSTC in sectors where Brazil has proven experience in favour of smallholder farmers, such as improving production and marketing systems in semi-arid environments, strengthening institutional arrangements, actions focused on food security and reducing climate change. Embrapa, ANATER, MDA, INCRA and INSA continue to be important partners. These institutions have a long history of interaction with IFAD in the context of projects and have expertise in international initiatives and projects with ABC of the Ministry of Foreign Affairs (MRE).

Table 2 below details some actions that are being developed in Brazil by partners which could be explored. These are areas of interest where SSTC activities could be developed, depending on government interests.

| Areas of interest                                   | Potential partners & projects <sup>2</sup>   |
|---|--|
| Rural technology (training and technology transfer) | <ul style="list-style-type: none"> <li>- Digital Technical Assistance and Rural Extension - IDB, MAPA and MDA;</li> <li>- Country-level Forest information to support and guide the management and governance of forest resources by government and the private sector - IDB, MMA;</li> <li>- Environmental Regularisation of Rural Properties - KfW, MMA;</li> </ul>  |
| Rural water   | <ul style="list-style-type: none"> <li>- Water resources management - Heineken, ANA;</li> <li>- Development of a National Sustainable Solid Waste Management Programme in the Coastal Zone in Brazil - GCF, MMA; Revitalisation of Watersheds - MMA;</li> <li>- Universalisation and Improvement of the Provision of Water Supply and Sanitation Services - EMBASA, MCID;</li> <li>- Strategies and Actions to Prevent, Control and Combat Desertification in the Face of Climate Change Scenarios - MMA;</li> <li>- Water Infrastructure, Irrigation and Civil Defence in Brazil - WB, MIDR;</li> </ul> |
| Rural finance                                       | <ul style="list-style-type: none"> <li>- Land governance for poverty reduction, socio-productive inclusion and economic and environmental development - MDA;</li> <li>- Sustainable Rural Development and Agrarian Reform in the context of contemporary rurality - MDA;</li> </ul>  |
| Rural roads (market access)                         | <ul style="list-style-type: none"> <li>- Access of Family Farming to National and International Markets, Strengthening Public Policies and Strategic Projects Related to Bioeconomy, Extractivism and Biodiversity in Brazil - MDA;</li> </ul>   |

<sup>2</sup>Drawn up on the basis of consultations and documents from partners during the COSOP preparatory missions.

|           |  |
|-----------|--|
| Nutrition | <ul style="list-style-type: none"> <li>- Implementation of actions regarding the National School Food Programme (PNAE);</li> <li>- Food and Nutritional Security - Availability and Access to Healthy Food and the Fight against Rural Poverty in Brazil - MDS;</li> <li>- Strengthen the Brazilian Agricultural Defence System, through the improvement of public actions that aim to ensure safe food and the health of animals and plants - IDB, MAPA;</li> </ul> |
|-----------|--|

## Conclusion

The SSTC strategy for the COSOP 2024 - 2032 reflects IFAD's efforts to integrate co-operation as a fundamental element in expanding the capacity to produce results and impacts in its actions.

Within the defined scope, SSTC offers an opportunity for capacity building, institutional improvement and the development of public policies, contributing to the diversification of partnerships and thus increasing the legitimacy of Brazilian public policies. In addition, it also contributes to mobilising knowledge and capitalising on good practices and lessons learned accumulated by the Fund and its partners, with a view to replicating and scaling them to a growing number of countries.

The ongoing partnership with ABC shows a clear commitment to optimising and improving cooperation actions. The agency's proposal to establish a shared strategic governance structure between WFP, FAO and IFAD in the country demonstrates the desire to coordinate efforts more effectively, ensuring synergies and maximising the impact of initiatives. It also opens space to review the Action Plan signed between ABC and IFAD, taking into account the actions outlined in this COSOP, ensuring that cooperation continues to evolve towards its objectives.

Finally, with a view to expanding SSTC actions, Table 3 summarises additional elements, potential partners, and topics of interest for IFAD's work in Brazil. This table was drawn up based on consultations and documents from partners during the COSOP preparatory missions. The items listed depict recent countries or potential spaces for dealing with issues related to agriculture and rural poverty.

| Potential partners for CSST    | Description  |
|--------------------------------|--|
| ALC Partners                   | <p><b>South America</b></p> <ul style="list-style-type: none"> <li>✓ Argentina; Bolivia; Chile; Colombia; Ecuador; Paraguay; Peru; and Uruguay.</li> </ul> <p><b>Central America</b></p> <ul style="list-style-type: none"> <li>✓ Belize; Costa Rica; El Salvador; Guatemala; Honduras; Nicaragua and Panama.</li> </ul> <p><b>Caribbean</b></p> <ul style="list-style-type: none"> <li>✓ Dominican Republic; St Lucia.</li> </ul> |
| Partners from the Global South | <p><b>Africa</b></p> <ul style="list-style-type: none"> <li>✓ South Africa; Angola; Algeria; Benin; Botswana; Burkina Faso; Burundi; Cape Verde; Chad Comoros; Congo; Ivory Coast; Djibouti; Ethiopia; Gabon; Ghana; Guinea; Guinea-Bissau; Equatorial Guinea; Malawi; Mali; Mozambique; Namibia; Kenya; Democratic Republic of Congo; Sao Tome and Principe; Senegal; Sudan; Tanzania; Togo; Tunisia; Zimbabwe.</li> </ul>        |
| Partners in Europe and Eurasia | <p><b>Europe</b></p> <ul style="list-style-type: none"> <li>✓ Germany; Spain; Portugal; European Union.</li> </ul> <p><b>Eurasia</b></p> <ul style="list-style-type: none"> <li>✓ Albania; Armenia; Azerbaijan; Bosnia-Herzegovina; Georgia; North Macedonia; Moldova; Montenegro; Serbia; Ukraine.</li> </ul>   |

|   |  |
|---|--|
| Regional and global spaces and forums               | <ul style="list-style-type: none"> <li>✓ Mercosur;</li> <li>✓ REAF (Specialised Meeting of Mercosur Family Farming);</li> <li>✓ COP 25;</li> <li>✓ IBSA (India-Brazil-South Africa Dialogue);</li> <li>✓ G20;</li> <li>✓ COPROFRAM (Confederation of Family Producer Organisations of Mercosur Extended);</li> <li>✓ CELAC (Community of Latin American and Caribbean States);</li> <li>✓ SICA (Central American Integration System).</li> </ul>   |
| Private partners                                    | <ul style="list-style-type: none"> <li>✓ PxD (digitalisation of agricultural extension in LAC);</li> <li>✓ Centre for Carbon Management and Sequestration (combating soil degradation);</li> <li>✓ Microsoft (technological solutions for digitising agriculture and reducing the digital divide in rural areas);</li> <li>✓ Private financing partners, such as SICREDI, a financial cooperative.</li> </ul>  |
| Non-governmental partners, foundations and academia | <ul style="list-style-type: none"> <li>✓ UFV (Federal University of Viçosa);</li> <li>✓ UnB (University of Brasilia);</li> <li>✓ REFAISA (Legal Representation of Agricultural Family Schools);</li> <li>✓ IPAM (Amazon Environmental Research Institute);</li> <li>✓ PROCISUR (Cooperative Programme for Agri-Food and Agri-Industrial Technological Development in the Southern Cone);</li> <li>✓ FONTAGRO (Regional Fund for Agricultural Technology);</li> <li>✓ CONTAG (National Confederation of Rural Labour and Family Farmers);</li> <li>✓ ABA (Brazilian Association of Agroecology);</li> <li>✓ ANA (National Articulation of Agroecology);</li> <li>✓ ASPTA (Family Farming and Agroecology);</li> <li>✓ CETRA (Centre for the Study of Work and Advice to Workers);</li> <li>✓ FUNCAMP (Unicamp Development Foundation);</li> <li>✓ SERTA (Alternative Technology Service);</li> <li>✓ ABRAPA (Brazilian Association of Cotton Producers);</li> <li>✓ SEBRAE (Brazilian Micro and Small Business Support Service);</li> <li>✓ Food for Tomorrow Institute;</li> <li>✓ RETE (Brazilian Network for Research and Management in Territorial Development);</li> <li>✓ Federal Rural University of Pernambuco;</li> <li>✓ Federal Rural University of Amazonas;</li> <li>✓ University of Brasilia;</li> <li>✓ Federal University of Rio Grande do Sul;</li> <li>✓ Federal Rural University of the Semi-Arid;</li> <li>✓ Federal University of Alagoas/UFAL.</li> </ul> |
| Government partners                                 | <ul style="list-style-type: none"> <li>✓ INSA (National Semi-Arid Institute);</li> <li>✓ EMBRAPA (Brazilian Agricultural Research Corporation);</li> <li>✓ ASBRAER (Brazilian Association of Technical and Ext. Technical Assistance and Rural Ext. Research and Land Regularisation);</li> <li>✓ ANATER (National Agency for Technical Assistance and Rural Extension);</li> <li>✓ Emater (Technical Assistance and Rural Extension Company) - various states;</li> <li>✓ EMPAER (Empresa Paraibana de Pesquisa, Extensão Rural e Regularização Fundiária);</li> <li>✓ CONAB (National Supply Company);</li> <li>✓ BNDES (Brazilian Development Bank);</li> <li>✓ Ministries: MPO, MDA, MAPA, MDS, MPA, MCTI, MMA, MIDR/SUDAM.</li> </ul>   |
| International Agencies                              | <ul style="list-style-type: none"> <li>✓ World Bank;</li> <li>✓ FAO (Food and Agriculture Organisation of the United Nations);</li> <li>✓ IICA (Inter-American Institute for Cooperation on Agriculture);</li> <li>✓ ILO (International Labour Organisation);</li> <li>✓ ACTO (Amazon Cooperation Treaty Organisation);</li> <li>✓ UNDP (United Nations Development Programme);</li> <li>✓ UNFPA (United Nations Population Fund);</li> <li>✓ UNICEF (United Nations Children's Fund);</li> <li>✓ UNOSSC (United Nations Office for South-South Co-operation);</li> <li>✓ WFP (World Food Programme);</li> <li>✓ Inter-American Development Bank (IDB);</li> <li>✓ KfW German Development Bank;</li> </ul>   |

|                                  |   |
|----------------------------------|---|
|                                  | <ul style="list-style-type: none"> <li>✓ GIZ (Deutsche Gesellschaft für Zusammenarbeit);</li> <li>✓ AECID (Spanish Agency for International Development Co-operation);</li> <li>✓ CIRAD (Centre for International Cooperation in Agricultural Research for Development).</li> </ul>   |
| Scientific Co-operation Partners | <ul style="list-style-type: none"> <li>✓ Embrapa (Brazilian Agricultural Research Corporation);</li> <li>✓ IBGE (Brazilian Institute of Geography and Statistics)</li> <li>✓ IPEA (Institute for Applied Economic Research)</li> </ul>  |
| Possible themes                  | <ul style="list-style-type: none"> <li>✓ Public administration;</li> <li>✓ Family farming;</li> <li>✓ School meals;</li> <li>✓ Rural environmental register;</li> <li>✓ Census and demographic data;</li> <li>✓ Science and technology;</li> <li>✓ Clean fuels</li> <li>✓ Cooperativism</li> <li>✓ Economic development;</li> <li>✓ Social development;</li> <li>✓ Human rights and vulnerable populations;</li> <li>✓ Creative economy;</li> <li>✓ Green economy;</li> <li>✓ Education;</li> <li>✓ Energy;</li> <li>✓ Vocational training, labour and employment;</li> <li>✓ Gender;</li> <li>✓ Government management, planning;</li> <li>✓ Environment;</li> <li>✓ Hydrological monitoring;</li> <li>✓ Climate change;</li> <li>✓ Livestock;</li> <li>✓ Small and micro businesses;</li> <li>✓ Resilience and disaster risk management;</li> <li>✓ Sanitation;</li> <li>✓ Sovereignty and food and nutrition security;</li> <li>✓ Rural tourism;</li> <li>✓ Health surveillance;</li> <li>✓ Agricultural Climate Risk Zoning - ZARC.</li> </ul> |

## POTENTIAL FUTURE PARTNERSHIPS

Details of the possibilities for joint action in SSTC with the strategic partners presented in the above table.

### National Agency for Technical Assistance and Rural Extension - Anater

- ❖ Exchanging experiences and sharing innovative methods.
- ❖ Opportunity to promote and disseminate knowledge about agricultural practices in various rural settings.
- ❖ Specific strategies to meet the needs of groups such as indigenous peoples, quilombolas and traditional communities.

ANATER has the potential to act in co-operation for the implementation of policies for the development of Technical Assistance and Rural Extension, through institutional strengthening and training. Qualification and training in ATER Activity Management Systems. Offer continuing training for extension workers in the various areas of knowledge relevant to the execution of ATER services.

### National Institute for Colonisation and Agrarian Reform - INCRA

- ❖ Dissemination of Agrarian Reform experiences regarding land redistribution.

- ❖ Enabling sustainable agricultural practices and economic development in rural areas.
- ❖ Sharing knowledge in land regularisation for rural properties and traditional communities.

The main opportunities for technical cooperation in INCRA's area of activity are agrarian reform, rural development, agroecology, rural land registry, land governance, regularisation of possessions, regularisation of traditional communities. The institution's current investment capacity is limited.

### **National Supply Company - CONAB**

- ❖ Dissemination of policies aimed at guaranteeing the availability of healthy food at reasonable prices.
- ❖ Co-operation of effective food storage and logistics techniques.

Conab: agricultural price policy (formation, monitoring), agricultural market analysis (national and international, storage, public purchases (family farming and business), policies for family farming, social supply, policies for Supply Centres (Ceasas), logistical monitoring, grain crop monitoring (objective and by satellites), bioeconomy policies, minimum price guarantee policy for socio-biodiversity products, systems and software for registration and end areas, electronic operations and purchases and sales of stocks, quality control and agricultural inspection.

### **Brazilian Micro and Small Business Support Service - SEBRAE**

- ❖ Contribution to the strengthening and competitiveness of micro and small enterprises in the agricultural sector.
- ❖ Co-operation in promoting innovative technologies.

Solutions aimed at managing and accessing markets (approach or promotion); Reducing the competitiveness gap between small businesses in the agribusiness sector and the purchasing market; Sectoral and territorial intelligence (intelligence networks, data and applied information), monitoring market trends; AgTechs and other technological profiles Management by indicators; Geographical Indications and Collective Brands; Certification of products and processes; Compliance with health legislation; Traditional, regional, artisanal and typical products, with a focus on the market; Sectoral development plans, sectoral governance; Strengthening small rural businesses to meet the demands of large companies.

### **Brazilian Agricultural Research Corporation - EMBRAPA**

- ❖ Co-operation to strengthen and promote innovative technologies.
- ❖ Support for agricultural research, including food, food safety and health.
- ❖ Dissemination of policies on drought in the semi-arid region and climate change.
- ❖ Support for strengthening classroom and distance learning.

The institution has capillarity throughout the target region and has extensive knowledge and accumulated experience. Its research agenda in technological innovations includes a series of projects with a direct link to the theme, structured in different portfolios, such as: a) Food: safety, nutrition and health; b) Coexistence with Drought in the Semi-Arid; c) Forestry; d) Social Innovation in Agriculture and Livestock; e) Crop, Livestock and Forest Integration; f) Climate Change; g) Environmental Services; and h) Ecologically-Based Production Systems.

The company has the capacity to support 1) the training of ATER agents; 2) the setting up of technological reference units in its units as a mechanism for technological innovation; 3) the training of farmers, small and medium-sized producers, students and people linked to the rural sector in the face-to-face and distance learning (DE) modality; 4) support in the operationalisation of remote Ater actions,



through the work of hubs and other initiatives - producing videos, audios and other media to disseminate good practices and technological innovation.

**Summary table of information:**

| INSTITUTION   | FOCUS OF ACTION  | POTENTIATES ISSUES OF SOUTH-SOUTH CO-OPERATION  |
|---|--|---|
| National Agency for Technical Assistance and Rural Extension - ANATER | Strengthening Technical Assistance and Rural Extension - Qualification and training in ATER - Attending to specific audiences (indigenous people, <i>quilombolas</i> ) | Exchange of experiences - Promotion of sustainable agricultural practices - Inclusion of traditional communities                                  |
| National Institute for Colonisation and Agrarian Reform - INCRA       | Agrarian reform - Rural development - Land regularisation  | Sharing experiences in agrarian reform - Promoting sustainable agricultural practices - Regularising traditional lands and communities            |
| National Supply Company - Conab                                       | Food supply - Agricultural price policies - Storage - Agricultural market monitoring   | Supply policies - Food storage techniques - Analysing the agricultural market   |
| Brazilian Micro and Small Business Support Service - SEBRAE           | Strengthening small agribusinesses - Promoting innovative technologies - Management, certification and quality - Access to markets                                     | Development of small rural businesses - Promotion of AgriTechs - Product certification - Management by indicators                                 |
| Brazilian Agricultural Research Corporation (EMBRAPA)                 | Agricultural research and development, food security, sustainable practices, climate change  | Exchange of experiences - Promotion of sustainable agricultural practices - research and development focused on the challenges of climate change. |

## Financial management issues summary

| COUNTRY   | Brazil  | COSOP PERIOD | 2024-2029 |
|---|---|--------------|-----------|
| <b>A. COUNTRY FM ANALYSIS</b>   |   |              |           |
| <i>Country Disbursement Ratio (rolling-year)</i>  | 2.5 %   |              |           |
| <i>Unjustified Obligations:</i>   |   |              |           |
| <ul style="list-style-type: none"> <li>• <i>Outstanding Ineligible Expenditure –</i></li> <li>• <i>Outstanding Advances (Projects in Closed Status)</i></li> </ul>  | 0 USD   |              |           |
|   | 0 USD   |              |           |
| <i>PBAS Available allocation (current cycle) :</i>  | Allocated Amount: 0 USD<br>Available Balance: 0 USD                   |              |           |
| <i>BRAM access</i>  | YES   |              |           |
| <i>Country income category</i>  | UMIC<br><br>Above GDI threshold for 2021 from 2018-2020 consecutively |              |           |
| <p><b>Country Context Inherent risk evaluated as Moderate</b></p> <p><b>Transparency International (TI)</b><br/>According to the 2022 Transparency International report, Brazil ranks 94th (out of 180 countries) with a Corruption Index score of 38/100, unchanged compared to 2021.<br/>(Source: Transparency International).</p> <p><b>Public Expenditures and Financial Accountability (PEFA)</b><br/>There are not recently disclosed PEFA assessment. Latest disclosed PEFA dates back to 2009.</p> <p><b>Debt Sustainability</b><br/>Using a wide range of analyses including the Sovereign Risk and Debt Sustainability Framework (SRDSF), debt sustainability risks are assessed to be moderate. Gross debt of the NFPS declined to 86 percent of GDP in 2022 and net debt to 57 percent, both substantially higher than the average of emerging market peers. Debt projections are highly sensitive to changes in interest rates given the high share of short term and variable coupon debt. Sizable fiscal risks also stem from judiciary claims (Annex V). The overwhelmingly domestic investor base, low FX debt, and the large public sector cash buffers mitigate refinancing risks. Under the baseline scenario, NFPS debt is projected to continue increasing in the medium-term, before stabilizing around 97 percent of GDP in the extended projection horizon. (Source IMF Article IV Consultation July 2023).</p> <p><b>Worldbank Country Partnership Framework</b><br/>The World Bank Group Country Partnership Framework for the period 2018-2023 assesses Brazil fiduciary risk as moderate. The federal government financial management systems are reasonably strong, provide reliable information and can track the receipt and use of funds transparently. Nevertheless, there are important areas which require further attention, including: (i) improving the credibility of budget revenue forecasts and tax policy; (ii) managing the growing overhang of expenditure commitments (Restos a Pagar) and the high level of in-year budget amendments; and (iii) improving the predictability and impact of cash management for expenditure management. Reviews of subnational public finance reveal a robust legal framework that helps to promote uniformity in practices. Internal controls are reasonably strong because of</p> |   |              |           |

inbuilt controls in the information systems, combined with strong oversight from internal Office of the Comptroller General of the State and external control by State Court of Accounts. Weaknesses identified are in multiyear fiscal planning, expenditure policy and budgeting. Financial management arrangements and internal controls maintained by project implementing agencies for IBRD-financed projects have generally been adequate to ensure that funds have been used for their intended purposes.

(Source Worldbank 2017)

### **Operational Risk Assessment Economist Intelligence Unit**

Brazil will continue to suffer from moderate operational risk, as reflected in its overall rating of C. Brazil's political system lacks effectiveness, and graft affects all levels of government. An outburst of violent protests on January 8th, 2023, highlights the polarised environment that the president, Luiz Inácio Lula da Silva, will face throughout his term (ending in 2026). Social unrest remains possible, as a sluggish economy will weigh on Lula's popularity. A polarised and right-leaning Congress could disrupt the government's agenda and block legislation, boding ill for governability. The unveiling of a new fiscal rule has eased concerns of fiscal profligacy, as the framework sets a ceiling to government spending, but the public debt/GDP ratio will rise, nonetheless. The risk of armed conflict is low, but organised crime impairs security. The legal system is generally fair but slow.

(Source Economist 2023)

### **Accounting and Auditing Profession**

The accountancy profession is regulated, and The Council of Accounting (CFC) sets the requirements for the accounting profession, conducts the examination for qualified accountants and sets ethical standards for the profession and enforces continuing professional development.

To qualify as a public accountant or auditor a bachelor's degree in accounting sciences by an institute accredited by the Ministry of education is required. Subsequently, candidates must successfully complete the CFC's professional examination, and be registered as a member of a CRC in the jurisdiction in which they reside. (Source IFAC 2023)

### **Accounting standards**

In accordance with the Decree Law 9295/46, as amended by Law 12249/10, the Federal Council of Accounting (CFC) is authorized to set public sector accounting standards. Federal, state, and municipality governments are ultimately responsible for implementing public sector accounting standards, which currently follow a hybrid approach (accrual-cash basis). In 2015, CFC reconstituted the Convergence Management Committee—which had previously made the decision to converge Brazilian public sector standards with IPSAS as issued by the IPSASB—through Act 112/2015 with the objective of further driving the convergence process. The convergence process started in 2017 and is expected to be completed by 2024.

(Source IFAC 2023)

### **GNI per capita**

Brazil is classified as an upper middle-income Country (UMIC). The latest value for GNI per capita published by the World Bank was 8,140 in 2022.

(Source: World Bank Country Data)

### **Lending terms:**

As an UMIC country Brazil has only access to BRAM financing. GDI for Brazil has been above the GDI threshold for 2021 from and 2018-2020 consecutively. Ap per the Graduation policy approved by the EB in September 2021 for UMICs approaching graduation process for Brazil initiates.

## **B. PORTFOLIO – LESSONS {Strengths and Weaknesses}**

### **Existing Portfolio:**

| Project               | Project Status             | %Disbursed of all financing instruments | Project FM inherent risk rating | Performance Score: Quality of Financial Management | Performance Score: Quality & Timeliness of Audit | Performance Score: Disbursement Rate | Performance Score: Counterpart funds | Completion date |
|-----------------------|----------------------------|---|---------------------------------|--|--|--------------------------------------|--------------------------------------|-----------------|
| Dom Helder Camara     | Available for Disbursement | 81.8%                                   | Substantial                     | Moderately Satisfactory                            | Mod. satisfactory                                | Moderately Satisfactory              | Moderately Satisfactory              | 29/09/2024      |
| Pro-semi-arid Project | Available for Disbursement | 91.2%                                   | Moderate                        | Satisfactory                                       | Mod. unsatisfactory                              | Moderately Satisfactory              | Highly Satisfactory                  | 30/03/2024      |
| PCRP                  | Signed                     |   | Substantial                     | Not Specified                                      | Not Specified                                    | Not Specified                        | Not Specified                        |                 |
| PSI                   | Board/President Approved   |   | Substantial                     | Not Specified                                      | Not Specified                                    | Not Specified                        | Not Specified                        |                 |
| PAGES                 | Available for Disbursement | 5.4%                                    | Substantial                     | Not Specified                                      | Not Specified                                    | Not Specified                        | Not Specified                        | 29/06/2028      |

Recurring issues in the existing portfolio are: (i) Large number of partner organizations involved in the implementation of various subcomponents adding to the complexity of implementation arrangements; (ii) Delays in contracting of sufficient staff at lack of capacity at decentralized units to accompany the implementation and reporting on execution of Business Plans; (iii) Insufficient counterpart funding from state governments; (iv) Lack of clear definition of counterpart funding and unclear policies and processes for recording and valuation of counterpart funding; (v) Use of auxiliary spreadsheets for the preparation of IFRs as required by IFAD; (vi) Incomplete recording and lack of supporting documentation to substantiate counterpart funding from beneficiaries;

The proposed mitigation measures include: (i) Identify during design phase which partner organization are involved in flow of funds, Prioritize selection and signing of agreements with partner entities/subcontractors in start-up phase and Include in agreements with implement partners adequate clauses on disbursements aligned with implementation of activities and reporting requirements (ii) Ensure during design phase COSTAB includes sufficient budget for technical staff in decentralized units and ensure timely hiring (iii) Close Coordination with Secretaria da Fazenda (SEFAZ) Treasury to ensure approval of sufficient and timely disbursement of direct Counterpart funding; (iv) Ensure details of counterpart funding are clearly defined in COSTAB and agreed with Federal or State Government during Design. Establish and document in the PIM clear criteria for recording and valuation of counterpart funding from both Govt and beneficiaries; Ensure all funding sources including Govt counterpart funding are included in the AWPB submitted for No Objection to IFAD; (v) Evaluate during design possibilities of an add on to the SIAFI system to allow for automation of generation of IFRS in formats as per FMFCL.

### Country systems

**Organization and staffing:** It is customary in Brazil to establish a dedicated PMU with a finance function at project level with varying levels of integration with secretariat. A best practice in place for Brazil is to obtain bridge funding for continuity of PMU staff in project implemented in different phases.

**Budgeting:** IFAD financed projects are approved by National Congress through a budget proposal submitted by the Ministry of economy for projects at federal Level. For projects with State governments Governor's office submits budget to State legislative assembly for approval. Federal govt does not directly approve state budgets but states are required to adhere Fiscal Responsibility Law which imposes fiscal discipline on states including limits on borrowing and debt levels.

**Funds Flow/Disbursement arrangements:**

Brazil counts with a "Single Treasury Account" system used to centralize the receipt and disbursements of federal government funds. The single treasury account is maintained by the Brazilian National Treasury which is part of the Ministry of Economy. The use of the single treasury account will be evaluated for future designs with Federal Government. No standardized Single Treasury Account system is in place at state level.

**Internal Control:** All projects implemented by IFAD are subject to Law No. 4.320 which establishes the norms and principles for budgeting, accounting, and financial management within the public sector. The Office of the Comptroller General is the central body responsible for internal control, corruption prevention and transparency in the federal government. At state level internal control arrangements may vary.

**Accounting and Financial Reporting:** The use of the SIAFI system is obligatory for payment processing and incorporates adequate measures to control user access based on user roles and responsibilities. The SIAFI system generates reports and financial statements that provide insights into the financial status and performance of government agencies but does not allow for monitoring of budgeting based on components and categories as is a requirement for IFAD and other external financing. The SIAFI system is designed to be interoperable with other government systems. To be evaluated for future designs whether reporting capability of system can be expanded to allow for automated generation of IFRS. For the new project IFAD will accept the application of accounting standards as per Law No. 4.320 which mandates the use of accrual accounting based on standard set by Federal Accounting Standards Advisory Board External audits which in turn are aligned with International Public Sector Accounting Standards (IPSAS).

**External Audit:** The supreme audit institution in Brazil, the Federal Courts of accounts reports directly to the Brazilian National Congress and is responsible for conducting audits, ensuring compliance with legal and regulatory requirements and to provide recommendations to improve financial management. At state level the State Court of accounts perform similar functions and reports to the State legislative Assembly. For IFAD financed projects the intention is to continue to use the Federal or State Courts of Accounts for external while ensuring clear agreements are made upfront on timely submission, the use of accounting standards for the preparation of the annual financial statements and its Annexes in accordance with the IFAD Audit Manual.

## **Annex 1. Summary of the country's ability to access to financial markets.**

### **Macro performance**

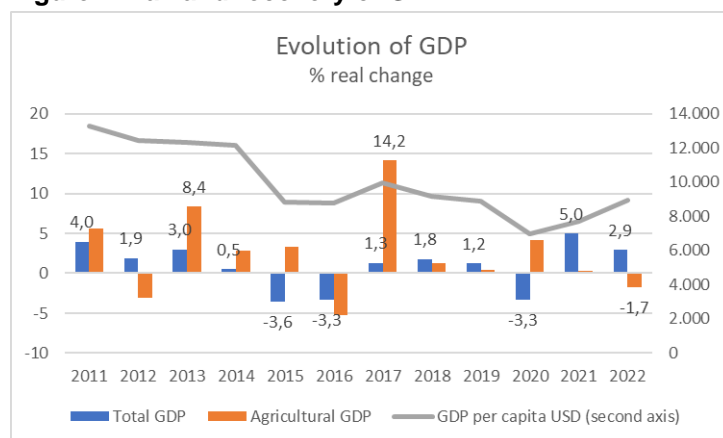
**Brazil is an upper middle-income economy and the biggest in Latin-America (Latam).** It has a population of 215 million people, a Gross Domestic Product (GDP) per capita of around US\$ 7.507 (2021). Its total GDP reached US\$ 1.61 trillion in 2021<sup>1</sup>, representing (by 2021) 1,7% and 30,3% of the world's and Latam's GDP respectively.

**Brazil's economic performance has been better than expected in the last years, in part due to the authorities' forceful policy response.** The COVID-19 pandemic has claimed the lives of more than 550,000 Brazilians. The GDP declined 3,3% during 2020 with a strong recovery (5,0%) in 2021 and 2,9% in 2022. Due to political turmoil (including the eruption of corruption cases involving state owned companies), Brazil's GDP decreased during 2015 and 2016 Brazil followed by a mild recovery

<sup>1</sup> Latest available data from World Bank.

in the following years before the eruption of COVID-19. Figure 1 reflects the mentioned performance of GDP, complemented with the performance of the agricultural GDP (which shows much more volatility than the behavior of the GDP) and the GDP per capita.

**Figure 1. Fall and recovery of GDP**

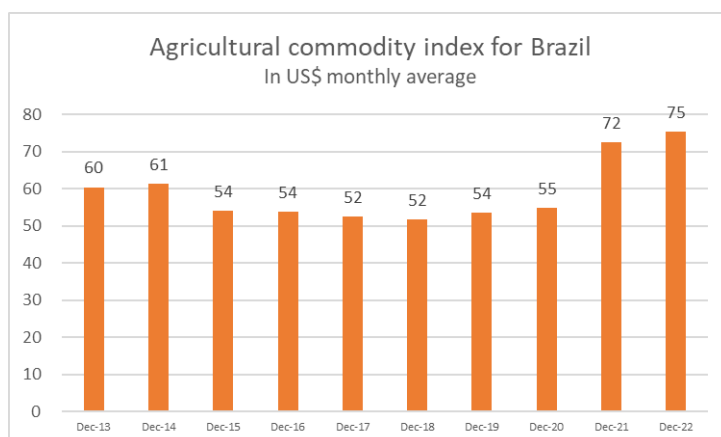


Source: BCB

**Agriculture is a key sector of Brazil's economy and competitive in the global economy.** The agricultural sector has contributed to the expansion of the Brazilian economy over the past four decades, as Brazil became the world's third largest producer of agricultural products behind the European Union (EU) and the United States (US). Overall, the agribusiness sector accounts for one-fifth of GDP, provides 15 million jobs, and represents about half of Brazil's exports. The sector is diverse, and production and farm characteristics vary substantially across regions. Output is dominated by a small number of very large farms, primarily in the center-west and south, while the large number of small farms in the northeast accounts for only a tiny fraction of the output. The agricultural sector is also Brazil's main source of greenhouse gas emission and deforestation.

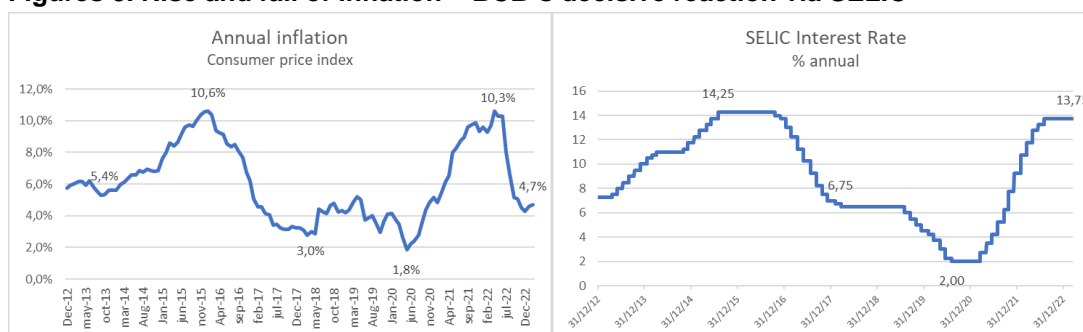
**The performance of the agricultural commodity prices has contributed to the economic recovery.** In the last two years (2021-2022) the prices for the relevant commodities<sup>2</sup> for Brazil in US\$ were 33% above (more than double in R\$) the average for the previous 7 years (2013-2020). This performance contributed to an increase in the value of exports but has had a negative impact in terms of inflation. Figure 2 shows the evolution of the agricultural commodity prices for Brazil in US\$ since the end of 2013.

<sup>2</sup> The agricultural commodity index for Brazil includes live cattle, cotton, soybean, wheat, sugar, corn, coffee, rice, lean hogs, orange juice and cocoa.

**Figure 2. The booming of the agricultural prices**

Source: own elaboration based on BCB

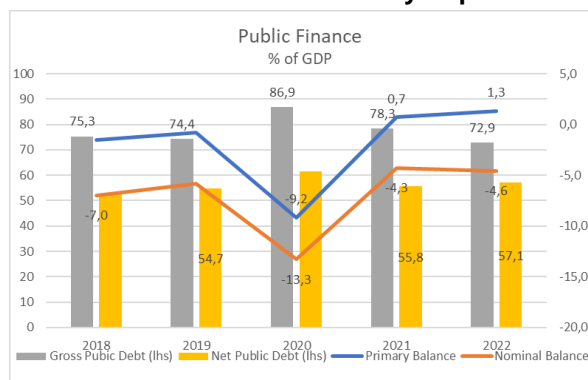
**The inflation rate experienced a significant increase followed by a relatively quick fall.** Inflation rose very fast in a short period of time. From a low of 1.8% (annual change) in May 2020, inflation went into annual double digits two years later. The rapid reaction of the BCB, aggressively raising the BCB's reference interest rate (SELIC) from 2.0% in mid-2020 to 13.75% currently, allowed inflation levels to be reduced to values below 5% (although still high, they are half that observed at the peak and below that verified in developed countries). A similar situation was experienced in 2015-2017 (see Figures 3).

**Figures 3. Rise and fall of inflation – BCB's decisive reaction via SELIC**

Source: BCB

**Public finances' figures deteriorated during the pandemic with a subsequent recovery.** In 2020, the primary and nominal (after interest payments) results showed a significant drop (-9,2% and 13,3% respectively) as a result of the strong economic recession and the government support programs to mitigate the social impact of it. During the same year, a significant increase in gross and net debt was observed (reaching 86,9% and 61,4% respectively). The years 2021 and 2022 showed a recovery of public finances to levels like the observed in previous ones (see Figure 5). The performance of public finance and public debt is one of the core aspects for Brazil's credit risk rating and one of the most monitored by domestic and international investors of Brazil.

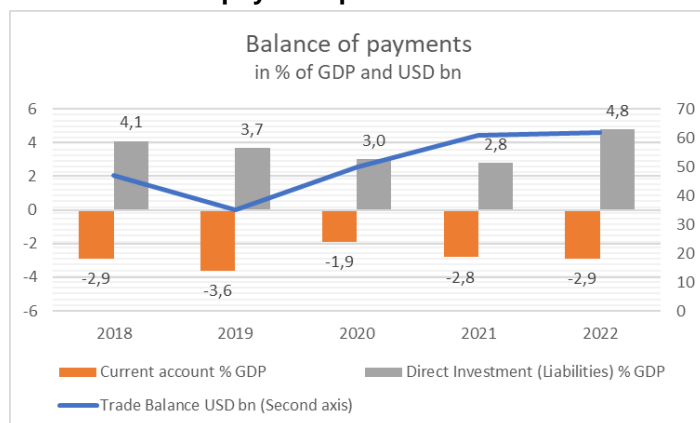
**Figure 5. Deterioration and recovery of public finance**



Source: BCB

**Brazil’s balance of payments figures reflects a sustained trade surplus accompanied by a current account deficit and growing direct investment.** The growth of exports (benefited by the price of agricultural commodities, among other factors) generated a trade surplus of US\$ 60 bn in 2021 and 2022, accompanied by a current account deficit of around 3% and foreign direct investment of 2.8 and 4.8% in 2021 and 2022 respectively (see Figure 6).

**Figure 6. Balance of payment performance**

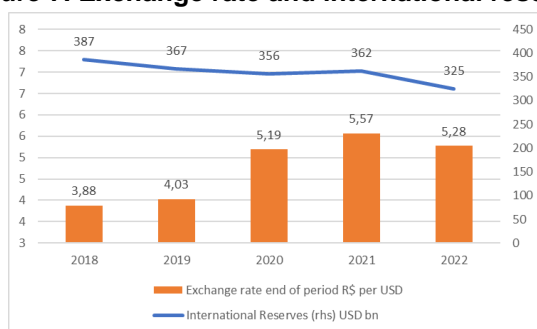


Source: BCB

**The different indicators of the Brazilian external debt reflected an improvement of it.** During 2020, there was a devaluation of the R\$ against the US\$ (which later stabilized), while international reserves experienced a slight fall with some acceleration in 2022 (see Figure 7). Several external debt indicators have shown an improvement over the last year and a half, including the public sector external debt (see Figure 8).



Figure 7. Exchange rate and international reserves



Source: BCB

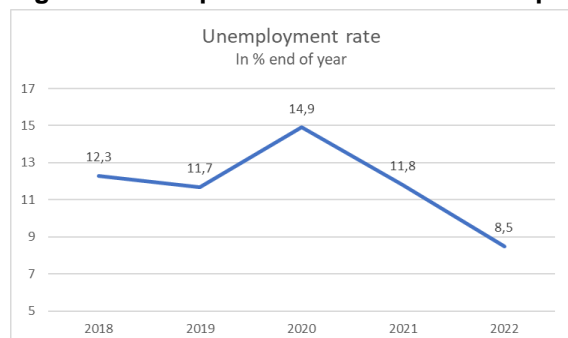
Figure 8. Improvement in the external debt indicators

| Indicators (%)   | 2021  |       |       | 2022  |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|
|  | Jun   | Sep   | Dec   | Mar   | Jun   | Sep   | Dec   |
| Gross External Debt/ GDP                               | 19,7  | 19,9  | 19,7  | 19,3  | 18,0  | 17,3  | 16,8  |
| Public Sector External Debt / Gross External Debt      | 39,5  | 41,8  | 40,3  | 38,7  | 37,7  | 37,9  | 37,7  |
| International reserves / Gross External Debt           | 116,6 | 114,8 | 111,3 | 107,3 | 105,8 | 102,7 | 101,6 |
| Gross External Debt / Exports of Goods and Services    | 109,8 | 107,2 | 103,2 | 98,4  | 93,1  | 87,8  | 84,2  |
| International Reserves / External Debt services        | 360,9 | 404,1 | 393,9 | 411,9 | 363,2 | 327,2 | 304,4 |
| External Debt Services / Exports of goods and services | 35,5  | 30,4  | 29,1  | 25,7  | 27,1  | 27,6  | 28,1  |
| External Debt Services / GDP                           | 6,4   | 5,7   | 5,6   | 5,0   | 5,3   | 5,4   | 5,6   |

Source: BCB

The unemployment rate showed a reduction during 2021 and 2022. The unemployment rate recorded high values before the outbreak of COVID-19, which raised it to 14.9%. During 2021, a decline was observed, which continued during 2022 until reaching 8.5% (see Figure 9).

Figure 9. The ups and downs of the unemployment rates



Source: IBGE

## 1. Credit ratings

Brazil obtained its investment grade credit rating in 2008, to lose it after 7 years and keeping it relatively stable since then. As an emerging country, having an investment grade rating by a credit rating agency opens the possibility of accessing more funds in better financial conditions. The sovereign rating typically poses a ceiling to the credit rating of other agents of the economy, such as (for example) banks, corporates and subnational (states /provinces). Figure 10 reflects the moment where Brazil got its investment grade credit rating by the 3 main credit rating agencies (2008-2009), how all of them downgraded the rating to non-investment grade in 2015-2016 and the current credit ratings (equal or not far from the ones obtained just after being downgraded).

**Figure 10. Brazil's credit rating recent records**

|                              | Credit Rating Agency | Date   | Rating | Outlook  |
|------------------------------|----------------------|--------|--------|----------|
| <b>Got Investment Grade</b>  | S&P                  | Apr-08 | BBB-   | Stable   |
|                              | Fitch                | May-08 | BBB-   | Stable   |
|                              | Moodys               | Sep-09 | Baa3   | Negative |
| <b>Lost Investment Grade</b> | S&P                  | Sep-15 | BB+    | Negative |
|                              | Fitch                | Dec-15 | BB-    | Stable   |
|                              | Moodys               | Feb-16 | Ba2    | Negative |
| <b>Latest</b>                | S&P                  | Apr-20 | BB-    | Stable   |
|                              | Fitch                | Dec-22 | BB-    | Stable   |
|                              | Moodys               | Apr-22 | Ba2    | Stable   |

S&P: Standard & Poor's. BBB- and Baa3 are the first investment grade notches.

Source: each credit rating agency website

**In the case of S&P, the main factors for the credit rating are related to the potential increase in the fiscal deficit.** On the positive side, S&P highlights the resilient private consumption and favorable terms of trade that should lead to stronger-than-expected economic growth for Brazil, but long-term growth prospects remain low. The continued political pressure to increase social spending and a high interest burden contributes to consistently high fiscal deficits in 2022-2025.

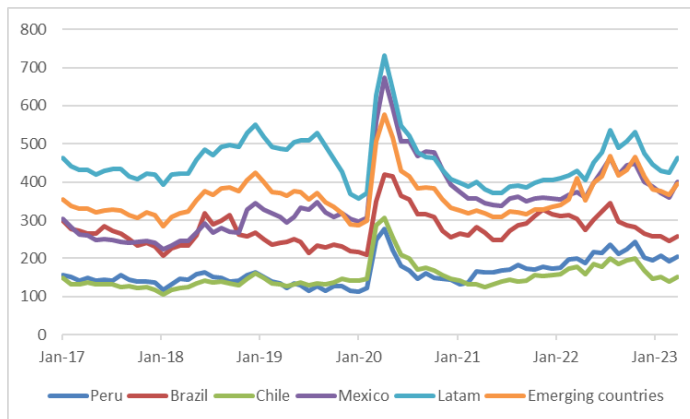
**Fitch affirmed (December 2022) Brazil's credit rating at BB.** This rating was supported by Brazil's large and diverse economy, high per-capita income, deep domestic markets that enable a high share of local-currency sovereign financing, and shock-absorption capacity underpinned by a flexible exchange rate, low external imbalances, and robust international reserves. The rating was constrained by high government indebtedness, a rigid fiscal structure, weak economic growth potential, and a record of governability challenges that have hampered efforts to address these fiscal and economic issues and clouded policy predictability.

**The stable outlook of Fitch's sovereign rating for Brazil reflects their expectations in terms of growth and fiscal performance.** Fitch expects growth will slow in 2023 and that recent fiscal improvement will erode under the new government, but within a margin consistent with the current rating, and from a better starting point than previously expected. Fitch's uncertainty is elevated regarding the plans of the incoming government (Lula da Silva's administration) and the extent to which these could ease or aggravate fiscal and economic challenges. However, Fitch does not expect policies that jeopardize broad economic stability.

**The spreads of the sovereign risk bonds of Brazil have been above other investment grade countries of the region but below Latam and emerging countries.** Measured by the spread of the EMBIG<sup>3</sup>, Brazil's sovereign bond has (by March 2023) a spread of 258 basis points (bp), compared with 204 of Peru and 152 of Chile (which have a credit rating of BBB and A respectively). Brazil's premium is below Mexico (another investment grade country of Latam), Latam and emerging countries average. Figure 11 shows the evolution of all these variables since January 2017.

**Figure 10. Brazil's compared performance of sovereign risk premium EMBIG. In bp**

<sup>3</sup> JP Morgan's Emerging Market Bond Index



Source: Banco Central de Reserva (Peru)

**The downside and upsides scenarios for Brazil Fitch's ratings are linked to the worse or better than expected fiscal results.** The rating reflects the complex institutional framework that anchors Brazil's macroeconomic fundamentals, which will likely continue to limit changes in key economic policies but also result in slow progress on addressing fiscal and economic rigidities that have led to poor GDP growth over the past 10 years. The rating is supported by Brazil's strong external position, a flexible exchange rate, and inflation-targeting monetary policy conducted by an autonomous central bank. The deep domestic capital and debt markets mitigate the sovereign's funding risk and allow the government to maintain a favorable composition of debt, mostly denominated in local currency.

**The long-term credit ratings of the major public owned banks are the same as the sovereign.** Banco do Brasil (BdB), Banco Nacional de Desenvolvimento Economico e Social (BNDES) and Caixa Econômica Federal (CEF) have a BB- credit rating of their long term foreign currency debt. In all cases, the ratings are linked to the Brazil's sovereign rating.

**In the case of BdB, the rationale for its rating is the shareholding control of the federal government, the relevant role of the bank in the implementation of economic policies (particularly rural credit), and its systemic importance, all of which derives in a high propensity for the Federal Government to support it.** BdB is the largest public financial entity and one of the main banks in Brazil (both in lending activities and deposits), as well as the largest asset manager in the country and leader in the agribusiness segment. Its asset quality remains relatively good (loans with 90 days arrear of 2.30%) although faces the risk of deteriorating given the economic uncertainty. BdB has improved its efficiency and margins (cost management measures with strong revenues due to greater credit diversification. Presents and adequate capitalization (11.9%), a diversified funding and stable liquidity.

## 2. Financial sector

**Around 39% of the whole banking sector's assets are explained by government owned banks.** There are 174 banks in total, with assets of R\$12.090 bn (102% of GDP, US\$ 2.290 bn). More than half (88) of the banks are domestic private owned, with R\$ 5.323 bn assets (44% of total), R\$1.718 bn of loans (37% of total), R\$ 2.879 bn of deposits and almost one third of total branches (6.014). Foreign owned banks (72) represent 17% and 15% of total assets and loans respectively, with 2.816 total branches. Finally, there are 14 government owned banks (commercial/universal and development), with R\$ 4740 bn (39% of total), R\$ 3.430 bn of loans (48% of total) and almost half of the total branches (see Figure 12).

**Figure 12. Breakdown of the banking sector**

As of September 2022

|                              | Number of entities | Assets        |             | Loans        |             | Deposits<br>R\$ bn | Number of     |                          |
|------------------------------|--------------------|---------------|-------------|--------------|-------------|--------------------|---------------|--------------------------|
|                              |                    | R\$ bn        | % of total  | R\$ bn       | % of total  |                    | branches      | Banking Services Outputs |
| Government owned banks       | 14                 | 4.740         | 39%         | 2.242        | 48%         | 3.430              | 8.731         | 1.871                    |
| Commercial/Universal         | 10                 | 3.959         | 33%         | 1.946        | 42%         | 3.179              | 8.718         | 1.871                    |
| Development                  | 4                  | 782           | 6%          | 296          | 6%          | 251                | 13            | 0                        |
| Domestic Private owned banks | 88                 | 5.323         | 44%         | 1.718        | 37%         | 3.879              | 6.014         | 2.566                    |
| Foreign owned banks          | 72                 | 2.027         | 17%         | 674          | 15%         | 1.345              | 2.816         | 1.580                    |
| <b>TOTAL BANKS</b>           | <b>174</b>         | <b>12.090</b> | <b>100%</b> | <b>4.634</b> | <b>100%</b> | <b>8.653</b>       | <b>17.561</b> | <b>6.017</b>             |

Source: BCB

**The three main government owned banks represent the bulk of the assets, loans, deposits and branches of the subsector.** The two federal public commercial banks (BdB, CEF) and the development bank (BNDES) are the largest governed owned banks. Other public financial institutions are owned by some states. BdB and CEF have 43% and 33% of total assets of the subsector respectively, with 84% of total branches (see Figure 13). The government owned banks intermediate most of the earmarked credit and are the main providers of medium and long-term finance (Figure 14 describes the increasing share of credit provided by government owned banks for loans with a term higher than 3 years). About 40% of the credit market is earmarked and the large majority of the earmarked credit flows through the public banks. CEF dominates the housing market with more than 70% of the market share, and BdB dominates the rural finance market. Figure 15 shows the relevance of different business lines for each of the 3 main government owned banks (as well as the rest of the bank in the subgroup).

### Figure 13. Breakdown of the government owned banking sector

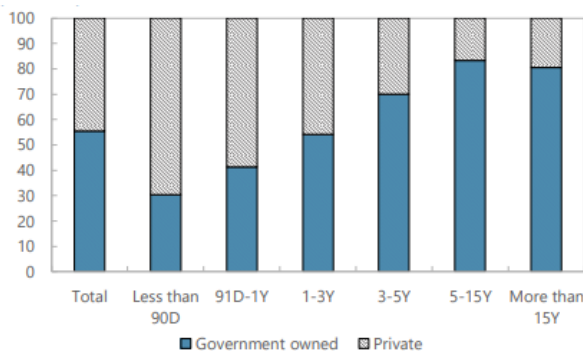
As of September 2022, in bn of R\$ and units

|   | Assets       |             | Loans        |             | Deposits<br>R\$ bn | Number of<br>Banking<br>Services<br>Outputs |                  |
|---|--------------|-------------|--------------|-------------|--------------------|---|------------------|
|   | R\$ bn       | % of total  | R\$ bn       | % of total  |                    | branches                                    | Services Outputs |
| <b>BANCO DO BRASIL S.A.</b>                                   | <b>2.050</b> | <b>43%</b>  | <b>824</b>   | <b>37%</b>  | <b>1.652</b>       | <b>3.984</b>                                | <b>631</b>       |
| <b>CAIXA ECONOMICA FEDERAL</b>                                | <b>1.561</b> | <b>33%</b>  | <b>977</b>   | <b>44%</b>  | <b>1.289</b>       | <b>3.373</b>                                | <b>921</b>       |
| BANCO DO ESTADO DO RIO GRANDE DO SUL S.A.                     | 113          | 2%          | 47           | 2%          | 89                 | 499   | 129              |
| BANCO DO NORDESTE DO BRASIL S.A.                              | 64           | 1%          | 14           | 1%          | 21                 | 296   | 2                |
| BANESTES S.A. BANCO DO ESTADO DO ESPIRITO SANTO               | 39           | 1%          | 7            | 0%          | 36                 | 99  | 54               |
| BANCO DA AMAZONIA S.A.  | 34           | 1%          | 18           | 1%          | 10                 | 119   | 0                |
| BANCO DO ESTADO DO PARÁ S.A.                                  | 15           | 0%          | 10           | 0%          | 13                 | 155   | 34               |
| BANCO DO ESTADO DE SERGIPE S.A.                               | 8            | 0%          | 4            | 0%          | 7                  | 65  | 9                |
| BRB - BANCO DE BRASILIA S.A. *                                | 37           | 1%          | 22           | 1%          | 32                 | 126   | 91               |
| BB-BANCO DE INVESTIMENTO S/A                                  | 37           | 1%          | 22           | 1%          | 32                 | 2   | 0                |
| <b>SUBTOTAL COMMERCIAL / UNIVERSAL GOVERNMENT OWNED BANKS</b> | <b>3.959</b> | <b>84%</b>  | <b>1.946</b> | <b>87%</b>  | <b>3.179</b>       | <b>8.718</b>                                | <b>1.871</b>     |
| <b>BANCO NACIONAL DE DESENVOLVIMENTO ECONOMICO E SOCIAL</b>   | <b>754</b>   | <b>16%</b>  | <b>275</b>   | <b>12%</b>  | <b>232</b>         | <b>5</b>                                    | <b>0</b>         |
| BANCO REGIONAL DE DESENVOLVIMENTO DO EXTREMO SUL              | 18           | 0%          | 15           | 1%          | 13                 | 4   | 0                |
| BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A.-BDMG            | 8            | 0%          | 6            | 0%          | 5                  | 2   | 0                |
| BANCO DE DESENVOLVIMENTO DO ESPIRITO SANTO S.A.               | 1            | 0%          | 0            | 0%          | 1                  | 2   | 0                |
| <b>SUBTOTAL DEVELOPMENT GOVERNMENT OWNED BANKS</b>            | <b>782</b>   | <b>16%</b>  | <b>296</b>   | <b>13%</b>  | <b>251</b>         | <b>13</b>                                   | <b>0</b>         |
| <b>TOTAL GOVERNMENT OWNED BANKS</b>                           | <b>4.740</b> | <b>100%</b> | <b>2.242</b> | <b>100%</b> | <b>3.430</b>       | <b>8.731</b>                                | <b>1.871</b>     |

\* Data as of June 2022

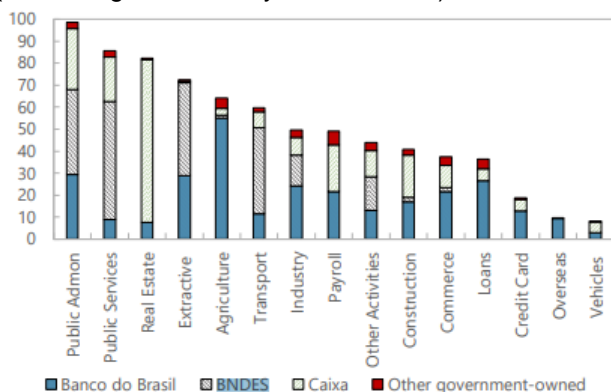
Source: BCB

**Figure 14: Market Share Government-owned Banks vs Private Banks Lending, by Maturity Percentage**



Note: Source: FSAP Brazil (2018)

**Figure 15: Market Share by Bank and Business Line (Percentage of credit by business line)**

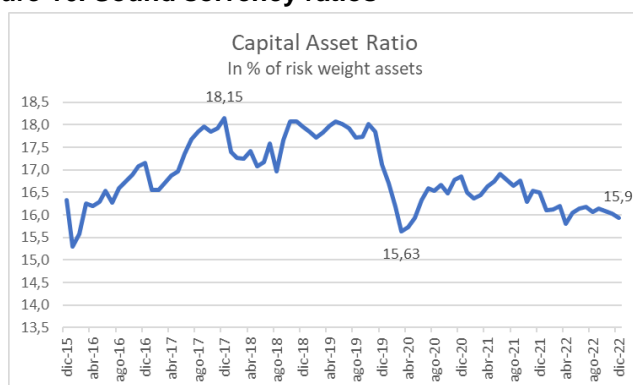


Source: FSAP Brazil (2018)

**The financial system shows strong solvency ratios.** The latest average capital to asset ratio (CAR) was 15.9% (compared with a minimum of 8.0% plus 2.5% of conservation capital buffer). Figure 16 shows the evolution of this prudential ratio in the last 7 years. The FSAP mentioned the issue of the deferred tax assets (DTA) and the potential impact on capital and solvency; these assets come from the differences between the timing when a provision is established by the bank and when it is actually allowed as an expenditure for tax purposes. As mentioned by the FSAP, Brazil (who is a member of the G20 and of the Basel Committee for Banking Supervision -BCBS-) has been assessed as fully compliant with the adoption of the Basel III solvency, liquidity and transparency standards<sup>4</sup>, which means the criteria for not deducting these DTA was accepted by the standard setting body (BCBS).

<sup>4</sup> [https://www.bis.org/bcbs/implementation/rcap\\_reports.htm](https://www.bis.org/bcbs/implementation/rcap_reports.htm)

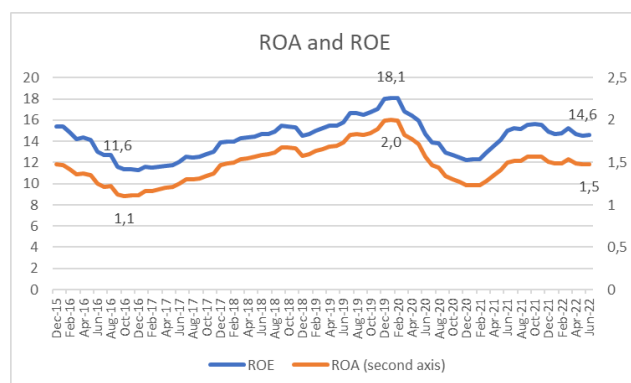
Figure 16. Sound solvency ratios



Source: BCB

**Banks profitability recovered from the fall in 2020.** The banking sector showed -by June 2022- figures for the Return on Equity (ROE) and Return on Assets (ROA) of 14,6% and 1,5% respectively. Results are highly correlated with the performance of the economic activity (see Figure 17, with the slowdowns in 2015-2016 and 2020). The profitability has been supported by prudent lending standards, high interest margins and fees (which allowed the absorptions of the increasing loan loss provisions during the economic downturn). The system is dominated by large, vertically integrated financial conglomerates and concentrated in liquid short-term instruments. The high margins in the non-earmarked credit market are a major economic challenge, due to high operating costs and loan loss provisions, bank concentration at the credit-product level, and cross subsidies to the earmarked lending program.

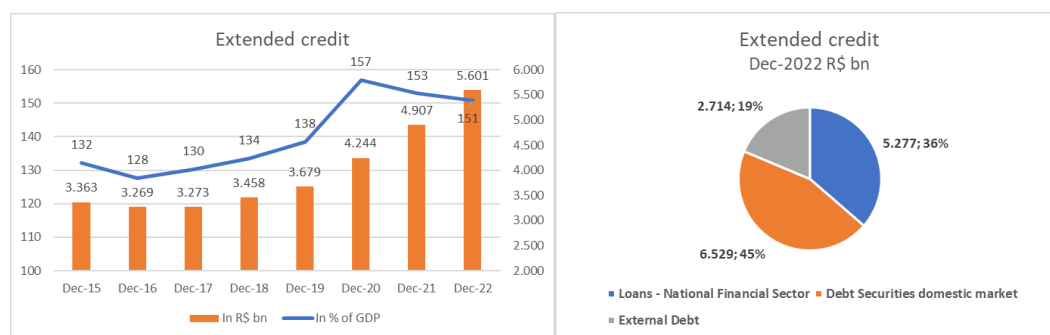
Figure 17. Bank's positive profitability indicators



Source: BCB

**The “extended” credit (a wide definition of aggregated credit) has experienced a significant increase in the last years.** This concept aggregates total loans from the national financial sector, total debt securities placed in the domestic market and total external debt, covering government, non-financial corporations and households. As shown by Figures 18, the extended credit moved from an average of R\$ 3.500 bn (130-140% of GDP) in December 2015 to R\$ 5.601 bn (151% of GDP) in December 2022. The second graph of the same figure reflects the relevance of both the national financial sector and the domestic capital market (45% and 36% of total extended credit).

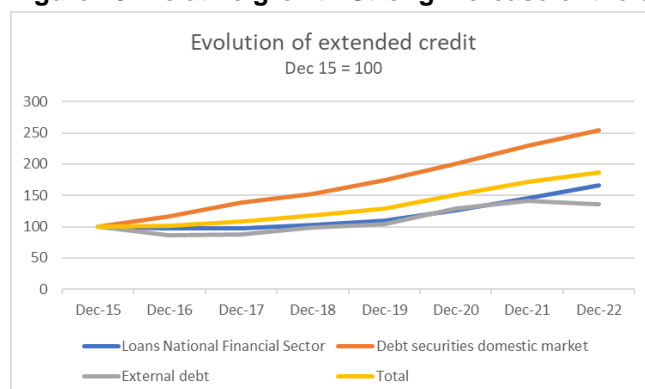
**Figures 18. Strong increase of the extended credit**



Source: BCB

**Although all extended credit components grew, debt securities were the ones that showed much higher growth.** Debt securities issued by the government moved from R\$ 2.180 bn in December 2015 to R\$ 5.198 bn in 2022 (138% increase). In the same period, loans from the national final sector grew 66% (from R\$ 3.363 bn to R\$ 5.277 bn), external debt 52% (from R\$ 1.263 bn to R\$ 1.914 bn), and total extended credit 87% (Figure 19 shows the comparative evolution of these variables). This performance of the debt securities issued by the government is the “flip side” of the fiscal deficit and the need to finance it via the domestic capital market.

**Figure 19. Relative growth Strong increase of the extended credit**



Source: BCB

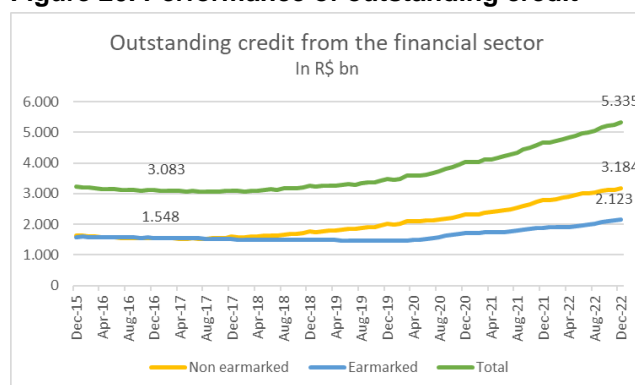
**Credit by the national financial system in Brazil must be analyzed considering the breakdown between the earmarked and the non-earmarked outstanding credit.** A significant share of the total outstanding credit (40% of the total) is earmarked (direct) credit, which involves a variety of ways from direct credit, often at subsidized rates, to preferred borrowers. On-budget fiscal subsidies are provided to reduce interest rates for some loans (which are the only costs explicitly recognized). The implicit subsidies provided by the below-market remuneration, for example of the National Program for Strengthening Family Farming (PRONAF) and of the National Program for supporting the Rural Producer (PRONAMP), are not explicitly reported, and interest rates on earmarked loans are (with a few exemptions) regulated and substantially below market rates (and have often been below the monetary policy rate).

**Special funds are used extensively to fund the directed credits as well as a share of demand and saving deposits.** The most relevant are the Workers Guarantee Fund (FAT), the Severance Indemnity Fund (FGTS), and Constitutional Funds. The funds receive a low remuneration allowing the financial intermediaries to lend at low rates. BCB’s regulations channel a share of demand, savings,

and rural savings deposits to housing, microcredit, and rural credit. In addition to using the special savings deposits with mortgage lending requirements, FGTS provides funding to CEF to on-lend at below market rates. The BCB has detailed regulations and supervision of the banks to ensure that the credit flows to the intended beneficiaries. A reform approved in 2018 for the interest rate charged by BNDES on its loans has progressively replaced the subsidized interest rate (“TJLP”) with the sovereign cost of funding (the “TLP”)

**Total outstanding credit has been consistently growing in the last 2 years, with a reduction in the participation of earmarked credits.** As of December 2022, total outstanding credit was R\$ 5.335 bn, with R\$ 2.123 bn earmarked credit (40% of total) and R\$ 3.184 bn of non-earmarked credit (see evolution of outstanding credit and its breakdown in Figure 20). They have experienced an accumulated growth since the end of 2019 of 33%, 26% and 37% respectively. The relative reduction in the participation of earmarked credit might be explained by, among other factors, the change (more marked aligned) in the interest rate charged on the credits from BNDES.

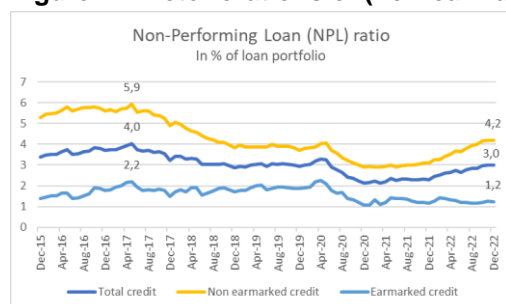
**Figure 20. Performance of outstanding credit**



Source: BCB

**The Non-Performing Loan (NPL) ratio has been deteriorating, explained by the relatively bad performance of non-earmarked loans.** December 2022 NPL figure for the total outstanding credit was 3,0%, with a ratio of 4,2% for earmarked loans and 1,2% for non-earmarked loans. As shown in Figure 21, the increase in the NPL was explained mainly by the deterioration of the non-earmarked NPL ratio. NPL ratio are below the levels observed in 2016 and 2017 after the last recession.

**Figure 21. Deteriorations of (non-earmarked) NPL**



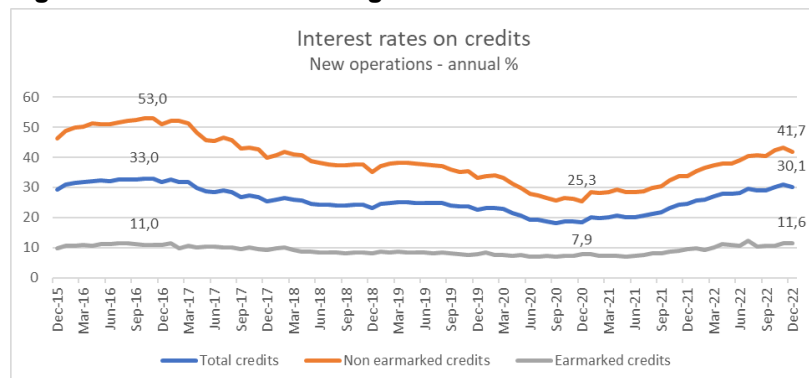
Source: BCB

**Although interest rates for all types of new loans have been increasing, the ones for non-earmarked loans have done it to a much greater extent.** Interest rates for non-earmarked new loans moved -on average- from 25% by the end of 2020 to almost 42% in December 2022. In the same 2 years, the interest rates for earmarked new loans passed from 7,9% to 11,6% (see Figure 22). The main reasons for such a difference (not only in the level but also in the increase in the non-earmarked new loans’ interest rate) is the fact that most earmarked loans have regulated interest rate, and -consequently- the strong increase in the SELIC and rest of interest rates have fully impacted mainly to



the non-regulated (non-earmarked) new loans. The importance of the earmarked credit (40% of total outstanding credit) with a regulated rate has implications in the monetary policy: the tightening of it by the BCB has had to operate through a narrower credit channel—the free (non-earmarked) market—thus leading to greater volatility in the free-market interest rates.

**Figure 22. Differences among interest rates of credits**



Source: BCB

**There are significant differences in the average terms of credits between non-earmarked and earmarked loans, except for loans to the rural sector.** While the average term for total credit is 55 months, the non-earmarked credits have an average term of just 21 months and the earmarked presents an average term 4.5 times higher (96 months). In the case of earmarked loans to the rural sector, the average term of 16 months is not only below the average for total earmarked but also shorter than the average for non-earmarked loans. Most of the rural credit is for short-term working capital financing, with limited longer term investment financing, which is critical to support agriculture expansion, and particularly sustainable agriculture. Long term financing is low, due to several reasons, including inter-alia, the historic macroeconomic volatility, banks' lack of long-term funding, and farms' difficulty to comply with environmental regulations. As shown in Figure 23, these average terms have not experienced significant changes in the last years.

**Figure 23. Average term of credits for different type of loans**

In months

|               | Total     | Non-earmarked | Earmarked |              |
|---------------|-----------|---------------|-----------|--------------|
|               |           |               | Total     | Rural sector |
| Dec-17        | 52        | 19            | 81        | 18           |
| Dec-18        | 53        | 20            | 86        | 19           |
| Dec-19        | 53        | 20            | 91        | 16           |
| Dec-20        | 55        | 22            | 94        | 14           |
| Dec-21        | 55        | 21            | 97        | 13           |
| <b>Dec-22</b> | <b>55</b> | <b>21</b>     | <b>96</b> | <b>16</b>    |

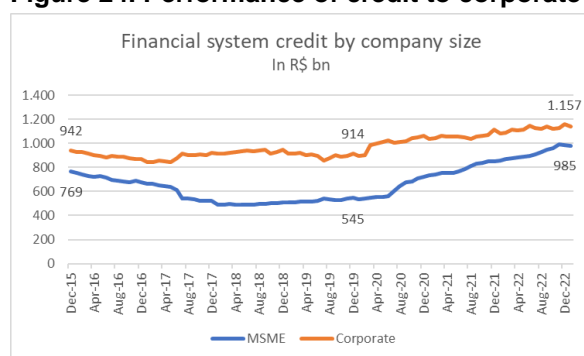
Source: BCB

**An IMF paper (2018) -and others- criticized the distortions created by credit market interventions in Brazil, although they also emphasized the improvements implemented in the last years to correct them.** An IMF paper (2018) reflects these aspects: “credit market interventions in Brazil have not delivered the economic benefits they were designed for and have led to high fiscal costs” ... “Among firms, directed credit tended to benefit older, lower-risk, and larger firms, and it was used to promote

national champions” ... “Recent reforms, most notably the long-term rate (TLP) reform<sup>5</sup>, address the pricing of directed credit, reducing the embedded subsidies. Reducing the subsidies will not only alleviate fiscal costs and improve monetary transmission but will also reduce the resistance to steering the credits away from powerful vested interests that receive them. Financial sector reforms are needed for both directed credit schemes and the free market, which continues to function poorly”.

**Although total credits to corporate are higher than micro, small and medium enterprises (MSME), the gap has been declining in the last 2 years.** As of December 2022, corporate loans account for R\$ 1,157 bn, 17% higher than the R\$ 985 bn for MSME. By December 2019 they were R\$ 914 bn and R \$545 bn respectively (see Figure 24), representing a 67% difference between them. In December 2015 the gap was 22%. The reduction in the gap could be linked to the impact on loans to corporations from corruption scandals as well as an improvement in the capacity of banks to attend the MSME sector.

**Figure 24. Performance of credit to corporate vs MSME**

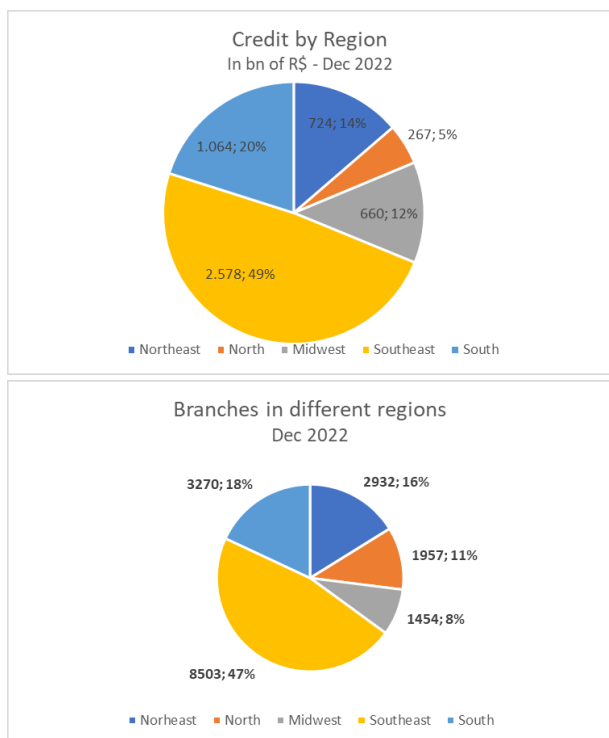


Source: BCB

**There is a high concentration of credit and branches in the southeast and south regions compared with a much lower presence in the north, midwest and northeast regions.** While total credits in the south and southeast regions are 69% of total, the north region has only 5%. In the case of branches, the 2 southern regions have 2/3 of the total while the midwest has only 8% and the north 11% (see Figures 25). Although this distribution might reflect the concentration in population and economic activity, there is evidence that financial inclusion and penetration in the north and midwest regions are lower compared with the southern ones.

<sup>5</sup> 1The Taxa de Longo Prazo (TLP) reform introduces market-based pricing to replace the regulated Taxa de Juros de Longo Prazo (TJLP) interest rate. The TJLP rate applies to about two-thirds of earmarked credit for firms and about one-third of all earmarked credit.

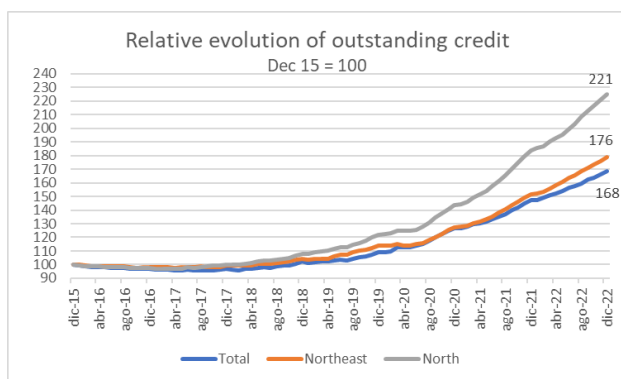
**Figures 25. The concentrated distribution of branches and credit by region**



Source: BCB

**Total credit in the north and northeast regions have been growing faster than the rest of the regions.** As shown in Figure 23, since 2015 with some speed up in the last 2 years, the credit to the northern regions have increased above the rest of the regions. In nominal terms, since December 2015, the credit to the north region and the northeast regions showed a 121% and 76% accumulated increase respectively, compared to a accumulated growth of 68 for the total credit (see Figure 26).

**Figure 26. The credit “catchup” of the North and Northeast regions**



Source: BCB

**The north and northeast regions have consistently higher NPL ratios compared to the other regions.** The north and northeast regions had (as of December 2022) NPL ratios of 3,2% and 4,0% compared with 2,3%, 2,7% and 2,1% of the midwest, southeast and south regions respectively. These differences have been present in the last year (see Figure 27).

**Figure 27. Higher Non-Performing Loan figures for the northern regions**

In % of loan portfolio

|        | North      | Northeast  | Midwest    | Southeast  | South      |
|--------|------------|------------|------------|------------|------------|
| dic-18 | 3,2        | 3,2        | 2,6        | 2,6        | 2,2        |
| dic-19 | 3,6        | 3,7        | 2,4        | 2,6        | 2,2        |
| dic-20 | 2,2        | 2,7        | 1,7        | 1,9        | 1,6        |
| dic-21 | 2,5        | 3,1        | 1,8        | 2,1        | 1,7        |
| dic-22 | <b>3,2</b> | <b>4,0</b> | <b>2,3</b> | <b>2,7</b> | <b>2,1</b> |

Source: BCB

**Brazil has shown improvements in some key financial inclusion indicators.** According to the 2021 Findex survey<sup>6</sup>, 84% of respondents age 15 years + who reported having an account (by themselves or together with someone else) at a bank or another type of financial institution, showing an increase compare to the 2017 and 2014 figures (70% and 68% respectively). On the borrowing side, the percentage of respondents who (in 2021) reported borrowing any money from a bank or another type of financial institution or using a credit card in the past year was 41%, above the percentages observed in the previous surveys (see Figure 28). Brazil's compares well with the average for upper middle-income countries (similar figures for accounts are higher figures for borrowings).

**Figure 28. Financial inclusion indicators**

|                                      | Year        | Account (% age 15+) | Borrowed from a formal financial institution (% age 15+) |
|--------------------------------------|-------------|---------------------|--|
| <b>Brazil</b>                        | 2014        | 68%                 | 34%  |
|                                      | 2017        | 70%                 | 26%  |
|                                      | <b>2021</b> | <b>84%</b>          | <b>41%</b>   |
| <b>Upper middle income countries</b> | 2014        | 71%                 | 22%  |
|                                      | 2017        | 72%                 | 22%  |
|                                      | <b>2021</b> | <b>84%</b>          | <b>35%</b>   |

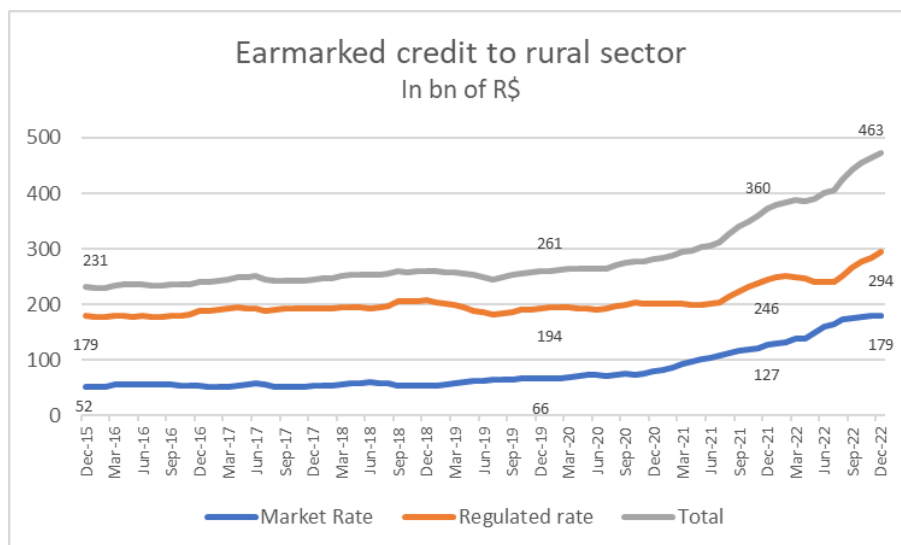
Source: Global Findex 2021 (World Bank)

**3. Credit to the rural sector**

**Earmarked loans to the rural sector have been growing above total earmarked loans, with a reduction in the share of those that were granted with regulated interest rate.** Total earmarked loans to the rural sector experienced a significant increase from R\$ 231 bn in December 2015 to R\$ 360 bn in December 2021 and R\$ 463 bn in December 2022 (see Figure 29), increasing the share in total earmarked from 15% to 22%. In the same period (end of 2015 versus end 2022), the share of earmarked credit to the rural sector granted with regulated interest rates in terms of the total earmarked credit to the rural sector decreased from 78% to 62% (there was an increase in the share of earmarked credit to rural sector granted with market interest rate).

<sup>6</sup> Global Findex Database is a source of data on global access to financial services from payments to savings and borrowing managed by the World Bank. The 2021 edition was based on nationally representative surveys of about 128,000 adults in 123 economies.

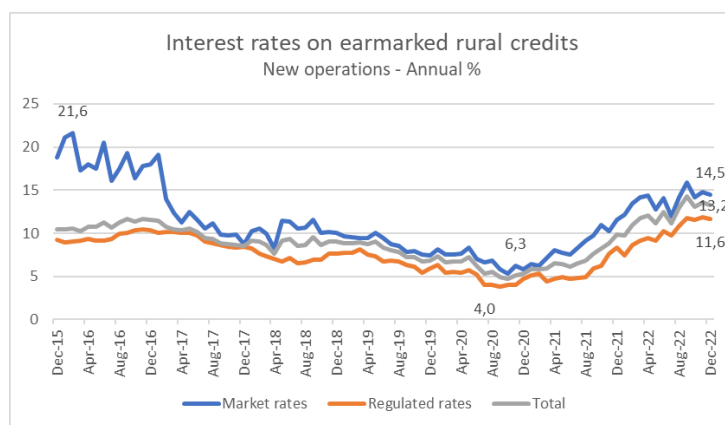
**Figure 29. Evolution of earmarked credit to rural sector**



Source: BCB

The interest rates of earmarked rural credit showed a significant increase from the minimum observed during mid-2020. As shown in Figure 30, the average annual interest rate for earmarked credit to the rural sector was 13,2%, composed by 14,5% for market rates and 11,6% for regulated rates (the small difference between the two interest rates is striking, which could reflect certain distortions in setting the market rate).

**Figure 30. Evolution of earmarked credit to rural sector**



Source: BCB

Public banks<sup>7</sup> play a key role in the provision of credit to rural sector, specially to the medium and small size farmer and in the northern regions. According to a World Bank Note<sup>8</sup>, in 2017, nearly 71% of all rural credit contracts were financed by public banks, representing 55% of the total volume of rural credit. The market share of public banks was particularly large for small and medium-sized farms. Public banks account for more than 60% of the total loan volume for small farms and 80% for medium sized farms. In 2017, they provided 84 percent of all small loans with a volume of less than R\$10,000.

<sup>7</sup> BdB, Banco do Nordeste, Banco da Amazonas, CEF, as well as BNDES.

<sup>8</sup> Brazil Rural Finance Policy Note, World Bank (2020).

Public banks have the largest market share in the north and northeast, where they account for more than three-quarters of the total lending volumes. In contrast, their market share is less than 50% in the southeast. Among the public banks, BdB dominates the rural credit market, with a market share of 46 percent in 2017<sup>9</sup>. Loans extended by public banks also have the highest average maturity (45 months)

**One key player for the disbursement of funds for earmarked credit is BNDES.** Historically, BNDES<sup>10</sup> offered subsidized loan rates that were sometimes out of line with those offered by the private sector. The large-scale provision of subsidized rates hampered the development and deepening of private sector credit markets, in addition to imposing significant costs on the public sector accounts. Moreover, recent evidence suggests that these subsidized loans were frequently directed to households and corporations that faced easier credit constraints than their peers, instead of being directed to those who would have had greater difficulty in accessing credit through more standard and market-based channels. Legislative changes have, however, established a new framework for credit provision by the BNDES (since 2018, all new loans feature rates referenced by public sector bond rates). This change has allowed BNDES to focus on activities where market incompleteness is more severe, such as long-term infrastructure projects. Most importantly, the alignment of public and private sector rates has significantly reduced the fiscal burden of the previous loan arrangements. This shift in the role of the public sector in credit markets is only one of many measures taken to improve the public accounts and enhance credit markets.<sup>11</sup>

**The share of foreign funding on the total funding sources of BNDES is relatively low.** Total funding sources of BNDES was (as of September 2022) R\$ 659,2 bn, of which only R\$ 29 bn (5%) was foreign funding<sup>12</sup>. The bulk of BNDES' funding is the FAT (R\$ 364 bn, 55%), followed by shareholders' equity and National Treasury (see Figure 31).

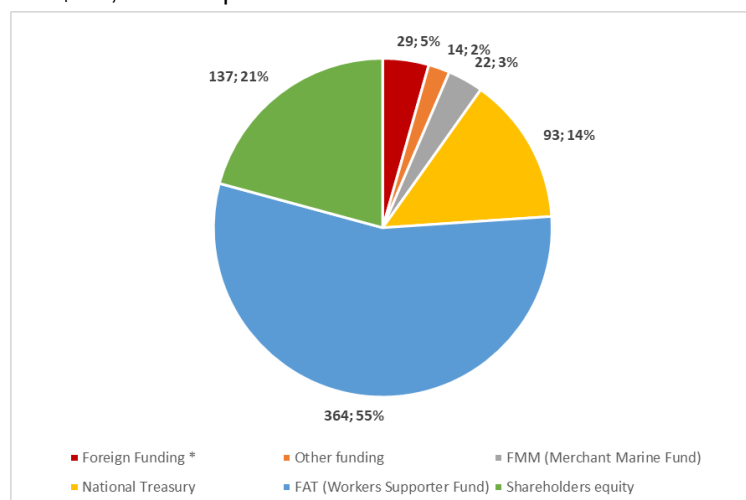
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<sup>9</sup> BdB's market share is especially high in the south and southeast, whereas in the north and northeast regions, Banco da Amazônia and Banco do Nordeste are the main suppliers of credit.

<sup>11</sup> "Financial market development, monetary policy and financial stability in Brazil", (BIS, 2019).

<sup>12</sup> Multilaterals accounts -as of Sept 2022- for R\$ 20,7 bn, including Inter-American Development Bank (IDB), Japan Bank for International Cooperation (JBIC), Kreditanstalt für Wiederaufbau (KfW), Nordic Investment Bank (NIB), China Development Bank (CDB), Agence Française de Développement (AFD), Swedish Export Credit Corporation (SEK) and Instituto de Crédito Oficial (ICO).

**Figure 31. Founding sources of BNDES**  
In R\$ bn, as of September 2022.



Source: BNDES webpage

**Annual disbursement of BNDES system have been relatively stable and above their participation in the total.** The BNDES system provided -in the last 5 years- R\$ 15-20 bn to the agricultural sector, which represented 23-25% of total disbursement of BNDES (see Figure 32). In terms of stocks, total loans of BNDES to the agro-industrial sector accounts for R\$ 75 bn, 16,5% of total. This share has been increasing in the last years (see Figure 33).

**Figure 32. BNDES´ system annual loan disbursements**  
In bn of R\$

|         | Total | Agricultural | Agricultural/Total |
|---------|-------|--------------|--------------------|
| Dec-16  | 88,3  | 13,9         | 15,7%              |
| Dec-17  | 70,8  | 14,4         | 20,3%              |
| Dec-18  | 69,3  | 14,7         | 21,2%              |
| Dec-19  | 55,3  | 15,9         | 28,7%              |
| Dec-20  | 64,9  | 16,6         | 25,6%              |
| Dec-21  | 64,3  | 16,7         | 26,0%              |
| Sep-22  | 62,9  | 14,8         | 23,6%              |
| Dec-22* | 83,8  | 19,8         | 23,6%              |

\* Jan-Sep 2022 annualized

Source: BCB

**Figure 33. BNDES´ system stock of credit**

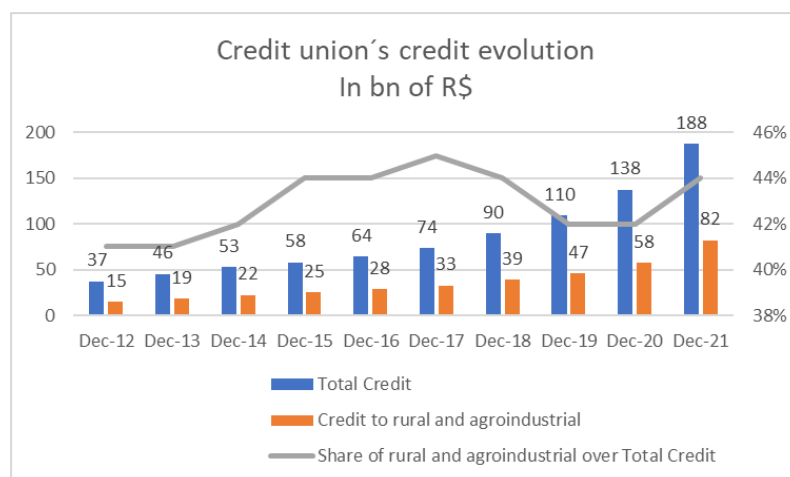
|        | Natural persons |       | Legal persons  |       | TOTAL          |       | Agroindustrial / Total |
|--------|-----------------|-------|----------------|-------|----------------|-------|------------------------|
|        | Agroindustrial  | Total | Agroindustrial | Total | Agroindustrial | TOTAL |                        |
| Dec-20 | 56              | 57    | 12             | 389   | 67             | 446   | 15,1%                  |
| Dec-21 | 56              | 57    | 12             | 374   | 69             | 431   | 15,9%                  |
| Dec-22 | 61              | 62    | 14             | 395   | 75             | 457   | 16,5%                  |

Source: BCB

**Credit unions also play a key role in the provision of credit to the agro-industrial sector.** There are more than 800 singular credit unions and 35 central cooperatives (second level institutions that provide services as well as perform limited auxiliary supervision). Credit unions typically serve smaller clients, representing (as of 2017) 21% of contracts, but account for less than 15 percent of the loan

volume. Credit unions are an important source of credit for small farms (they are predominantly active in the south and southeast, which are home to 80% of all credit (in 2017 they provided 22 percent of loan volume to small farms). Total credit unions' loan accounted (as of December 2021) R\$ 188 bn, showing a continuous and consistent growth (compared to the performance of bank loans, which have shown some ups and downs). The share of the stock of loans to rural and agro-industrial over total loans of credit unions was around 44% (see Figure 34). Credit unions are regulated and supervised by BCB (there is a specific Department in charge of supervising them) and their main source of funding are their members' deposits (some of them have access to external funding<sup>13</sup>).

**Figure 34. The increase of credit union in the rural and agro-industrial credit**



Source: BCB

#### 4. Diagnosis and recommendations on the rural finance policy

**A World Bank policy note<sup>14</sup> made an in-depth analysis and proposed recommendations to strengthen the rural financial policy for Brazil. The table below (extracted from the Executive Summary of the policy note) describes the main ones:**

|  |
|--|
| Government support for the agriculture sector in Brazil has been limited but focused mainly on rural credit as a policy tool.  |
| The government programs are funded through a complex system of mandatory lending quotas and direct and indirect public subsidies.  |
| The rural programs provide only limited funding for low-carbon agriculture, which is key for a structural transformation of agriculture to more sustainable practices.   |
| Access to credit for the agricultural sector is limited and concentrated.  |
| The majority of rural credit is for short-term working capital financing, with limited longer term investment financing, which is critical to support agriculture expansion, and particularly sustainable agriculture. |
| Empirical analysis shows that government-driven lending through public banks (half of rural credit lending volume in the country) is concentrated in a small number of large and more established farms.               |

<sup>13</sup> An example is SICREDI (green bond from IFC; 30 percent stake by Rabobank).

<sup>14</sup> Brazil Rural Finance Policy Note, World Bank (2020).



|   |
|---|
| New evidence suggests that a large portion of public banks' credit is allocated to firms that may not have constraints in access to finance.  |
| The current public programs should be redesigned to reach their intended objectives.  |
| While the fiscal costs appear modest, especially since the rural credit programs are the main source of the government's support to the agriculture sector, the programs create large distortions for the financial sector and come at costs for all Brazilians.  |
| The increasing importance of the challenges of climate change-related risks in Brazil makes it necessary to foster the supply of well-designed insurance and risk management instruments.   |
| The risk management programs face important challenges that limit the authorities in implementing a comprehensive risk management and cost-effective risk financing approach.   |
| It recommends limiting agriculture credit policies to the segments that most need them, redirect public subsidies to support critical positive externalities, and strengthen risk financing instruments that would make access and terms of agriculture credit more favorable   |
| Proposed reforms in four key areas:<br><ol style="list-style-type: none"> <li>1. Reform of lending programs for family farms</li> <li>2. Reform of interest rate controls and subsidies for lending to medium and large farms</li> <li>3. Reform of financial instruments to manage risks</li> <li>4. Reform of coordination and monitoring frameworks, and improve data for agriculture finance</li> </ol> |

## 5. Financial sector oversight and financial stability

**Brazil's banking industry is stringently regulated and closely supervised by authorities, acting in a well-designed framework that helped mitigate the impact of the global financial crisis.** Reforms enacted in the wake of the country's own economic and financial crisis in the 1990s helped create a more solid financial system that was better equipped to withstand external shocks. As a result, Brazil has not seen the regulatory overhaul that has been applied in many countries since the 2007-2008 crisis. The banking sector is still primarily governed by the 1964 law that established the country's modern financial system.

**Banking sector policy is driven by the country's National Monetary Council (CMN), which is the highest authority in the financial system.** The Council is made up of the Minister of Finance, the Minister of Planning, Development and Management and the governor of the *Banco Central do Brasil* (BCB). It meets monthly to assess financial stability and determine monetary policy. The CMN does not have supervisory powers, but issues guidelines that apply to the entire financial services sector. One of its benchmark policies since 2005 has been to set an inflation target of 4.5% (with a tolerance margin of plus or minus 1.5 percentage points), although in June 2017 this was cut for the first time in over a decade to 4.25% for 2019 and 4.00% for 2020.

**Two supervisory authorities are linked to CMN: the BCB and the Securities and Exchange Commission (CVM).** The BCB has to ensure compliance with the CMN regulation, by conducting the monetary, credit and exchange rate policies, and monitoring and supervising financial institutions under its jurisdiction. BCB is only responsible for supervising companies and entities identified in legislation that expressly grants this authority to the Institution.

**The CMN is the primary regulator of the national financial system, which issues rules, defines monetary policy and lays out general guidelines for operations.** Under the CMN there are two supervisory bodies, covering banking (BCB) and securities (CVM). For the private insurance industry and for the closed pensions fund industry there are specific councils for normative purposes and

supervisory entities for their supervision (see Figure 35).

**Figure 35: Regulatory and supervisory architecture**

|                      | Money, credit, capital and foreign exchange markets | Private insurance industry                              | Closed pension funds industry   |  |
|----------------------|---|---|---|--|
| Normative Boards     | <p><b>CMN</b><br/>National Monetary Council</p>     | <p><b>CNSP</b><br/>National Council of Insurance</p>    | <p><b>CNPC</b><br/>National Council for Complementary Social Security</p> |  |
| Supervisory entities | <p><b>BCB</b><br/>Banco Central do Brasil</p>       | <p><b>CVM</b><br/>'Brazilian Securities Commission'</p> | <p><b>Susep</b><br/>'Superintendence of Private Insurance'</p>            | <p><b>Previc</b><br/>'National Superintendency of Complementary Social Security'</p> |

Source: BCB

**As primary supervisor, the BCB's main responsibilities include the authorization and supervision of financial institutions, regulation of foreign exchange and the market for government debt, imposition of sanctions for non-observance of the applicable regulations applicable.** The BCB also supervises the operations of the Housing Finance Scheme and the Subsidy Program for Housing of Social Interest, monitors foreign exchange and regulates the country's payments system. Financial institutions must seek authorization from the BCB to be able to operate in Brazil. Licenses are issued in accordance with the specific activity to be performed by the institution. Most institutions operating in the main commercial bank categories must also be registered as a type of joint-stock company (known as a *sociedade anonima*) and are, therefore, regulated by the country's Corporation Law. The incorporation or acquisition of financial institutions by foreign companies or individuals must also be approved by a presidential decree that establishes the national interest in granting such a license.

**The financial system monitoring process is carried out from the macroprudential and microprudential perspectives.** The first one is focused on the identification and evaluation of vulnerabilities that may impact the National Financial System, while the second one is aimed at monitoring the risks to which the supervised financial entities are exposed, as well as the compliance to operational and prudential limits.

**In the last years, the monitoring process has been widening its boundaries.** Financial stability assessment has been taking into consideration risks arising not only from inside the traditional banking system, but also from outside the banks' balance sheet. Through bilateral agreements, the BCB has initiated data sharing with other financial regulators (CVM, Susep and Previc) with the purpose of achieving a more comprehensive assessment of the financial system stability.

**The BCB collects information from the supervised entities and from a variety of other sources, as well.** These sources include trade repositories (TR), external auditors, rating agencies, government entities, private sector non-financial entities, other regulators and international agencies. Privately-operated TRs cover a range of transactions including private and government bonds, equities and others. The BCB verifies data accuracy by crossing information among different sources of data.

**The microprudential monitoring approach focuses on assessing the economic and financial situation as well as other risk factors of individual institutions and conglomerates, in order to**

**protect depositors and creditors and to mitigate risks originated from their activities to the stability of the financial system.** Through a comparative approach, it includes analysis of balance sheets; operational limits and solvency; credit, liquidity and market risks; as well as their performance on the credit, securities, derivatives and foreign exchange markets. Early warnings are sent to the on-site supervision if any discrepant condition may represent risk to the monitored institution or the BFS's stability.

**Under the macroprudential monitoring the financial system is monitored and analyzed as a whole, in an integrated manner.** It covers products, segments, markets (credit, securities, derivatives and foreign exchange), and the associated risks that may arise from these contexts. It identifies vulnerabilities or events that represent potential risks to the stability and normal operation of the biggest financial institutions (the systemic risk). Besides focusing on the financial system, the monitored universe also encompasses other agents: households, nonfinancial companies and other entities operating in the financial system and the external sector. Relevant information and eventual identified issues are reported to the Financial Stability Committee (Comef) and disclosed to the public through the Financial Stability Report (FSR, or REF in Portuguese).

**The Minutes of the last Comef meeting<sup>15</sup> highlighted the sound situation of the national financial system and mentioned some points of attention.** According to Comef, the growth of broad credit slowed down in the different modalities; provisions remain adequate, above expected loss estimates; capitalization and liquidity of the SFN were preserved above prudential requirement levels; a significant portion of the provisions made in the FIs' balance sheets in the last quarter of 2022 is due to a specific event related to a large company.; stress tests' results show that the system is resilient. Regarding the points of attention, the Comef concluded that the risk appetite of the financial institutions in lending to households and smaller enterprises decreased but remains high; isolated events in large companies generated a deterioration in asset prices in the corporate bond market; high inflationary persistence raises the prospect of a more prolonged monetary tightening in advanced economies.

**The stress tests conducted by the BCB comprise macroeconomic stress tests, sensitivity analysis to relevant risk factors, and a contagion analysis.** These simulations aim to estimate potential losses and capital shortfalls in the banking system stemming from extreme adverse, but plausible, scenarios. The sensitivity analysis assesses the individual effects of credit or market risk factors that might affect the regulatory capital of institutions, causing eventual capital shortfalls. The BCB also conducts direct inter-financial contagion evaluations, which include all financial entities authorized by the BCB – except for credit unions and consortiums managers – and all direct inter-financial exposures.

**The Note on Stress Testing and Systemic Risk Analysis for Brazil performed by the last (2018) Financial Sector Assessment Program (FSAP)<sup>16</sup> emphasized the resilience of the financial sector through the severe recession.** The note mentioned the banking sector has continued to be well-capitalized, profitable, and liquid. The profitability has been supported by prudent lending standards, high interest margins and robust fee income, despite record loan losses. Outstanding nonperforming loans have increased marginally during the recession largely because banks have actively written off bad loans. The investment fund industry has also been solid, enjoying a steady

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<sup>15</sup> 52<sup>nd</sup> meeting held on March 1<sup>st</sup> and 2<sup>nd</sup> 2023.

<sup>16</sup> The FSAP is a comprehensive and in-depth assessment of a country's financial sector. FSAPs in emerging economies are conducted by the IMF (with a focus on assessing the resilience of the financial sector, the quality of the regulatory and supervisory framework, and the capacity to manage and resolve financial crises) and the World Bank (covering the financial development assessment). Based on their findings, FSAPs produce recommendations of a micro- and macro-prudential nature and on developmental needs in developing and emerging market economies, tailored to country-specific circumstances.

growth of assets under management without experiencing net outflows, in aggregate, during the recession.

**The capital and liquidity stress tests performed by the BCB have shown a strong resilience of the financial sector to negative shocks.** The November 2022 FSR of the BCB described there are no relevant banks non-compliances with the solvency regulatory requirement in adverse macroeconomic scenarios (stress tests conducted by the biggest banks corroborated these findings). Sensitivity analyses also show good resistance to isolated simulated factors, in addition to the stability of results compared to previously performed tests. The liquidity stress test indicates a comfortable amount of liquid assets in the event of cash outflows in adverse conditions or shocks to market parameters in the short term.

**The Note on the Basel Core Principles for Effective Banking Supervision (BCP)<sup>17</sup> of the 2018 FSAP noted the BCB has shown a determined commitment to enhancing its standards and practices of banking supervision.** The Note mentioned that changes in the thinking and practices of the BCB's supervision were not limited to responses to the demands of the international regulatory reform agenda. According to the Note, the BCB has been guided by the principle of integration, both in terms of the expectations that it places on its own internal operations but on the standards, it expects the financial institutions to meet in governing their own risks and activities. Some other developments highlighted by the Note included boosting staff levels in conduct supervision, introducing a form of twin peaks, contagion risk analysis, and the prudential conglomerate approach.

**The main recommendations from the 2018 FSAP were related to micro and macroprudential institutional arrangements, systemic risk, financial sector oversight, crisis management and bank resolution, financial integrity, financial intermediation efficiency and reform of public banks.** Some examples of these recommendations were: (a) establish a multi-agency high-level committee, with explicit mandate for macroprudential policy and the power to issue policy recommendations on a comply-or-explain basis; (b) strengthen the crisis management institutional arrangements for inter-agency cooperation and exchange of information, including for contingency planning; (c) strengthen legal protection of all supervisors (BCB, SUSEP) by clear rules, including fixed term, condition of dismissal, public disclosure of reasons for dismissal and qualification criteria for appointments. Strengthen the independence to the BCB.; (d) Increase resources of CVM and SUSEP; (e) use Pillar 2 capital requirements to handle bank-specific risk profiles to boost their resilience as needed and to mitigate risks; (f) Upgrade banking sector's regulatory and supervisory approach to credit risk; (f) Strengthen enforcement function of CVM by raising the level of sanctions; (g) implement (BCB, ANS and SUSEP) consistent group-wide supervision of insurance groups and conglomerates; (h) foster competition through client mobility and financial product cost transparency and comparability; (i) change product offering of BNDES under new strategy with focus on catalyzing private sector finance and developing the financial sector; (j) focus Caixa on core activities, improve governance, and invite a strategic investor.

**A complementary law was enacted for the clarification of the objectives of the BCB, the reinforcement of its autonomy and strengthening the appointment and dismissal rules for its President and board members.** Law 179 of February 2021 established the fundamental objective of the BCB is to ensure price stability and without prejudice to its fundamental objective, it also has the objectives of fostering the stability and efficiency of the financial system, smoothing fluctuations in the level of economic activity, and promoting full employment. The targets for monetary policy shall be set by the NMC, and the BCB shall be solely responsible for conducting monetary policy as necessary to

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<sup>17</sup> The BCP (developed by the Basel Committee on Banking Supervision) is a standard including the minimum requirements in the supervision of all banking organizations within a jurisdiction. It includes an assessment methodology and rating criteria.

achieve those targets. Defines the BCB as a special nature agency characterized by the absence of ties or hierarchical subordination to any Ministry, by its technical, operational, administrative, and financial autonomy, by the term appointment of the members of its governing body and security from dismissal during their terms of office. Finally, the new law sets up the nomination, appointment, dismissal and terms of the President and board members of the BCB.

## 6. Preliminary conclusions

The preliminary conclusions are:

- **The macroeconomic performance of Brazil has been relatively good in the last years.** After suffering the recession of 2015 and 2016, as well as the impact of the pandemic (2020), the GDP returned to positive figures. The CBC managed to promptly react to raising inflation, adjusting upwards the reference interest rate (SELIC).
- **The external figures have shown improvements.** There is a sustained trade surplus (benefited from the records of commodities prices), with current account deficits financed by growing foreign direct investment. The different indicators of the Brazilian external debt reflected an improvement of it.
- **The non-investment grade credit rating of Brazil affects its capacity to attract long term funding at low cost.** The downside and upsides scenarios for Brazil's ratings are linked to the worse or better than expected fiscal results.
- **The financial system is well regulated and supervised.** There are currently no major concerns in terms of financial stability in Brazil. There is a strong institutional framework for both micro and macroprudential supervision.
- **Public owned banks play a relevant role in financing the rural sector.** This is the case especially in the northern regions.
- **The distribution of credit, branches and quality of the credit portfolio presents significant differences per region.** The north and northeast regions have less credit and branches, as well as higher NPL figures.
- **The regulations in the earmarked credit market might affect the appropriate access to rural credit.** This is the case especially for the small rural producers/families as well as the involvement of private banks in this segment of the market. The distortions created by not well-designed regulations and rural programs might include, among others, the reduction of the appetite to invest in the credit process of rural credit and the bad (inefficient) use of public money.
- **The rural programs related to the rural sector as well as the regulations of the earmarked credit segment should be redesigned.** The mechanism should include an appropriate diagnosis per region, consider the incentives and impact of the policies to be designed and relevant impact studies to understand and measure the effects of those policies.
- **There is room for improving the technical assistance and/or advisory support to the relevant stakeholders on the finance to the rural sector.** This assistance involves the final beneficiary (focused on small rural farmers), the provider of financial services (public or private owned bank processing and providing rural credit) and the relevant areas of the public sector in charge of the design and implementation of policies and regulations for the rural sector.
- **IFI funding serves to diversify and improve the financial conditions of funding and is in many cases complemented with technical assistance/advisory support.** Although Brazil has a deep local capital market and banks have access to funds through deposits and other external sources, the access to funds from International Financial Institutions (IFIs) provides longer terms, lower costs and diversification of funding; additionally, in many cases IFIs complement their loans with the provision of key and relevant technical assistance.

**Considering the aspects described in the current report, it is concluded that Brazil might be benefited from the continuation of the support from IFIs (including IFAD).** This support should include both technical assistance as well as access of long-term funding at low cost. It should be oriented to strengthening the development and financing of the rural sector, with special emphasis on those regions and rural economic agents that have less capacity. Also, it should consider the design of policies that provide the correct incentives to increase productivity in the rural sector as well as encouraging the involvement of the private sector.

## 7. Annexes

### Key macroeconomic and social figures

|  | Observed |       |       |       |       | Forecast* |        |
|--|----------|-------|-------|-------|-------|-----------|--------|
|  | 2018     | 2019  | 2020  | 2021  | 2022  | 2023      | 2024   |
| <b>Activity</b>                          |          |       |       |       |       |           |        |
| Real GDP % over previous year            | 1,8      | 1,2   | -3,3  | 5,0   | 2,9   | 1,3       | 1,0    |
| Nominal GDP R\$ bn                       | 7.004    | 7.389 | 7.610 | 8.899 | 9.915 | 10.706    | 11.466 |
| Nominal GDP US\$ bn                      | 1.916    | 1.872 | 1.475 | 1.649 | 1.920 | 2.058     | 2.141  |
| Population (millions)                    | 209      | 210   | 212   | 213   | 215   | 216       | 218    |
| Per Capital GDP -USD                     | 9.189    | 8.910 | 6.964 | 7.731 | 8.936 | 9.513     | 9.837  |
| Unemployment rate (year end)             | 12,3     | 11,7  | 14,9  | 11,8  | 8,5   | 8,6       | 8,7    |
| <b>Inflation</b>                         |          |       |       |       |       |           |        |
| IPCA (Consumer Price Index)              | 3,7      | 4,3   | 4,5   | 10,1  | 5,8   | 6,1       | 4,2    |
| <b>Interest rate</b>                     |          |       |       |       |       |           |        |
| SELIC (end of period)                    | 6,50     | 4,50  | 2,00  | 9,25  | 13,75 | 12,50     | 10,00  |
| <b>Balance of payments</b>               |          |       |       |       |       |           |        |
| R\$ / USD (end of period)                | 3,88     | 4,03  | 5,19  | 5,57  | 5,28  | 5,30      | 5,40   |
| R\$ / USD (average period)               | 3,66     | 3,95  | 5,16  | 5,40  | 5,17  | 5,20      | 5,35   |
| Trade Balance - USD bn                   | 47       | 35    | 50    | 61    | 62    | 61        | 58     |
| Current Account - % of GDP               | -2,9     | -3,6  | -1,9  | -2,8  | -2,9  | -2,3      | -1,9   |
| Direct Investment (liabilities) % of GDP | 4,1      | 3,7   | 3     | 2,8   | 4,8   | 3,9       | 3,3    |
| International Reserves -US\$ bn          | 387      | 367   | 356   | 362   | 325   | 330       | 340    |
| <b>Public Finance</b>                    |          |       |       |       |       |           |        |
| Primary Balance - % GDP                  | -1,5     | -0,8  | -9,2  | 0,7   | 1,3   | -1,2      | -0,7   |
| Nominal Balance - % GDP                  | -7,0     | -5,8  | -13,3 | -4,3  | -4,6  | -8,5      | -7,5   |
| Gross Public Debt - % GDP                | 75,3     | 74,4  | 86,9  | 78,3  | 72,9  | 76,1      | 79     |
| Net Public Debt -% GDP                   | 52,8     | 54,7  | 61,4  | 55,8  | 57,1  | 61,3      | 64,5   |

\* Forecast by ITAU Macrosenario Brazil (March 8 2023)

**Key external figures**

|   | 2021      |           |           | 2022      |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Jun       | Sep       | Dec       | Mar       | Jun       | Sep       | Dec       |
| <b>Nominal figures (US\$ bn)</b>                              |           |           |           |           |           |           |           |
| Debt services   | 97.660    | 91.275    | 91.944    | 85.734    | 94.155    | 100.123   | 106.681   |
| Princial  | 85.465    | 79.191    | 80.043    | 74.331    | 83.452    | 89.021    | 94.780    |
| Interest paymets  | 12.195    | 12.084    | 11.901    | 11.402    | 10.703    | 11.102    | 11.901    |
| Exports of goods and services                                 | 275.461   | 299.804   | 315.494   | 334.188   | 347.307   | 363.052   | 379.783   |
| External Gross Debt   | 302.345   | 321.284   | 325.440   | 328.995   | 323.228   | 318.899   | 319.634   |
| Public Sector External Debt                                   | 119.460   | 134.381   | 131.307   | 127.428   | 121.956   | 121.018   | 120.434   |
| International Reserves  | 352.486   | 368.886   | 362.204   | 353.169   | 341.958   | 327.580   | 324.703   |
| GDP   | 1.537.096 | 1.613.263 | 1.649.470 | 1.701.765 | 1.790.740 | 1.842.672 | 1.905.315 |
| <b>Indicators (%)</b>   |           |           |           |           |           |           |           |
| <i>Gross External Debt/ GDP</i>                               | 19,7      | 19,9      | 19,7      | 19,3      | 18,0      | 17,3      | 16,8      |
| <i>Public Sector External Debt / Gross External Debt</i>      | 39,5      | 41,8      | 40,3      | 38,7      | 37,7      | 37,9      | 37,7      |
| <i>International reserves / Gross External Debt</i>           | 116,6     | 114,8     | 111,3     | 107,3     | 105,8     | 102,7     | 101,6     |
| <i>Gross External Debt / Exports of Goods and Services</i>    | 109,8     | 107,2     | 103,2     | 98,4      | 93,1      | 87,8      | 84,2      |
| <i>International Reserves / External Debt services</i>        | 360,9     | 404,1     | 393,9     | 411,9     | 363,2     | 327,2     | 304,4     |
| <i>External Debt Services / Exports of goods and services</i> | 35,5      | 30,4      | 29,1      | 25,7      | 27,1      | 27,6      | 28,1      |
| <i>External Debt Services / GDP</i>                           | 6,4       | 5,7       | 5,6       | 5,0       | 5,3       | 5,4       | 5,6       |

Source: BCB



# Procurement risk matrix – Part A country level

## COSOP -Strategic Opportunities Program for the CountryResults-Based (RB-COSOP)

### Procurement Risk Matrix (PRM) - MAPSII Methodology

Country: Brazil  
 Outubro/2023  
 Consultor: Lucianna Matte

| Ind. #                                 | Sub-Indicator Description   | Findings regarding possible non-compliance with IFAD PPF  | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s   | Net Risk |
|--|---|---|--|---|----------|
| Consolidated Findings at Country Level |   | <ul style="list-style-type: none"> <li>- Absence of a consolidated instrument, in the format of a manual, that contains detailed information about the procedure and content of the documents required for the contracting process;</li> <li>- Limitation of procurement methods for consultancy services can lead to inefficient procurement if it does not take into account the different priority elements that may be involved in determining the need for procurement (quality, time, etc);</li> <li>- National law does not contain express prohibitions regarding the disclosure of information during the evaluation phase;</li> <li>- National Law does not provide for an autonomous review body for procurement activities;</li> <li>- Lack of standard contractual conditions;</li> <li>- Low priority for planning;</li> <li>- Absence of extratified statistical information on procurement can make it difficult to evaluate policies and identify the efficiency of the system;</li> <li>- Fragility in the integration between procurement planning and technical areas;</li> <li>- Use, of contracts templates with General Clauses is still not frequently used;</li> <li>- The rules to ensure the confidentiality of the evaluation procedure are not present in a clear way and a single manual;</li> <li>- Punctual delays in the execution of contracts;</li> <li>- The sharing of teams for technical assistance in different decision-making bodies;</li> <li>- The inclusion of standard contract clauses that provide for prohibited practices is not mandatory;</li> <li>- Low perception about the application of laws on fraud, corruption and other prohibited practices with the application penalties declared;</li> <li>- Lack of information about special integrity training programs offered to procurement teams;</li> <li>- Stakeholders are not actively participating in promoting good practices and actions for integrity and ethics;</li> <li>- Lack of standardized forms for archiving conflict of interest information.</li> </ul> | M  | <ul style="list-style-type: none"> <li>- Development capacity building and training program on: a) procurement procedures for the entire procurement cycle; b) use of sustainable contracting criteria in the Project's procurement cycle; c) strategic planning; d) Project and IFAD's policies;</li> <li>- Define in the PIM clear rules on: a) the content of bidding documents; b) evaluation stage; c) main management and monitoring documents; document storage and their respective deadlines; e) security protocols;</li> <li>- Consider the full use or adoption of international standards with their manuals and standardized instruments;</li> <li>- Intensify planning and preparation of consultancy procurement activities, taking into account the complexity of the object;</li> <li>- Adopt a review committee and/or alternative conflict resolution methods;</li> <li>- Adopt a regulation proposed by an official body as a reference for good procedural practices;</li> <li>- Prepare standard bidding documents or use existing models that have been duly adapted;</li> <li>- Draw up general conditions clauses for the main types of contracts celebrated by the Project. IFAD GCC may be adopted with appropriate adaptations;</li> <li>- Standard contractual conditions should include provisions on AlternativeDispute Resolution(ADR), specifically through arbitration,in alignmentwith international standards;</li> <li>- Develop an acquisition procedures manual aligned with national laws and international good practices;</li> <li>- Adhering to IFAD SECAP and IFAD policies;</li> <li>- Adopt procurement management systems that allow evaluation through statistical information, as well as market planning and analysis;</li> <li>- Internal flows must promote the integration and participation of the procurement area in the planning cycle of Project activities;</li> <li>- Define an independent appeals body or entity;</li> <li>- Clearly and expressly define in its compliance/integrity documents and policies what are considered prohibited practices and how to avoid them;</li> <li>- Development of internal communication plans on the Project's fundamental policies and values;</li> <li>- Include clauses and policies that address prohibited practices in the main contractual documents;</li> <li>- Establish clear documents on ethics and integrity as a requirement in the project;</li> <li>- Include IFAD's mandatory policies in all contractual documents, including for subcontractors;</li> <li>- Conduct comprehensive due diligence before formalizing any contracts;</li> <li>- Include evaluation criteria that recognize the adoption of good and innovative practices by bidders;</li> <li>- Adopt clauses and policies that address prohibited practices in the main contractual documents;</li> <li>- Adopt forms of declaration on conflict of interest and property information and keep them filed in the procurement processes (IFAD standardform can be adapted);</li> <li>- The project must use IFAD's Contract Monitoring Tool (CMT/IPC).</li> </ul> | M        |
|  |   | <b>Pillar 1. Legal, Regulatory and Policy Framework</b>   |  |   |          |
| 1.1.                                   | The public procurement legal framework achieves the agreed principles and complies with applicable obligations. |   |  |   |          |

| Ind. # | Sub-Indicator Description   | Findings regarding possible non-compliance with IFAD PPF   | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s  | Net Risk |
|--------|---|--|--|--|----------|
| 1.1.1. | Scope of application and coverage of the legal and regulatory framework | <p>In Brazil, the general rules on procurement are established by Law No. 14.133/2021 (Law on Bidding and Administrative Contracts), and apply to direct, autonomous and foundational Public Administrations of the Union, the States, the Federal District and the Counties.</p> <p>In tenders and contracts involving resources originating from a loan or donation from an official foreign cooperation agency or financial organization to which Brazil is a party, may be accepted: i) conditions arising from international agreements approved by the National Congress and ratified by the President of the Republic may be permitted; and ii) conditions peculiar to selection and procurement contained in the rules and procedures of agencies or bodies.</p> <p>Bids within the scope of public companies, mixed capital companies and their subsidiaries are governed by Law No. 13.303/2016.</p> <p>Bidding policies in Brazil are going through a period of transition between the rule contained in the previous regulatory framework (Law No. 8.666/1993) and the current rules (Law No. 14.133/2021). Until December 31, 2023, public administration bodies may choose to use any of the established regulatory frameworks, but the simultaneous application is prohibited. This may generate doubts and/or insecurities regarding the application of the standards. It is possible that the long transition period may also delay the understanding and appropriation of the standards contained in the new regulatory framework.</p> | M  | <p>Within the scope of international projects, training and capacity building must be developed for procurement teams.</p> <p>For Projects with experience in international procurement and contracting standards, using these standards may be an interesting option.</p> | M        |
| 1.1.2. | Procurement Methods   | <p>Procurement methods are established unambiguously at an appropriate hierarchical level, together with the associated conditions under which each method can be used.</p> <p>The procurement methods envisaged include competitive and less competitive procurement procedures and provide an appropriate range of options that ensure their cost/benefit, fairness, transparency, proportionality and integrity. However, National law provides a limited number of procurement methods for consultancy services. This limitation of methods can lead to inefficient procurement if it does not take into account the different Priority Elements that may be involved in determining the need for procurement (quality, time, etc).</p> <p>Fractionation of contracts to limit competition is prohibited. Appropriate standards for competitive procedures are specified.</p>  | M  | <p>It is recommended to intensify planning and preparation of consultancy procurement activities, taking into account the complexity of the object. The Project must maintain a routine of periodic training and qualifications that include the planning stages.</p>      | M        |
| 1.1.3. | Advertising rules and time limits                                       | <p>The legal framework meets the following conditions: (a) The legal framework requires that procurement opportunities be publicly disclosed; (b) The publication of opportunities provides enough time, according to the procurement method, nature and complexity, for the possible bidders to obtain documents and respond to the announcement. The minimum deadlines for the submission of offers/tenders are defined for each procurement method, and these deadlines are extended when international competition is requested; (c) The publication of public procurement is mandatory in at least one national newspaper or official website, where all opportunities for public contracting are published. Publication should be easily accessible and free of charge, and should not involve other barriers (e.g., technological barriers). (d) Published content includes sufficient information to allow prospective bidders to determine whether they are qualified or interested in submitting a bid.</p>  | L  |  | L        |

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| 1.1.4. | Rules on participation                       | <p>Broad competition and competitiveness are guiding principles of bidding at the national level.</p> <p>It is forbidden to the public agent designated to act in the area of bids and contracts to establish differential treatment of a commercial, legal, labor, social security or any other between Brazilian and foreign companies including with regard to currency, mode and place of payment, even when involved international agency funding. However, a certain margin of preference may be established for i) manufactured goods and national services that meet Brazilian technical standards; and ii) recycled, recyclable or biodegradable goods, according national regulations.</p> <p>In tenders and contracts carried out in connection with projects and programmes partially financed by an office foreign cooperation agency or by an international financial body with resources from national funding counterpart, no person or entity may participate that is part of the list of persons sanctioned by these entities that is declared unequal under national law. The LLC clearly foresees several administrative sanctions such as exclusions, preclusions and inability to participate in public tenders. National legislation also provides for specific regulatory framework on integrity (anti-fraud and anti-corruption compliance).</p> <p>The participation of state-owned enterprises is governed by specific rules which create fair competition conditions for all competitors and precludes the possibility of preferential treatment in the form of subsidies tax exemptions etc.</p> <p>The law establishes methods composed of steps that aim to ensure a more efficient hiring. Ancillary procedures are also established in order to allow a better evaluation of competitors and cost savings from a more organized and comprehensive bidding.</p> | L  |   | L        |
| 1.1.5. | Procurement documentation and specifications | <p>The general public procurement law (Bidding Law) clearly establishes the minimum content for the instruction contracting processes (art. 18 et seq., LLC), as well as for the preparation of the respective documents. Great detail on the content of the instruments can be found in various regulatory standards such as Decree Ordinances, etc.</p> <p>The Bidding Law provides for the adoption of standardized draft notices and contracts with uniform clauses, whenever the purpose allows (art. 25, §1, LLC).</p> <p><i>The regulatory framework for public procurement is quite extensive and, at times, verbose. The absence of consolidated instrument, in the format of a manual, that contains detailed information about the procedures or content of the documents required for the contracting process can make it difficult to access and understand detail the information required.</i></p>   | M  | <p>It is recommended that the Project uses its Implementation Manual (PIM) or other similar instrument, to specify the content of the bidding documents in order to allow suppliers to clearly understand what is required of them and how the contracting process should be carried out.</p> <p>The use of international standards with their manuals and standardized instruments must be evaluated.</p>  | M        |
| 1.1.6. | Evaluation and award criteria                | <p>Objective Judgment is one of the guiding principles of public procurement in Brazil (art. 5, LLC).</p> <p>The Law establishes that the criteria for judging proposals must be defined by objective factors provided for in the notice. The legislation allows the use of attributes other than price to determine the judging criteria. The definition of criteria based on the cost/benefit ratio is encouraged to assess the most advantageous proposal for the Administration. National law treats consultancy services as specialized technical services of a predominantly intellectual nature. When contracting these services, the use of "technique and price" judgment criteria (quality and price) is encouraged. The Law also establishes conditions under which the selection of consultancy services may be based solely on the technical capacity of the bidder.</p> <p><i>National law provides that the result of the bidding will be disclosed to all bidders and attached to the records of the bidding process, but does not contain express prohibitions regarding the disclosure of information during the evaluation phase. This may represent a procedural risk capable of generating nullities in the process.</i></p>   | S  | <p>It is recommended to intensify planning and preparation of consultancy procurement activities, taking into account the complexity of the object. The Project must maintain a routine of periodic training and qualifications that include the planning stages.</p> <p>The Project must insert clear rules about the evaluation stage in its Implementation Manual (PIM) or similar instrument. And adopt the use of Declaration of Confidentiality and Impartiality templates.</p> <p>It is suggested to evaluate the possibility of using international methods defined in clear policies and detailed in specific manuals.</p> | S        |

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| 1.1.7.  | Submission, receipt and opening of tenders | <p>The Law determines that procurement will preferably take place electronically. For this type of electronic procurement, the records are stored and available for audit in the bidding system itself.</p> <p>The mode of dispute may be, alone or jointly: i) open, in which case bidders will present their proposals through public and successive, increasing or decreasing bids; ii) closed, in which case the proposals will remain confidential until the date and time designated for their publication. The isolated use of the closed dispute mode will be prohibited when the criteria for judging the lowest price or highest discount are adopted. The use of the open dispute mode will be prohibited when the "technique and price" (=quality and price) judgment criteria are adopted.</p> <p>Brazilian legislation provides for specific rules on the classification, reception and treatment of sensitive information.</p> <p>The Law encourages that these rules are clearly defined in the document calling for bids.</p> <p><i>However, the legislation does not yet provide unified manuals that describe procedures at the operational level for all stages. It will be up to the regulations to establish the procedure for receiving/opening proposals and/storing the respective documents, especially regarding the closed dispute mode. The absence of specific or uniform regulations can generate the risk of different interpretations and lead to irregularities in the procedure.</i></p> | S  | It is recommended that a manual or internal standard be drawn up that provides procedures for the stage of receiving/opening proposals, storing/recording associated documentation, as well as rules on confidentiality/disclosure of information received. | S        |
| 1.1.8.  | Right to challenge and appeal              | <p>Brazilian legislation determines that administrative acts are public and provides deadlines for the disclosure of decisions on appeals and their assessment.</p> <p>Any person is a legitimate party to challenge the bidding notice due to irregularity in the application of the general public procurement law or to request clarification on its terms. Judicial review is constitutionally guaranteed. Administrative review by a different authority is not clearly identified in the Procurement Law although it is provided for in other autonomous laws.</p> <p><i>The Tender Law does not provide for an autonomous review body.</i></p> <p>The general public procurement law authorizes the use of alternative means of preventing and resolving disputes, notably conciliation, mediation, dispute resolution committees and arbitration.</p> <p>The Law indicates which stages are subject to review, but does not clearly state which matters are subject to review and which procedures are adopted. As a rule, the administrative appeal does not have a suspensive effect, except in cases where there is a fair fear of loss that will be difficult or uncertain to repair resulting from the execution of the administrative act. Therefore, it is unlikely that the failure to define the matters subject to review could lead to delaying resources that would impact the progress of the bidding processes.</p>   | S  | It is recommended to adopt a review committee and/or alternative conflict resolution methods.   | S        |
| 1.1.9.  | Contract management                        | <p>The execution of the contract must be accompanied and supervised by 1 (one) or more tax representatives of the contract, representatives of the Administration specially designated according to requirements established in art. 7th of the Bidding Law, or its substitutes, allowed the hiring of third parties to assist them and subsidize them with information relevant to this assignment (art. 117, LLC).</p> <p>The legislation provides for the adoption of alternative methods of conflict resolution. This option must be expressly included in the bidding documents.</p> <p>The final result of a dispute resolution process, after approval by the competent authority, will be binding for the parties involved and its compliance may be required both in the administrative and judicial way.</p>  | L  |   | L        |
| 1.1.10. | Electronic Procurement (e-Procurement)     | <p>The public procurement regulatory framework encourages the preferential adoption of e-procurement for certain groups of objects.</p> <p>The General Bidding Law determines the use of public electronic systems and registers, with easy access and certified data security.</p> <p>The rules and procedures must be clearly defined in the bidding document.</p>  | L  |   | L        |

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| 1.1.11. | Norms for safekeeping of records, documents and electronic data.  | <p>The general public procurement law does not provide a specific list of documents that must be maintained in the administration. However, other normative instruments expressly list some of these documents, as occurs in the Access to Information Law (Law nº 12.527/2011).</p> <p>The general public procurement law does not provide for a specific document storage policy. However, both the statute of limitations established in the country for investigating and prosecuting cases of fraud and corruption, as well as audit cycles, can be found in other normative instruments.</p> <p>The general public procurement law does not provide for a specific and unified protocol for information security. On the other hand, this information can be extracted from the General Data Protection Law (Law 13.709/2018), as well as from manuals on good information security practices prepared by external control bodies.</p> | M | <p>A list of the main management and monitoring documents, as well as information on document storage and their respective deadlines must be indicated in the Project Implementation Manual.</p> <p>It is recommended to develop an information security policy and insert it into the Project's regulatory framework, which should encourage the adoption of information security protocols based on periodic training on the topic.</p> | M |
| 1.1.12. | Public procurement principles in specialised legislation  | <p>Within the scope of delegated public services, the rules of Law No. 8.987/1995 apply, which provides for the concession and permission regime for the provision of public services provided for in art. 175 of the Federal Constitution, and provides other measures.</p> <p>Law No. 11.079/2004, which establishes general rules for bidding and contracting public-private partnerships (PPP) within the scope of public administration.</p>  | L |   | L |
| 1.2.    | <b>Implementing regulations and tools support the legal framework</b>   |  |   |   |   |
| 1.2.1.  | Implementing regulations to define processes and procedures conditions  | <p>The general public procurement law on bidding and administrative contracts provides for a special procedure for carrying out public consultations on decrees intended to regulate its provisions. However, there is still no formal regulation established for some central provisions.</p> <p><i>It is likely that the absence of regulations and/or manuals that establish details about the procedures to be adopted may lead to heterogeneous practices, doubts and errors in the conduct of tenders. The impact of this risk is considered high as it can lead to delays, inefficiency or even nullity in processes.</i></p>   | S | <p>Adopt a regulation proposed by an official body as a reference for good procedural practices. Develop a training program to consolidate and standardize understanding of operations at the operational level.</p> <p>Alternatively, international standards and their respective manuals can be adopted.</p>   | S |
| 1.2.2.  | Model procurement documents for goods, works and services   | <p>Electronic platforms already allow the conversion of process information into some simplified contract models. However, this only applies to procurement objects and methods with a lower degree of complexity and which already have a certain degree of standardization.</p> <p><i>It is possible that the absence of clear information about the preparation and updating of models leads to delays in updates and the consequent use of models that do not efficiently reflect the established rules.</i></p>   | M | <p>It is recommended to prepare standard bidding documents or use existing models that have been duly adapted.</p>  | M |
| 1.2.3.  | Standard contract   | <p>The current procurement legal framework establishes minimum clauses that must be included in contracts, but does not regulate content that can serve as general conditions (GC) to be adopted as a standard in the most common types of contracts.</p> <p><i>It is possible that the lack of standard contractual conditions could lead to a lack of provision for important elements that reflect the laws and affect the performance of contracts. This may also represent a reduction in predictability for bidders and impact competitiveness.</i></p>  | M | <p>It is recommended that general clauses be drawn up for the main types of contracts celebrated by the Project. GCC IFAD may be adopted with appropriate adaptations.</p> <p>Standard contractual conditions should include provisions on Alternative Dispute Resolution (ADR), specifically through arbitration, in alignment with international standards.</p>   | M |
| 1.2.4.  | User's guide or manual for procuring entities (insert link to manual if possible)   | <p>The procurement legal framework does not have a procurement manual with specific and comprehensive information.</p> <p><i>It is possible that the lack of a manual makes it difficult to adopt established policies and transform them into good practices. This may impact the construction and maintenance of operational capabilities in the procurement area.</i></p>   | M | <p>It is recommended to develop an acquisition procedures manual aligned with national laws and international good practices.</p> <p>The adoption and eventual adaptation of Manuals that already exist must be evaluated.</p>  | M |
| 1.3.    | <b>The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations</b> |  |   |   |   |

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| 1.3.1.   | Sustainable Public Procurement (SPP)   | <p>There is no formally established National Sustainable Public Procurement Plan. The matter is included in the general procurement law and reflected in other national policies related to sustainable development.</p> <p><i>It is possible that the lack of a specific and consolidated national policy slows down the process of changing administrative culture through the adoption of good sustainability practices in a systemic and structural manner.</i></p>  | M | <p>It is recommended that capacity building and training be carried out to use sustainable contracting criteria in the Project's procurement cycle.</p> <p>Adoption of the international multilateral organization social, environmental and climate policies and safeguards should be considered.</p>  | M |
| 1.3.2.   | Obligations deriving from international agreement  | <p>In tenders and contracts involving resources originating from a loan or donation from an official foreign cooperation agency or financial organization to which Brazil is a party, may be accepted: the conditions peculiar selection and procurement contained in the rules and procedures of the foreign agency or organization.</p>  | L |   | L |
| 1.4.   | Consolidated findings for Pillar 1   | <ul style="list-style-type: none"> <li>- This limitation of methods can lead to inefficient procurement if it does not take into account the different Priority Elements that may be involved in determining the need for procurement (quality, time, etc);</li> <li>- Absence of a consolidated instrument, in the format of a manual, that contains detailed information about the procedures and content of the documents required for the contracting process;</li> <li>- National law does not contain express prohibitions regarding the disclosure of information during the evaluation phase;</li> <li>- National Law does not provide for an autonomous review body for procurement activities;</li> <li>- Lack of standard contractual conditions;</li> </ul>  | M | <ul style="list-style-type: none"> <li>- Development training and capacity building program on the procurement procedures for the entire procurement cycle;</li> <li>- Define in the PIM clear rules on: a) the content of bidding documents; b) evaluation stage; c) main management and monitoring documents; d) document storage and their respective deadlines; e) security protocols;</li> <li>- Consider the full use or adoption of international standards with their manuals and standardized instruments;</li> <li>- Intensify planning and preparation of consultancy procurement activities, taking into account the complexity of the object;</li> <li>- Evaluate the possibility of using international methods defined in clear policies and detailed in specific manuals;</li> <li>- Adopt a review committee and/or alternative conflict resolution methods;</li> <li>- Adopt a regulation proposed by an official body as a reference for good procedural practices;</li> <li>- Prepare standard bidding documents or use existing models that have been duly adapted;</li> <li>- Drawn up general clauses for the main types of contracts celebrated by the Project. IFAD GCC may be adopted with appropriate adaptations;</li> <li>- Standard contractual conditions should include provisions on Alternative Dispute Resolution (ADR), specifically through arbitration, in alignment with international standards;</li> <li>- Develop an acquisition procedures manual aligned with national laws and international good practices;</li> <li>- Capacity building on use of sustainable contracting criteria in the Project's procurement cycle;</li> <li>- Adhering to IFAD SECAP and IFAD policies.</li> </ul> | M |
| <b>Pillar 2. Institutional Framework and Management Capacity</b> |  |  |   |   |   |
| 2.1.   | <b>The public procurement system is mainstreamed and well-integrated with the public financial management system</b> |  |   |   |   |
| 2.1.1.   | Procurement planning and the budget cycle  | <p>The general procurement law establishes that the bodies responsible for planning each federative entity must be based on documents formalizing demands and in the manner provided for in the regulations, prepare an annual contracting plan, with the aim of rationalizing the procurement of bodies and entities. Under its competence ensure alignment with its strategic planning and support the drafting of the respective budget laws.</p> <p>Although provided for in legislation, in practice the procurement plan only mirrors macro procurement. In general, they do not take into account the strategic detail of their preparation as expected (steps, deadlines, etc.).</p> <p><i>Administrative practice in the country still does not adopt planning as a fundamental strategic step. In practice, planning still appears to be a mere formal step. The low attention paid to planning, especially regarding the contracting stages and their respective deadlines, can impact the achievement of a project's objectives. The main interactions between the financial and procurement areas usually occur in the contract implementation phase.</i></p> | M | <p>It is recommended to develop a capacity building plan that allows the appropriation of the idea of strategic planning and integration with the participation of the procurement area.</p> <p>Project must consider Procurement Strategy and Procurement Planning as essential elements. Projects will strictly adhere to AW and PP preparation according to IFAD templates and requirements (the use of IFAD's procurement system OPEN should be considered).</p>  | M |

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| 2.1.2.      | Financial procedures and the procurement cycle                                       | The certification of the availability of funds is a condition for the procurement execution. The public budget rules should be waived.<br>National regulations/procedures for invoice processing and payment authorization are public. The rules on payment are public and mandatory.  | L  |                               | L        |
| <b>2.2.</b> | <b>The country has an institution in charge of the normative/regulatory function</b> |  |  |                               |          |
| 2.2.1.      | Status and legal basis of the normative/regulatory institution function              | Normative/regulatory functions are clearly assigned to various government bodies. The Federal Executive Branch plays a central role in the preparation of regulatory standards, which can be complemented by bodies with delegated powers. The Controladoria-Geral da União (external control body), is primarily responsible for monitoring public procurement but also ends up influencing the regulatory function through its recommendations and administrative decisions on Procurement. Other bodies have defined and relevant roles in the procurement regulatory framework.  | L  |                               | L        |
| 2.2.2.      | Responsibilities of the normative/regulatory function                                | The following functions are clearly assigned to one or more agencies without creating gaps or overlaps in responsibility: (a) providing advice to procurement entities; (b) drafting procurement policies; (c) proposing changes/write changes to the legal and regulatory framework; (d) monitor public procurement; and (e) offer information on public procurement; (f) manage statistical databases; (g) prepare reports on procurement for other government sectors; (h) develop and support the implementation of initiatives to improve the public procurement system; (i) provide tools and documents to support the training and training of personnel responsible for the execution of public contracts; (j) to support the professionalization of the procurement function (for example, drawing up job descriptions, skill profiles and accreditation and certification systems for the profession); (k) developing centralized online platforms and other e-procurement systems as appropriate. | L  |                               | L        |
| 2.2.3.      | Organization funding staffing and level of independence and authority                | The rules on organization, funding, staffing and levels of independence and authority in Public Administration are clear and well consolidated in national administrative practice.  | L  |                               | L        |
| 2.2.4.      | Avoiding conflict of interest  | The regulatory institution has a system to avoid conflict of interest based on segregation of functions and prior research.  | L  |                               | L        |
| <b>2.3.</b> | <b>Procuring entities and their mandates are clearly defined.</b>                    |  |  |                               |          |
| 2.3.1.      | Definition, responsibilities and formal powers of procuring entities                 | The legal framework clearly states who the contracting entities are, their responsibilities, competences and obligations.<br>Contracting entities are required to establish a designated specialist procurement function with the necessary structure, capacity and managerial ability.<br>Decision-making authority may be delegated to different levels of competence according to the associated risks and monetary resources involved.   | L  |                               | L        |
| 2.3.2.      | Centralized procurement body   | The country has national systems and registers that can be used by all public administration at its different levels.  | L  |                               | L        |
| <b>2.4.</b> | <b>Public procurement is embedded in an effective information system</b>             |  |  |                               |          |
| 2.4.1.      | Publication of public procurement information supported by information technology    | Lei nº 12.527/2011 (Lei de Acesso à Informação)  | L  |                               | L        |

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| 2.4.2.  | Use of e-Procurement  | E-contracting is being progressively implemented in the country at all levels of government. The Federal Government provides a central platform (Compras.gov.br) for public procurement and an electronic bidding system for methods compatible with e-procurement. Government officials have the ability to plan, develop and manage e-procurement systems. The procurement team is adequately qualified to use e-contracting systems reliably and efficiently. Suppliers (including micro, small and medium-sized enterprises) participate in a public procurement market increasingly dominated by digital technology. | L  |  | L        |
| 2.4.3.  | Strategies to manage procurement data   | Brazilian legislation does not establish a unified management system to collect data on the procurement goods, works and services, including consultancy services, supported by e-procurement or other information technologies. This level of stratification is not yet implemented.<br><br><i>The absence of extratified statistical information on procurement can make it difficult to evaluate policies and identify the efficiency of the system.</i>   | M  | Projects must adopt procurement management systems that allow evaluation through statistical information, as well as market planning and analysis.   | M        |
| 2.5.  | <b>The public procurement system has a strong capacity to develop and improve</b> |   |  |  |          |
| 2.5.1.  | Training, advice and assistance   | There are systems in place that provide permanent training programs, with quality and content appropriate to the needs of the system, as well as routine evaluations and periodic adjustments of training programs based on feedback and needs. The systems have guidance manuals for use and channels for clarification.   | L  |  | L        |
| 2.5.2.  | Recognition of procurement as a profession  | The bidding Law recognized role of procurement agent and auctioneer as specific procurement functions, with hiring positions defined at different professional levels and specifying positions, as well as the required qualifications and competencies. Staff performance is regularly and consistently assessed and they receive adequate training to develop their skills.   | L  |  | L        |
| 2.5.3.  | Monitoring performance to improve the system                                      | The country has an interconnected public procurement monitoring system, as well as platforms for transparency of public data and access to information.   | L  |  | L        |
| 2.6.  | <b>Consolidated findings for Pillar 2.</b>  | - <i>Low priority for planning;</i><br>- <i>Absence of extratified statistical information on procurement can make it difficult to evaluate policies and identify the efficiency of the system.</i>   | L  | - <i>Facilitate capacity building on strategic planning;</i><br>- <i>Adopt procurement management systems that allow evaluation through statistical information, as well as market planning and analysis.</i>                        | L        |
| <b>Pillar 3. Public Procurement Operations and Market Practices</b> |   |   |  |  |          |
| 3.1.  | <b>Public procurement practices achieve stated objectives</b>                     |   |  |  |          |
| 3.1.1.  | Procurement Planning  | Planning is an important step that is supported by national legislation.<br><br><i>However, in administrative practice, planning still has a strong economic-financial appeal. Consolidating the idea of procurement planning carried out efficiently and integrated with all areas is still a work in progress.</i>  | M  | The Project must reinforce planning within its policies and provide training on the topic.<br><br>Internal flows must promote the integration and participation of the procurement area in the planning cycle of Project activities. | M        |



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| 3.1.2.      | Selection and contracting   | <p>Multi-stage procedures are used in complex procurement activities to ensure that only qualified and eligible participants are included in the competitive process.</p> <p>The legislation provides for the structure of mandatory contractual clauses.</p> <p>The contracting methods are chosen, documented and justified according to the purpose and in accordance with the legal framework.</p> <p>The procedures for submitting, receiving and opening tenders are public. Competing bidders or their representatives may participate in bidding. Civil society may monitor the procedure as prescribed.</p> <p>Appropriate techniques are applied to determine the best value for money based on the criteria established in the bidding documents.</p> <p>Contract awards are announced as prescribed.</p> <p>Contractual arrangements include sustainability considerations where appropriate.</p> <p>Overall, the selection and award process is carried out effectively, efficiently and transparently.</p> <p><i>The contractual standardization, using General Clauses is still little used.</i></p> <p><i>The rules to ensure the confidentiality of the evaluation procedure are not present in a clear way and a single manual.</i></p>  | M  | <p>The Project must adopt standard bid documents whenever possible.</p> <p>The use of contractual clauses containing the general conditions of the contract is encouraged. IFAD standard documents as well as their CGC can be adapted for use by the project.</p> <p>The evaluation rules must be clearly defined in the Project implementation manual.</p>                                 | M        |
| 3.1.3.      | Contract management in practice   | <p><i>Most contracts are implemented within acceptable time frames. However, there are still contracts that exceed the deadlines defined in the contract without due justification for this.</i></p>   | M  | <p>The Project must adopt measures to monitor efficiently contracts. The use of computerized monitoring systems is recommended. The follow-up on site should be carried out whenever possible. IFAD's Contract Monitoring Tool should be used.</p> <p>Clear rules regarding breach of contract must be included in contracts and the established sanctions must be observed in practice.</p> | M        |
| <b>3.2.</b> | <b>The public procurement market is fully functional</b>                  |  |  |  |          |
| 3.2.1.      | Dialogue and partnerships between public and private sector               | <p>SEGES/ME ORDINANCE No. 8.678, OF JULY 19, 2021, establishes the Policy for interaction with the supplier market and with business associations, which provides:</p> <p>"Art. 15. It is the responsibility of the body or entity, regarding interaction with the supplier market and with business associations:</p> <p>I - promote regular and transparent dialogue when preparing preliminary technical studies, in order to obtain inputs for optimizing the specifications of the objects to be contracted, market parameters for better technique and cost of procurement, and the obligations of the future contracted party, as provided in art. 21 of Law No. 14.133, of April 1, 2021;</p> <p>II - observe due transparency regarding the events to be conducted in the supplier selection phase, respecting the principles of equality and publicity;</p> <p>III - standardize procedures for contractual inspection, respecting the principles of due legal process and adversarial proceedings when investigating non-compliance with suppliers; and</p> <p>IV - establish requirements that are always proportional to the object to be contracted, to ensure that opportunities are designed to encourage the broad participation of potential competitors, including new entrants and small and medium-sized companies.</p> <p>Single paragraph. The provisions of this article must be in harmony with the National Strategy for Impact Investments and Businesses, established by Decree No. 9.977, of August 19, 2019, or whatever replaces it."</p> | L  |  | L        |
| 3.2.2.      | Private sector's organisation and access to the public procurement market | <p>The private sector is competitive, organized, and able to participate in competition for public contracts.</p> <p>The law provides rules to ensure and encourage the participation of micro and small enterprises.</p> <p>There are no major systemic restrictions inhibiting private sector access to the procurement market.</p>  | L  |  | L        |

| Ind. #   | Sub-Indicator Description   | Findings regarding possible non-compliance with IFAD PPF   | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s  | Net Risk |
|--|---|--|--|--|----------|
| 3.2.3.   | Key sectors and sector strategies   | <p>In the priority areas of government, the main sectors associated with the contracting of goods, works and services are identified and evaluated strategically. The legislation requires that such information be used to conduct targeted assessments of relevant sectoral markets and to ensure the collaboration of sectoral market participants in a specific way, for example to enhance integrity, sustainability and/or innovation in public procurement.</p> <p>PORTARIA SEGES/ME Nº 8.678, DE 19 DE JULHO DE 2021 establishes that governance guidelines in public procurement are:</p> <ul style="list-style-type: none"> <li>I - promoting sustainable national development in line with the Federal Development Strategy and the Sustainable Development Goals;</li> <li>II - promotion of differentiated and simplified treatment for micro and small enterprises;</li> <li>III - promoting a sound and reliable business environment;</li> <li>IV - alignment of public procurement with the strategic planning of bodies and entities, as well as budgetary laws;</li> <li>V - fostering competitiveness in competitions, reducing the barrier to entry to potential suppliers;</li> <li>VI - improving interaction with the supplier market as a way to promote innovation and to seek solutions that maximize the effectiveness of procurement;</li> <li>VII - reducing bureaucracy, encouraging social participation, use of simple language and technology, as well as the other guidelines of the Digital Government, set out in art. 3rd of Law 14,129 of 29 March 2021;</li> <li>VIII - procedural transparency;</li> <li>IX - standardization and centralization of procedures, where relevant.</li> </ul> <p>The current government launched the "PAC" (growth acceleration plan") which indicates actions and strategies in key sectors to provide sustainable development of the country).</p> | L  |  | L        |
| 3.3  | Consolidated findings for Pillar 3.   | <ul style="list-style-type: none"> <li>- Fragility in the integration between procurement planning and technical areas;</li> <li>- Use of contracts templates with General Clauses is still not frequently used;</li> <li>- The rules to ensure the confidentiality of the evaluation procedure are not present in a clear way and a single manual;</li> <li>- Punctual delays in the execution of contracts.</li> </ul>   | L  | <ul style="list-style-type: none"> <li>- Internal flows must promote the integration and participation of the procurement area in the planning cycle of Project activities;</li> <li>- Training on Project and IFAD's policies;</li> <li>- Adopt standard bid documents whenever possible;</li> <li>- Use of contractual clauses containing the general conditions of the contract is encouraged. (IFAD standard documents as well as their CGC can be adapted for use by the project);</li> <li>- The evaluation rules must be clearly defined in the Project implementation manual;</li> <li>- Use of IFAD's Contract Monitoring Tool (CMT) to gather information about the contracts implementation.</li> </ul> | L        |
| <b>Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System</b> |   |  |  |  |          |
| 4.1.   | <b>Transparency and civil society engagement strengthen integrity in public procurement</b> |  |  |  |          |
| 4.1.1.   | Enabling environment for public consultation and monitoring                                 | Decree nº 10.929/2022, which establishes a special procedure for public consultations of decrees intended to regulate the provisions of the Law on Public Bids and Administrative Contracts.   | L  |  | L        |
| 4.1.2.   | Adequate and timely access to information by the public                                     | The main information about the bidding processes must be contained in the respective Notice/Bid documents. Publicity and transparency are principles adopted by public administration. The legislation establishes the minimum information that must be included in the notices, as well as rules for their publication (media, deadlines, etc.). Laws, regulations and policies governing public procurement are published and easily accessible to the public free of charge through official websites.  | L  |  | L        |
| 4.1.3.   | Direct engagement of civil society  | <p>The main stages of bidding occur through public session.</p> <p>The Law establishes that documents prepared in the preparatory phase that may not have integrated the bidding notice and its annexes will be made available on the National Portal of Public Contracts (PNCP) after the approval of the bidding process.</p> <p>Procurement processes are public. The legislation provides that the qualification documents as well as information on the management of contracts are disclosed for public access.</p>  | L  |  | L        |

| Ind. #      | Sub-Indicator Description   | Findings regarding possible non-compliance with IFAD PPF   | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s                 | Net Risk |
|-------------|---|--|--|---|----------|
| <b>4.2.</b> | <b>The country has effective control and audit systems</b>          |  |  |   |          |
| 4.2.1.      | Legal framework, organisation and procedures of the control system  | Public procurement is monitored and supervised by various control bodies, including the Courts of Auditors of the Union and the States (Tribunal de Contas da União e dos Estados)   | L  |   | L        |
| 4.2.2.      | Coordination of controls and audits of public procurement           | There are written procedures laying down requirements for internal controls. The federal agency for internal control and transparency (Controladoria-Geral da União - CGU) has a manual providing technical guidance on the subject.<br>There is evidence that internal or external audits are carried out at least once a year and that other established written standards are met.<br>There are clear and reliable communication channels to relevant supervisory bodies.   | L  |   | L        |
| 4.2.3.      | Enforcement and follow-up on findings and recommendations           | The recommendations receive responses and are implemented within the deadlines established by law.<br>There are systems in place to monitor the implementation of audit recommendations.   | L  |   | L        |
| 4.2.4.      | Qualification and training to conduct procurement audits            | The selection of auditors requires that they have adequate knowledge of the subject as a condition for conducting hiring audits.<br>Auditors are selected fairly and transparently and are fully independent.  | L  |   | L        |
| <b>4.3.</b> | <b>Procurement appeals mechanisms are effective and efficient</b>   |  |  |   |          |
| 4.3.1.      | Process for challenges and appeals                                  | Judgments shall be delivered on the basis of available evidence provided by the parties.<br>The first analysis of the evidence is performed by the entity specified in the law.<br>The body or authority responsible for reviewing the decisions of the first specified review body shall issue final enforceable decisions.<br>The specified deadlines for filing and analyzing complaints and appeals and issuing decisions do not unduly delay the hiring process or make the appeal unrealistic.   | L  |   | L        |
| 4.3.2.      | Independence and capacity of the appeals body                       | The authority responsible for examining appeals: (a) is not involved in the procurement procedure or the process leading to contract award decisions; (b) does not charge fees that inhibit access by interested parties; (c) is advised by the legal body; (d) exercises its legal authority to suspend bidding procedures and impose solutions; (e) issues decisions within the time limit specified in the law/regulations; (f) issues binding decisions for the parties; (g) has sufficient resources and staff to fulfil its functions. | L  |   | L        |
| 4.3.3.      | Decisions of the appeals body                                       | The decision on appeal is the responsibility of the authority superior to which was addressed the contested decision. It often happens that the higher authority is advised by the same team that monitors the original decision-making process.<br><i>The sharing of teams for technical assistance in different decision-making bodies can lead to compromising the impartiality of decisions on appeal.</i>   | M  | Define an independent appeals body or entity. | M        |
| <b>4.4.</b> | <b>The country has ethics and anti-corruption measures in place</b> |  |  |   |          |

| Ind. # | Sub-Indicator Description  | Findings regarding possible non-compliance with IFAD PPF   | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s  | Net Risk |
|--------|--|--|--|--|----------|
| 4.4.1. | Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties | <p>The legal/regulatory framework provides the following: (a) definitions of fraud, corruption and other prohibited procurement practices, consistent with obligations arising from legally binding international anti-corruption agreements; (b) definitions of individual responsibilities, accountability and penalties for public officials and private companies or individuals found guilty of fraud, corruption or other prohibited practices in procurement without prejudice to other provisions in criminal law.</p> <p>c) Definitions and provisions on conflicts of interest, including a reflection period for former civil servants.</p> <p>Law n° 12.846/2013 (Anticorruption Law) - Provides for the administrative and civil liability of legal entities for the practice of acts against the public administration, national or foreign, and gives other measures.</p> | L  |  | L        |
| 4.4.2. | Provisions on prohibited practices in procurement documents  | While expressly recommending, the legislation does not establish the obligation to include standard clauses that provide for prohibited practices.   | S  | <p>The Project must clearly and expressly define in its compliance/integrity documents and policies what are considered prohibited practices and how to avoid them.</p> <p>Internal communication plans, in addition to training programs must be carried out frequently to consolidate the fundamental policies and values for the Project.</p> <p>It is recommended to include clauses and policies that address prohibited practices in the main contractual documents.</p> | S        |
| 4.4.3. | Effective sanctions and enforcement systems  | <p>Procurement entities are required to report allegations of fraud, corruption and other prohibited practices to law enforcement authorities.</p> <p><i>However, there is no evidence that this practice is systematically observed and reports are consistently followed by law enforcement authorities.</i></p> <p>There is a suspension/exclusion system that ensures due process is consistently applied.</p> <p><i>The evidence indicates that laws on fraud, corruption and other prohibited practices are being implemented in the country by the application of penalties declared, but still below the expected rates.</i></p>   | S  | <p>The Project shall carry out training on integrity and anti-corruption.</p> <p>The Project should adopt clear documents on ethics and integrity.</p> <p>FAD's mandatory policies should be included in all contractual documents, including subcontractors.</p> <p>Due diligence must be performed before any contract firming.</p>  | S        |
| 4.4.4. | Anti-corruption framework and integrity training   | <p>The country has a comprehensive anti-corruption framework to prevent, detect and penalize corruption in the government, which involves competent government agencies. <i>However the level of capacity of these bodies seems to be insufficient to allow their responsibilities to be fulfilled in an impactful way.</i></p> <p>As part of the anti-corruption framework, there is a mechanism used to systematically identify corruption risks and mitigate them in the public procurement cycle.</p> <p>As part of the anti-corruption framework, statistics on judicial processes and convictions related to corruption are compiled and reports are published annually.</p> <p><i>There is no information about carrying out special integrity training programs offered to hiring teams.</i></p>   | S  | <p>The Project should adopt Integrity Programs with documents, capacity building and actions to disseminate policies related to the subject.</p> <p>FAD integrity policies should be systematically adopted.</p>   | S        |
| 4.4.5. | Stakeholder support to Strengthen integrity in procurement   | Not all parties actively support integrity and ethical behavior in their actions. This widespread situation against ethical commitment and good practices requires a change in culture in business operations.   | S  | <p>It is suggested to include evaluation criteria that recognize the adoption and appreciation of good practices and innovative practices by bidders.</p> <p>It is recommended to include clauses and policies that address prohibited practices in the main contractual documents.</p> <p>The signing of contracts must be subject to prior investigation into integrity and conflict of interests (due diligence).</p>   | S        |
| 4.4.6. | Secure mechanisms for reporting prohibited practices or unethical behaviour  | <p>There are secure, accessible and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behavior.</p> <p>There are legal provisions to protect whistleblowers.</p> <p>There is a functional system for monitoring complaints.</p>  | L  |  | L        |

| Ind. # | Sub-Indicator Description                                      | Findings regarding possible non-compliance with IFAD PPF   | Inherent Risk of non-compliance with Project Objectives & IFAD PPF | Proposed Mitigation measure/s  | Net Risk |
|--------|--|--|--|--|----------|
| 4.4.7. | Codes of conduct/codes of ethics and financial disclosure rule | <p>There is a code of conduct or ethics for civil servants, with specific provisions for those involved in public finance management, including hiring.</p> <p>The rules of conduct for public servants are mandatory and the consequences of any failure to comply are subject to administrative or criminal sanctions.</p> <p><i>There is no evidence that conflict of interest statements and information on effective ownership are systematically filed, accessible and used by decision-making bodies to avoid corruption risks throughout the public procurement cycle.</i></p>   | M  | <p>The Project must adopt forms of declaration on conflict of interest and property information and keep them filed in the procurement processes.</p> <p>IFAD standard forms can be adapted.</p>   | M        |
| 4.5.   | Consolidated findings for Pillar 4.                            | <ul style="list-style-type: none"> <li>- The sharing of teams for technical assistance in different decision-making bodies;</li> <li>- The inclusion of standard contract clauses that provide for prohibited practices is not mandatory;</li> <li>- Low perception about the application of laws on fraud, corruption and other prohibited practices with the application of penalties declared;</li> <li>- Lack of information about special integrity training programs offered to procurement teams;</li> <li>- Stakeholders are not actively participating in promoting good practices and actions for integrity and ethics;</li> <li>- lack of standardized forms for archiving conflict of interest information;</li> </ul> | S  | <ul style="list-style-type: none"> <li>- Define an independent appeals body or entity;</li> <li>- Clearly and expressly define in its compliance/integrity documents and policies what are considered prohibited practices and how to avoid them;</li> <li>- Development of internal communication plans and training programs on the Project's fundamental policies and values;</li> <li>- Include clauses and policies that address prohibited practices in the main contractual documents;</li> <li>- Implement integrity and anti-corruption training as part of the project;</li> <li>- Establish clear documents on ethics and integrity as a requirement in the project;</li> <li>- Include IFAD's mandatory policies in all contractual documents, including for subcontractors;</li> <li>- Conduct comprehensive due diligence before formalizing any contracts;</li> <li>- Include evaluation criteria that recognize the adoption and appreciation of good practices and innovative practices by bidders;</li> <li>- Adopt clauses and policies that address prohibited practices in the main contractual documents;</li> <li>- Adopt forms of declaration on conflict of interest and property information and keep them filed in the procurement processes (IFAD standard forms can be adapted).</li> </ul> | S        |
|        |  |  |  |  |          |

## Integrated country risk matrix

| Integrated Country Risk Matrix (ICRM)  |               |               |  |
|--|---------------|---------------|--|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures  |
| <p>Country Context</p> <p><i>The risks to the achievement of COSOP SOs stemming from a country's context.</i></p>  |               |               |  |
| <p><b>Political Commitment</b></p> <p>In Brazil, the COVID-19 pandemic and the political measures implemented by the previous administration caused significant impacts on the economy. With the change of government in early 2023, new measures were implemented to improve the socio-economic situation, including public budget availability for family farming.</p> <p>Next general elections (state and presidential) will be held in Brazil in October 2026 that could result in changes in the current policies directed to family farming and other IFAD's areas of engagement.</p> | Low           | Low           | <p>Despite significant political polarization, the priorities established by the recently elected administration (both at Federal and State levels), combined with the mostly positive trend in key socioeconomic indicators, are factors that should ensure both strong political commitment in support of IFAD's areas of engagement and provide reasonable assurances of stability and certainty, further strengthened by IFAD's excellent dialogue with all newly appointed public stakeholders.</p> <p>Closer to the next general elections, close follow-up will be given to the evolving political situation, with a potential reassessment and update of the risks involved in the annual and/or mid-term review of the COSOP.</p> |
| <p><b>Governance</b></p> <p>Strong political opposition in Congress, combined with the lengthy process of re-establishing the required human and financial resources required to prioritise, develop and implement socially oriented productive programmes, could negatively affect the stated objectives of the new administration. In addition, this could be further affected by the results of the next Brazil general elections to be held in 2026.</p>   | Moderate      | Low           | <p>The current political environment favours positive changes in public policies and programmes, with clear government intentions to achieve improvements in all aspects related to family farming, territorial development and poverty reduction.</p> <p>IFAD will further strengthen dialogue with key institutions and grassroots organizations and follow up national and state levels political situation closer to the next general elections.</p>   |

| Integrated Country Risk Matrix (ICRM)  |               |               |   |
|--|---------------|---------------|---|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures   |
| Brazil's political and operational capacities are still under construction, especially in recently created ministries. The country has low public investment capacity and shows lack of continuity in the financing of social policies. During the previous administration, low priority was assigned to social and environmental policies, particularly on combating deforestation and climate change, as well as food security policies. |               |               | To further contribute to reduce governance related risks, IFAD will engage in dialogue with political leaders, senior representatives of key institutions, and grassroots organisations in order to support the development of an enabling policy and regulatory environment, including overall training and capacity building, promoting agro-ecological practices via appropriate technical assistance, alignment of investment projects, and attracting international resources for environmental policies, especially the fight against deforestation.  |
| <p><b>Macroeconomic</b></p> <p>Given the considerable resources required to achieve the ambitious targets set by the new administration, moderate risks exist that macroeconomic policies (particularly fiscal and debt management) could result in insufficient support and inability to mobilize counterpart funding to the sectors of relevance to IFAD's strategy for the country.</p>   | Moderate      | Low           | <p>As a result of better activity in key sectors, such as agricultural exports and some Services and Industry subsectors, combined with the resilience of the job market after the first semester of 2023, some of the economic indicators showed results above expectations and triggered a review of forecasts. The Ministry of Finance increased its projection for the Gross Domestic Product (GDP) for 2023. According to the parameter grid of the Secretariat of Economic Policy (SPE), the estimate for the expansion of activity in 2023 increased from 1.9% to 2.5% and later revised to 3.2%.</p> <p>The projection for the unemployment rate in 2023 and 2024 is expected to be 8%, while the official Brazilian inflation for 2023 is expected to reach 4.8%, according to the latest Focus Report by the Central Bank (BC).</p> |

| Integrated Country Risk Matrix (ICRM)  |               |               |   |
|--|---------------|---------------|---|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures   |
| <p><b>Fragility and Security</b></p> <p>Given its dimensions, increased climatic variations, and predominant production systems, the country's overall vulnerability to natural disasters is significant. IFAD projects aim to improve the livelihoods and increase resilience of vulnerable populations.</p> <p>Brazil's Fragility Index from Fund for Peace indicates a Warning state (moderate fragility) while the INFORM index table indicates a moderate to low vulnerability level. Despite being an upper middle-income level country, Brazil has high-income inequality rates, with poor populations being more exposed to natural and man-made shocks.</p>                                     | Moderate      | Moderate      | <p>Although exposure to, and occurrence of, natural disasters associated with climatic factors remains an important contributor to Brazil's vulnerability, efforts by the new administration to address deforestation, biodiversity loss and desertification should contribute to medium and long-term mitigation of these disasters. Moreover, the government efforts to pursue alignment between environmental and socioeconomic policies and programmes in fragile areas, is highly consistent with IFAD's priorities and should be conducive to improved adaptation of the most vulnerable target population.</p>   |
| <p><b>Sector Strategies and Policies</b></p> <p><i>The risks to the achievement of COSOP SOs stemming from a country's sector-level strategies and policies.</i></p>   |               |               |   |
| <p><b>Policy alignment</b></p> <p>The country's strategies and policies related to the rural and agricultural sector have recovered a strong pro-poor focus and are consequently well aligned with IFAD priorities, resulting in a low risk of undermining the strategic objectives of the COSOP.</p> <p>The risk of drastic changes in the main public policies at the state and federal level has been significantly reduced, while the implementation of actions is expected to have greater stability with the Federal and relevant State administrations. However, changes in the main public policies may arise with the priorities of the new elected national and state governments in 2026.</p> | Low           | Low           | <p>Brazil's current priorities favour IFAD's broader dialogue with state and federal governments on policies that deal with family farming, with social policies aimed at serving indigenous populations, <i>quilombolas</i>, women and rural youth, and with policies aimed at environmental sustainability and climate resilience.</p> <p>To further ensure mitigating the risk of misalignment with strategies and public policies, IFAD will seek a political dialogue at national and state levels with key government bodies, as well as closer follow up to the political situation at the time of next Brazil general elections ensuring that all available lending and non-lending instruments contribute to advance improvements on sustainable family farming, environment and climate, gender, indigenous peoples, nutrition, youth, and private sector engagement.</p> |



| Integrated Country Risk Matrix (ICRM)   |               |               |   |
|---|---------------|---------------|---|
| Risk Type   | Inherent risk | Residual risk | Mitigation measures   |
| <p><b>Policy Development and Implementation</b></p> <p>Although the country's strategies and policies governing the rural and agricultural sector possess a sound evidence base and are representative of the views of rural community organizations, there is a risk that operational resources and the required legal/regulatory frameworks may not be adequate.</p> <p>There is also a risk of delays in signing Financing Agreements and in implementing projects with states with limited experience in financing from Development Banks.</p> <p>Delays in the first two years of project execution are recurrent in Brazil, due to the delay in preparing the base documents for key project contracts, which need to be ready to be tendered before the first disbursement and issuance of authorization for effectiveness. In some states, the lack of preparation of project staff to carry out these tasks also affects the result.</p> | Moderate      | Low           | <p>To mitigate this risk, IFAD will maintain a close contact with COFIEX, and ensure that policy support is considered in operations and other interventions.</p> <p>In addition, IFAD will expand its support to start-up activities, including the PMU team selection and providing intensive coaching and training to partners such as State Attorneys' Offices and Controllerships, to maintain alignment and efficiency and meet expected deadlines.</p> <p>To address operational risks, IFAD will identify technical, fiduciary and operational gaps that may influence the execution of a project, and address these by intensive implementation support and capacity building at start-up, including the involvement of intersectoral institutions to support project execution.</p> |

| Integrated Country Risk Matrix (ICRM)   |               |               |  |
|---|---------------|---------------|--|
| Risk Type   | Inherent risk | Residual risk | Mitigation measures  |
| <p>Environmental, social and climate context.</p> <p>1. The occurrence of severe droughts in the Brazilian Semi-Arid region is common, and rural populations of this region are amongst the poorest and most vulnerable in Brazil. Droughts are being exacerbated by climate change, with increased temperatures and reduced rainfall.</p> <p>2. Despite its negative impact on biodiversity and the climate, deforestation continues to advance, representing the main source of greenhouse gas (GHG) emissions in Brazil. In the semi-arid region, the Caatinga area has been 46.6% deforested. A significant part of the converted (deforested) areas in the country has resulted in degraded pastures.</p> <p>3. Indigenous peoples, <i>quilombolas</i> and traditional communities in Brazil face several challenges, including: food and nutrition insecurity, invasions of indigenous peoples' and traditional communities' lands, difficulty in maintaining traditional practices and customs, difficulty in maintaining, regularising or expanding their land, precarious home and productive infrastructure, inadequate transport infrastructure, contamination of water resources, and deforestation and degradation of forests and natural resources.</p> | Substantial   | Moderate      | <p>1 &amp; 2. Climate adaptation and mitigation will have a central role during the new COSOP, as IFAD will invest in activities supporting reforestation and restoration of degraded lands, productive and commercial diversification, agroforestry systems, soil management techniques that use organic and green fertilisers, technologies that prevent desertification and promote access to water, market development for local (native) products and drought tolerant species, access to higher added value markets, access to up-to-date climate information, etc. Most adaptation measures also contribute for mitigation purposes, as most IFAD projects are expected to have a negative carbon footprint.</p> <p>3. In the new COSOP, IFAD will work with indigenous and traditional communities, promoting social technologies adapted to the local context, Adaptation of production and commercial practices, access to higher added value markets, productive and commercial diversification, financing lines and subsidised credit, nutrition and food security actions, sustainable practices in agriculture and climate-resilient farming, training in production, organisation and commercialisation, and valuing the contribution of indigenous peoples, <i>quilombolas</i> and traditional communities to reducing deforestation and regenerating native vegetation, protecting biodiversity and natural resources. All COSOP projects will be guided by participatory and demand-driven methodologies, with peasant, indigenous, and native communities co-creating the project activities in a self-determined development process in accordance with IFAD's Policy on Engagement with Indigenous Peoples (2022). The projects will assure Free, Prior, and Informed Consent (FPIC).</p> |
| Financial Management  |               |               |  |

| Integrated Country Risk Matrix (ICRM)  |               |               |   |
|--|---------------|---------------|---|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures   |
| <i>The risk that COSOP activities are not carried out in accordance with the provisions of IFAD's financial regulations and that funding is not used for the intended purpose with due regard for economy, efficiency and effectiveness.</i>   |               |               |   |
| <b>Organization and Staffing</b><br><br>Brazil counts with many qualified finance professionals although availability depends on geographic location. The accounting profession is regulated, and the Council of Accounting (CFC) sets the requirements and conduct the examination for qualified accountants, sets ethical standards for the profession and enforces continuing professional development.   | Low           | Low           | Where possible ensure bridge funding is obtained for continuity of staffing between different phases of projects<br><br>To minimize the risk of staff turnover, it is important to guarantee salary levels in line with the market to ensure staff retention. To reduce dependency on key staff within the finance department ensure attention is paid to succession planning and cross training.   |
| <b>Budgeting</b><br><br>IFAD financed projects are approved by National Congress through a budget proposal submitted by the Ministry of economy for projects at federal Level. For projects with State governments Governor's office submits budget to State legislative assembly for approval. Federal govt does not directly approve state budgets but states are required to adhere Fiscal Responsibility Law which imposes fiscal discipline on states including limits on borrowing and debt levels | Moderate      | Moderate      | Ensure coordination with Ministry of Economy and other relevant government institutions to ensure adequate budget allocation in alignment with AWPB for IFAD financed projects in Federal or State level budget submissions for approval.   |
| <b>Funds Flow/Disbursement Arrangements</b><br><br>Brazil counts with a "Single Treasury Account" system used to centralize the receipt and disbursements of federal government funds. The single treasury account is maintained by the Brazilian National Treasury which is part of the Ministry of Economy. No standardized Single Treasury Account system is in place at state level.   | Substantial   | Substantial   | The use of the single treasury account will be evaluated for future designs.<br><br>During project design, particular attention will be paid to phasing of activities financed by different financiers and ensure operational costs are allocated proportionally to different funding sources.<br><br>Focus during design to clarify fund flow arrangements including reporting requirements between Federal/state Gvt, PMU and other implementing entities documented in the PIM |

| Integrated Country Risk Matrix (ICRM)  |               |               |  |
|--|---------------|---------------|--|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures  |
| <p>Projects in Brazil portfolio include significant financing from other financiers and supplementary funding. If implementation dates are not aligned or operational costs are not shared proportionally between financiers this can lead to difficulties during implementation.</p> <p>Because of the large geographic area, implementation arrangements in Brazil tend to involve several different implementation partners, thus resulting in complex fund flow arrangements.</p>  |               |               |  |
| <p><b>Country Internal Controls</b></p> <p>The risk that country systems, such as internal audit, are not adequate and may not provide appropriate control over IFAD resources leading to the inefficient or inappropriate use of project resources.</p> <p>Implementing of projects both at State and Federal level are regulated by Law 4.320/64, which establishes rules budgeting, internal controls, and accounting.</p> <p>The SIAFI system used for payment processing incorporates adequate based on measures to control user access based on user roles and responsibilities.</p> <p>The Office of the Comptroller General is the central body responsible for internal control, corruption prevention and transparency in the federal government. At state level internal control arrangements may vary.</p> | Moderate      | Moderate      | Evaluate during design the role of the Comptroller general at federal or state level and audit report available for implementing entities at federal or state level. |

| Integrated Country Risk Matrix (ICRM)  |               |               |  |
|--|---------------|---------------|--|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures  |
| <p>Accounting and Financial Reporting</p> <p>As per the provisions of Law 4.320/64, the use of the SIAFI accounting system for electronic payment processing and recording transactions is obligatory. The SIAFI system generates reports and financial statements that provide insights into the financial status and performance of government agencies but does not allow for monitoring of budgeting based on components and categories as is a requirement for IFAD and other external financing. The SIAFI system is designed to be interoperable with other government systems.</p> | Moderate      | Moderate      | <p>To be evaluated for future designs whether reporting capability of the SIAFI system can be expanded to allow for automated generation of IFRS ensure that as part of conditions for disbursements a reporting system is implemented based on data from the SIAFI system, to allow for monitoring of project budgets by category, component and financing source and automated generation of IFRS.</p> <p>For new projects IFAD will accept the application of accounting standards as per Law No. 4.320, which mandates the use of accrual accounting based on standard set by Federal Accounting Standards Advisory Board External audits which in turn are aligned with International Public Sector Accounting Standards (IPSAS).</p> |
| <p>External Audit</p> <p>The supreme audit institution in Brazil, the Federal Court of Accounts, reports directly to the Brazilian National Congress and is responsible for conducting audits, ensuring compliance with legal and regulatory requirements and to provide recommendations to improve financial management. At state level the State Court of accounts perform similar functions and reports to the State legislative Assembly.</p>  | Moderate      | Moderate      | <p>IFAD financed project continue to use the Federal or State Courts and Accounts while ensuring clear agreements are made upfront on the use of accounting standards for the preparation of the annual financial statements and its Annexes in accordance with the IFAD Audit Manual</p>  |
| <p>Procurement issues</p> <p><i>The risk of non-compatibility of project/programme procurement operations with the IFAD Project Procurement Framework (IFAD-PPF) and risk that inefficient or non-transparent procurement processes impact the achievement of the project/programme's intended objectives (outcomes and outputs).</i></p>  |               |               |  |

| Integrated Country Risk Matrix (ICRM)  |               |               |   |
|--|---------------|---------------|---|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures   |
| <p>Pillar I. Legal, regulatory and policy framework</p> <p><i>This pillar assesses the existing legal, regulatory and policy framework for public procurement. It identifies the formal rules and procedures governing public procurement and evaluates how they compare to international standards. The practical implementation and operation of this framework is the subject of pillars II and III. The indicators within this pillar embrace recent developments and innovations that have been increasingly employed to make public procurement more efficient. Pillar I also considers international obligations and national policy objectives to ensure that public procurement lives up to its important strategic role and contributes to sustainability.</i></p> | Low           | Low           | <p>The National Bidding Law No. 8,666/93 was reformed and will migrate to the new Law No. 14,133, of April 1, 2021, as of December 29, 2023. This reform will improve regulation in terms of transparency, compliance and combating corruption. Law 14,133 also reformed the Electronic Auction Modality Law, widely used in the government sphere. However, about the application of purchasing standards and procedures by international financial organisations, this new national bidding law continues to maintain the jurisprudential understanding already consolidated in Brazil, with regard to the legality of using the bidding rule for international financial organizations, a fact largely pacified by the Brazilian Audit Courts. Changes in legislation do not increase the risks to the use of international bidding rules and further contribute to full compliance with the IFAD Procurement Policy and sustainability.</p> |

| Integrated Country Risk Matrix (ICRM)  |               |               |   |
|--|---------------|---------------|---|
| Risk Type  | Inherent risk | Residual risk | Mitigation measures   |
| <p>Pillar II. Institutional framework and management capacity</p> <p><i>This pillar assesses how the procurement system defined by the legal and regulatory framework in a country is operating in practice, through the institutions and management systems that make up overall governance in its public sector. This pillar evaluates how effective the procurement system is in discharging the obligations prescribed in the law, without gaps or overlaps. It assesses: i) whether it is adequately linked to the country's public finance management system; ii) whether institutions are in place in charge of necessary functions; and iii) whether the managerial and technical capacities are adequate to undertake efficient and transparent public procurement processes.</i></p> | Moderate      | Low           | <p>The Brazilian national procurement system is governed by law and has several purchasing systems. A widely used modality at the federal and state level is the Electronic Auction, operationalized and managed by the Federal Government Purchasing Portal - COMPRASNET, which is a WEB site, established by the Ministry of Planning, Budget and Management - MP, to make available to society, information regarding tenders and contracts promoted by the Federal Government, as well as allowing electronic acquisition processes to be carried out. The Government has the SRP – Price Registration System, which consists of a set of procedures for formally registering the prices of products, or the provision of services, for future contracts. SEI – Electronic Information System, developed by the government's process and electronic document management system and enables online bidding. All government purchases are foreseen in its annual budget, also governed by law (Budget Law and Fiscal Responsibility Law). In governments, there are specific sectors to carry out bidding, but in many entities, there is not enough staff to provide project bidding, a fact that is mitigated by hiring support consultants or implementing agencies.</p> |

| Integrated Country Risk Matrix (ICRM)   |               |               |  |
|---|---------------|---------------|--|
| Risk Type   | Inherent risk | Residual risk | Mitigation measures  |
| <p>Pillar III. Public procurement operations and market practices</p> <p><i>This pillar looks at the operational efficiency, transparency, and effectiveness of the procurement system at the level of the implementing entity responsible for managing individual procurements (procuring entity). In addition, it looks at the market as one means of judging the quality and effectiveness of the system in putting procurement procedures into practice. This pillar focuses on how the procurement system in a country operates and performs in practice.</i></p>  | Moderate      | Low           | <p>The entities implementing IFAD projects in Brazil today have greater capacity to operationalize projects, due to the experience acquired in previous phases. Sometimes there is a lack of sufficient staff for the expected number of bids, a fact that is covered using project implementing agencies, national or international. The indicator of this reality is the successful completion of several projects.</p> <p>The national market is showing increasing improvements in this post-COVID-19 pandemic phase, with greater participation. The market that serves IFAD project activities responds more effectively to contracting procedures, due to participation in acquisitions in previous phases.</p> |
| <p>Pillar IV. Accountability, integrity and transparency of the public procurement system</p> <p><i>Pillar IV includes four indicators that are considered necessary for a system to operate with integrity, that has appropriate controls that support the implementation of the system in accordance to the legal and regulatory framework, and that has appropriate measures in place to address the potential risks for corruption in the system. It also covers important aspects of the procurement system, which include stakeholders, including civil society, as part of the control system. This pillar takes account of the procurement system and governance environment to ensure they are defined and structured to contribute to integrity and transparency.</i></p> | Low           | Low           | <p>In the construction of projects, civil society is involved as actors in identifying needs, and as consultative actors in operationalization, which strengthens the integrity of public contracts and the fulfilment of the purpose.</p> <p>The country has effective internal control systems, with control bodies such as the General Comptroller of the Union (CGU and CGEs) and the States and the Accounting Courts of the Union and States (TCU and TCEs), which audit public accounts and projects financed with external resources.</p>  |



| Integrated Country Risk Matrix (ICRM) |               |               |  |
|---------------------------------------|---------------|---------------|--|
| Risk Type                             | Inherent risk | Residual risk | Mitigation measures  |
|                                       |               |               | Furthermore, the Federal Government has the Transparency Portal, launched by the Comptroller General of the Union (CGU) in 2004, a freely accessible website, where citizens can find information about how public money is used, including expenditure and hiring within the scope of projects. |

## Country-level Policy Engagement (CLPE) Strategy

### 1. Introduction

The purpose of this Appendix is to outline the National Public Policy Engagement Strategy<sup>1</sup> for IFAD's new Brazil's Country Strategic Opportunities Programme<sup>2</sup>, identifying potential priority areas and opportunities for action and serving as technical input to the planning, consultation, and dialogue process.

The CPLE is a fundamental part of IFAD's COSOP formulation process and must contribute to achieving the strategic objectives established in the country.

The national public policy framework is a critical element in the conditions that can lead to the sustainable overcoming of rural poverty and the inclusive transformation of rural territories. They can have a positive or negative impact on the objective of guaranteeing the economic, social and environmental development of rural populations and territories living in poverty.

Through CPLE, IFAD is building its strategy of collaborating with governments and other partners on national priorities for rural transformation and inclusive and sustainable food systems, as well as contributing effectively to the design, implementation and evaluation of government programmes and civil society initiatives that converge towards this goal.

Likewise, CPLE is explicitly incorporated into all investment and grant project designs, including strategic objectives that work directly with improving the policy environment. Policy engagement activities are essential if the ultimate goals of increasing production, income, food security, access to markets, climate resilience and reducing generational, gender and racial/ethnic inequalities among rural populations are to be fully achieved.

The two reference lines for the construction of CPLE in the new COSOP for Brazil are:

- I) The strategic objectives of IFAD's Strategic Framework 2016-2025 relate to the following results: increasing the participation of family farmers in public policy management processes; stimulating the production and use of evidence in public policy management processes; and strengthening government capacity to design, implement and monitor public policies.
- II) The areas in which IFAD is committed to seeking impact at the national level, in particular: (i) supporting public policies or policy dialogues aimed at increasing the productive capacity of rural populations living in poverty; (ii) supporting public policies or policy spaces that improve market access for rural populations living in poverty; and (iii) supporting public policies and policy spaces focused on strengthening the resilience of rural populations living in poverty, including those related to climate change and increasing climate finance for small producers.

The CPLE design also considers that, as Brazil is an upper middle-income country<sup>3</sup>, the new COSOP should translate into a more strategic insertion of IFAD beyond *lending activities and in which policy engagement activities take on greater dimension and importance.*

The text is divided into six parts. After this introduction, Section 2 briefly reviews the concept of rural development and its interfaces with public policies. Section 3 details the country's current policy framework and institutional context. Section 4 summarises IFAD's recent experience and the lessons learned in terms of public policy engagement activities, while Section 5 suggests possible priority thematic areas, and CPLE's expected contribution to achieving the strategic objectives of the new COSOP, the approaches and types of activities intended. Section 6 includes some final considerations and systematises the analysis.

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<sup>1</sup> From the English *country-level policy engagement strategy* - CPLE. Given that in Portuguese the words *policy* and *politics* are both translated as *policy(ies)*, the term '*política pública*' is used whenever the word '*policy*' is used.

<sup>2</sup> From the English *country strategic opportunities programme* - COSOP.

<sup>3</sup> According to the acronym UMIC - *Upper-middle income country*.

## 2. Rural development and public policies.

The analysis is better circumscribed by establishing the comprehensive definition of what is considered 'rural development':

*The concept of rural development is not understood as agricultural modernisation, nor as the industrialisation or urbanisation of the countryside. Development is associated with the idea of **creating capacities** - human, political, cultural, technical, etc. - that enable rural populations to act to transform and improve their living conditions, through changes in their relations with the state, the market and civil society. To this end, it is essential that these populations increase their **access to material and symbolic resources** - land, credit, knowledge and information, organisation, etc., **to goods and services** - public and private - **and to opportunities** - for employment, income generation, health, education, etc. **originating mainly in public policies**, but also in markets. Furthermore, this process of expanding capacities and access that characterises development must also create the conditions for populations to be able to **guard against the increase in risks** - social, environmental, economic, among others - that are usually associated with complex processes of social change implicit in the consideration of development (MDA, CONDRAF, 2013, p.13, emphasis added).*

This concept (coined within a multi-stakeholder participatory space) emphasises the ideas of 'capacity building' and 'access to resources and opportunities' for rural populations to improve their living conditions. To this end, action by the state and other actors, **especially via public policies**, is shown to be the main vector for making this process viable.

This debate also implies broadening and re-signifying what is meant by 'rural'. It should not be associated exclusively with the agricultural dimension or as a '*backward residue of the urban*'. Rural life has positive aspects of diversity and multifunctionality and contributes significantly to the country's development, whether as a space for production and diversified economic activities, or as a space for life, social organisation and cultural production, or even for its relationship with nature (MDA, CONDRAF, 2013, p. 13).

*It follows from this perspective that rural development must necessarily be approached as a multifaceted and multidimensional social process of improving the working and living conditions of rural populations, eliminating economic and social inequalities in the countryside and preserving the existing environmental heritage (MDA, CONDRAF, 2013, p. 13).*

Public policies aimed at rural development respond to **different problems and needs**. The specific mix of policies varies between countries, reflecting the different national agrarian trajectories, the socio-economic roles assigned to family farming and the specific policy goals that governments wish to promote with these territories and populations (Bélières et al, 2015).

It is possible to distinguish broad **thematic areas of** rural development policies that include not only (traditional) agricultural policies focused on food production, but also other policies for economic development, social protection, territorial and environmental development (FAO, IFAD, 2023).

The more recent development of policies (relating to the categories of territorial development, social protection and environmental policy) interacts with more "traditional" topics of support for family farming, bringing a perspective that goes beyond agricultural production alone and reflecting '**emerging themes**' of recent decades (such as climate change, agroecology, gender & youth and digitalisation/informatisation in the countryside).

While farmers themselves (in all their diversity, including women, young people, fishermen, landless labourers, rural workers, indigenous people, *quilombolas*, extractivists, forest peoples, etc.) and their families are the most significant beneficiaries of rural development policies, these can also - directly or indirectly - target other beneficiaries.

Policies can focus on specific members within families or on "collective beneficiaries" such as farmers' organisations, communities, territories, ecosystems and the environment more broadly.

In the current COSOP debate, an important outline refers to IFAD's contribution to the recovery and protection of the provision of environmental services at the regional and global level. Recognising Brazil's importance in the global climate-environment scenario, the general intervention framework should incorporate key elements that contribute to the improvement of biodiversity, water and the mitigation of desertification and climate change, through investments in reforestation and restoration of degraded areas, crop diversification, productive and commercial systems, agroforestry systems, organic/green fertilisers and other agroecological practices.

The large territorial extension and the different modes of occupation and development of the regions in Brazil have generated a very diverse set of municipalities, with different sizes, population, socioeconomic characteristics, and historical processes of creation (ENAP, 2018)<sup>4</sup>.

Although Brazil has undergone an intense process of urbanisation in recent decades (currently around 85% of the population lives in urban areas), this has not occurred uniformly across the regions<sup>5</sup>. There is still a high percentage of rural populations in the North and Northeast, and these regions also have the **highest rates of poverty and extreme poverty**<sup>6</sup>. On the other hand, even though the rural population is around 15 per cent, most of the small municipalities have a predominantly rural profile.

The last few years have seen a significant worsening of food insecurity in the country. In the North and Northeast, the percentages reach 71.6 per cent and 68 per cent of households respectively, much higher than the national average (58.7 per cent). Of these, 25.7 per cent and 21 per cent are in a situation of hunger (severe FI). In rural areas, the percentage of food insecurity reaches 60 per cent of households (of which 18.6 per cent are in a situation of hunger). Even in family farming families, 21.8 per cent of households reported being hungry<sup>7</sup>.

From an environmental point of view, the country continues a path of deforestation to expand crops and pastures and exploit timber and mineral resources, generating an increase in greenhouse gas emissions and a loss of diversity and coverage of biomes. Similarly, the impacts of climate change are being felt in terms of prolonged droughts, reduced water availability, loss of soil fertility and biodiversity, rising temperatures and advancing desertification processes, with greater risks of production and income shocks for rural populations. The high poverty rates in the north and northeast regions increase climate vulnerability and the adaptive capacity of populations (Nobre and Marengo, 2017; AKSAAM, 2022).

With regard to family farming, the latest Agricultural Census<sup>8</sup> confirmed that it is the predominant agricultural production system in terms of the number of properties - 3.9 million (76 per cent), of which 1.4 million (37 per cent) in the semi-arid region, occupying 23 per cent of the land, responsible for 23 per cent of the total value of agricultural production and employing 67 per cent of all people in the sector (around 10 million people).

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<sup>4</sup> The most recent projections point to a tendency for the Brazilian population to concentrate in large cities. On the other hand, there is still a large contingent of municipalities with low population density: 3,770 of them have less than 20,000 inhabitants (67.7% of the total) and concentrate 15.3% of the population (32.0 million) <https://www.gov.br/pt-br/noticias/financas-impostos-e-gestao-publica/2021/08/populacao-brasileira-chega-a-213-3-milhoes-de-habitantes-estima-ibge>.

<sup>5</sup> It can even be said that the observed trajectory of the urbanisation process in Brazil was partly due to the lack of development policies in the different regions (especially in the Northeast), which ended up generating unplanned movements of migration and disordered growth in Brazil's big cities, as well as deforestation and environmental degradation in the Caatinga and Amazon biomes.

<sup>6</sup> <https://agenciadenoticias.ibge.gov.br/agencia-noticias/2012-agencia-de-noticias/noticias/35687-em-2021-pobreza-tem-aumento-recorde-e-atinge-62-5-milhoes-de-pessoas-maior-nivel-desde-2012>

<sup>7</sup> <https://pesquisassan.net.br/2o-inquerito-nacional-sobre-inseguranca-alimentar-no-contexto-da-pandemia-da-covid-19-no-brasil/>

<sup>8</sup> All data is from Fortini, 2020 and IPEA, 2021.

Family farmers play a significant role in food production. In the Northeast, family farming plays a significant role in products such as milk (71 per cent), beans (60 per cent), rice (61 per cent) and manioc (80 per cent). 68.5 per cent of farms produce for the family's own consumption.

However, family farming in the region has historically shown low economic dynamism, a high incidence of poverty and a considerable productivity gap. The reasons for such differences in crop yields are diverse, including unfavourable characteristics for agriculture (climate, soil and water resources), low coverage of extension services and difficulties in adopting appropriate agricultural technologies/techniques (IBGE, 2021). The climate change scenario tends to exacerbate this even further.

Census data (IBGE, 2017) shows a worrying scenario. In Brazil, only 19.7 per cent of family farms are run by women (of which only 2.7 per cent are run by young women under 35), persisting in a context of strong gender inequality in rural areas. There has also been a reduction in the number of establishments run by young people under 35 per cent (currently 11.5 per cent), increasing the challenge of generational succession in family farming. When the issues of gender and youth are intersected with those of race and ethnicity, the context of vulnerability widens even further.

In the Northeast, the coverage of technical assistance and rural extension services for family farmers is 7.3 per cent (compared to 18 per cent for the national average). There is also low national coverage for women (8.9%) and young people up to the age of 25 (7%). The services are usually intermittent, poorly qualified, and not up to date in the face of the challenges of incorporating technological innovations and a resilient, agro-ecological agricultural perspective.

Only 5% of family farmers in the semi-arid region were cooperative members, which shows that participation in agricultural cooperatives is very low, suggesting there is a need to expand policies to support productive associations.

In only 25.7% of families, the main source of income came from agricultural production activities, showing the weight that income transfer programmes and pension and retirement payments still have in semi-arid rural areas.

An estimated 76% of farmers had some kind of water infrastructure, but only 10% had some kind of irrigation system. Given the climatic conditions and the water deficit in the region, there is considerable demand for the expansion of different water access strategies. Furthermore, only 14% of farmers accessed credit, 44% of which from public banks. In addition to the low coverage, the data shows that family farmers have accessed sources other than PRONAF. More recent credit policy data shows that the annual family farming Safra Plans have mainly catered for the more structured family farmers dedicated to traditional crops in the South and Southeast<sup>9</sup>, which may show that the design of the 'official' agricultural policy has in practice encouraged the insertion of family farming into the large *commodity* production chains for export.

Although Brazil is an upper middle-income country and has made significant progress in improving the living conditions of its population in recent decades, the data clearly shows that pockets of poverty remain, especially in rural areas, and that there is a high level of regional socio-economic inequality. In addition, the COVID-19 pandemic has set back a series of social and economic indicators that will require even more robust public policies to generate a sustainable path to recovery.

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<sup>9</sup> For example, in the 2019-2020 PRONAF Safra Plan, the South region had 51% of the contracts and concentrated 50% of the budget, while the Northeast had 44% of the contracts but only 14% of the budget. This shows that family farmers in the Northeast access the lowest credit lines on an individual basis. Furthermore, since 2013, the specific credit line for women farmers has fallen by 58.5 per cent and for young farmers by 40 per cent. Since 2018, no credit has been directed to family farmers from agrarian reform settlements (COMAP, 2020).

Similarly, the states and municipalities of the north and northeast still have several challenges in terms of state capacities and institutions for the elaboration of public policies and the sustainable development of their economies, which is reflected in more precarious labour markets, lower tax collection capacity and poor public service networks.

There is, therefore, a wide range of evidence that justifies the actions of public authorities and their partners with rural populations in Brazil in the field of social protection and the fight against poverty, sustainable and inclusive economic and productive development, the environment and the guarantee of food sovereignty and security.

### **3. Brazil: Public policy framework and institutional scenario.**

In Brazil, given the political-institutional format of the federation, the standard *modus operandi* for creating and operating rural development policies almost always involves the federal government issuing general laws and creating federal programmes with a national or regional scope, which states and municipalities will join in order to facilitate coordination 'at the cutting edge' and get the actions to the direct beneficiaries, and/or to act as implementers. State governments usually provide counterpart funding to complement federal programmes, or they can set up their own complementary programmes based on federal legislation.<sup>10</sup>

The federal government is, as a rule, the major financier of rural development policies and support for family farming, especially through national credit programmes, technical assistance, government procurement, infrastructure, the environment and social protection.

The country has experienced a cycle of almost 30 years of expansion and innovation in rural development policies, which began with the 1988 Constitution establishing a system of social protection for rural workers, went through the creation of PRONAF and the MDA in the 1990s and deepened from 2003 onwards, when family farming and the fight against hunger acquired strategic importance on the government agenda, with more resources and the proliferation of a large number of new programmes.

Among these policies and programmes, there is obviously a greater emphasis on policies to support family farming, which is the main producer of food in the country, the main economic activity for a significant part of the rural population and also plays an important role in environmental preservation and the development of rural territories.

However, these policies are also complemented by and interact with other public policies that are not focused on production but are present in rural areas, especially health, education and social assistance, which are the responsibility of municipalities and which, since the 1990s, have undergone an intense process of structuring, decentralisation and expansion of coverage throughout the country<sup>11</sup>.

Through various initiatives such as the Zero Hunger Programme, *Bolsa Família* (cash transfers), the Food Acquisition Programme, School Feeding, Territories of Citizenship, Cisterns, Rural Development and the Brazil without Poverty Plan, the federal government has made overcoming hunger and encouraging family farming a priority of its social and economic development agenda. Brazil has become a world reference in these public policies, has taken on a multilateral role and has advanced in South-South co-operation by sharing the *modus operandi* of these policies.

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<sup>10</sup> Thus, apart from the Union's exclusive competences in matters of agrarian law and expropriation for the purposes of land reform, and the competence of municipalities for local health inspection services, it is understood that all federal entities can act in a concomitant or complementary manner on other issues relating to rural development and agricultural policy.

<sup>11</sup> In this sense, there are policies that are designed specifically for the rural context and other policies that are designed for the population, but which require a cut that takes into account the specificities of the rural context.

However, since the political and economic crisis that began in 2014 and the succession of more liberal governments<sup>12</sup>, this priority has been lost, due to a sharp reduction in the budget of the main federal programmes<sup>13</sup>, a slowdown in implementation and the extinction, merger or *downgrading* of the bodies responsible for formulating and implementing the programmes (Campos, 2021)<sup>14</sup>. In the last six years there has been little prioritisation of rural development and anti-poverty policies by the federal government.

This scenario of loss of institutionality and the budgetary reduction at the federal level has directly affected incentives to the states, either by reducing their engagement or by overburdening them to fill the gap created. The scenario becomes even more complex given the precarious financial situation of most states and the fact that the federal government has been the largest funder of rural development policies through grants to states and local non-profit organisations.

With the change of government after the 2022 presidential elections, the federal sphere is seeking to resume a key role of leadership, financing and intra- and inter-governmental coordination, in a new cycle of expansion and improvement. The radically different government programme from the previous ones is also reflected in a major change to the organisation chart of the federal public administration.

The main players in this scenario are the (re-created) Ministry of Agrarian Development and Family Farming (MDA), responsible for policies to promote family farming and cooperatives, land regularisation, agrarian reform and the promotion of agri-food systems, and the Ministry of Social Development and Social Assistance, Family and Fight against Hunger (MDS), responsible for policies to combat poverty, promote food security and socio-economic inclusion.

With the new administrative structure of the federal government, the MDA has under its supervision the agency responsible for implementing agricultural extension policy (ANATER), the agency responsible for land regularisation, land titling and settlements (INCRA) and CONAB, which deals with food market regulation and supply policies.

MDA and MDS are IFAD's main focal points at federal level.

#### **The main milestones of current rural development public policies are:**

- The National Programme to Strengthen Family Farming (PRONAF), which provides around 20 different lines of subsidised credit for farmers (including young people, women, PCTs, indigenous people and land reform settlers) and their organisations, operated by a wide network of public and private banks. 15
- The National Technical Assistance Programme (PRONATER), which brings together a wide network of public and private organisations to support the production and marketing of family farmers and their organisations.

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<sup>12</sup> It is possible to say that the 2003-2015 governments of Presidents Lula and Dilma Rousseff had a more interventionist bias, betting on a more active role for the state, especially about reducing inequalities, fighting poverty and promoting development. Between 2015 and 2022, the governments of Michel Temer and Jair Bolsonaro adopted a more liberal approach, emphasising the roles of the market, reducing state participation in economic activity, and reducing the size of the state.

<sup>13</sup> With the sole exception of the national credit policy (PRONAF), which saw an upward trend in the volume of resources in the annual Safra Plans during the period.

<sup>14</sup> Likewise, the environmental agenda has suffered restrictions, with reduced inspections and government incentives for the expansion of the agricultural frontier (mainly livestock), mining and other economic activities, especially in the Amazon rainforest, increasing deforestation of biomes (especially the Amazon and Cerrado) and greenhouse gas emissions.

<sup>15</sup> The 2023 Safra Plan brought several reformulations, such as additional incentives for the production of food essential to national food security and sustainable production (organic, socio-biodiversity products, agroecology and bioeconomy), an increase in the limit and wider access to productive microcredit and a new line for women farmers. <https://www.gov.br/mda/pt-br/plano-safra-da-agricultura-familiar/governo-federal-retoma-plano-safra-da-agricultura-familiar-com-reducao-de-juros-para-a-producao-de-alimentos>

- Complementary support programmes such as crop guarantees, minimum prices, land credit and machinery and equipment.
- Policies to combat poverty and promote food security have been brought together in the recently launched Brazil Without Hunger Plan<sup>16</sup>, which brings together already consolidated programmes such as conditional cash transfers for social and productive inclusion (Bolsa Família and Fomento Rural), access to water (Cisterns Programme) and government purchases (Food Acquisition - PAA and School Feeding - PNAE) and new initiatives such as solidarity kitchens and women's productive farms.

All of these programmes cut across gender, youth, race/ethnicity and territorial issues, as well as operating in the rural areas where IFAD projects operate, which enables synergies and co-financing of productive investments, access to markets and the strengthening of social protection networks.

Gradually, the MDA has resumed its policies of creating new agrarian reform settlements<sup>17</sup> (previously interrupted), the National Policy for Agroecology and Organic Production<sup>18</sup> (PNAPO) and progress in the titling of quilombola lands.

Other important federal actors are present in the political-institutional scenario under which IFAD operates in Brazil: the Ministry of the Environment (MMA), Agriculture (MAPA) and Regional Development (MDR) and the new ministries created to deal with policies to promote racial equality (MI) and indigenous peoples (MPI).

MAPA's actions also dialogue with and influence the environment around family farming, especially digital land use, ABC, recovery of degraded areas, productive forest restoration and the development of innovations, with the support of EMBRAPA, the agricultural research and innovation agency under its supervision.

The Ministry of Environment (MMA) leads environmental and climate policies and, together with other ministries, seeks to ensure that national economic development policies incorporate the dimension of environmental sustainability and the necessary measures to mitigate and adapt to climate change. It has under its supervision important agencies such as the Brazilian Forest Service (SBF), the Chico Mendes Institute for Biodiversity (ICMBio), and the Brazilian Institute for the Environment (IBAMA).

The country has several structural environmental policies, such as the National Environmental Policy (PNMA), the Forest Code, the National Policy for the Recovery of Native Vegetation (PROVEG), the National Action and Biodiversity Plan, the National Adaptation Plan (PNA) and the Plan to Combat Desertification.

These policies seek to articulate guidelines and incentives to regulate the impacts of productive activities (including agriculture), promote the orderly and sustainable exploitation of natural resources and the recovery and protection of biodiversity and ecosystems. Through these policies, Brazil has also set specific targets for the recovery of degraded ecosystems, forests and pastures, the reduction of greenhouse gas emissions and the implementation of integrated production systems.

The recently created Ministries of Racial Equality and Indigenous Peoples are articulating important legal frameworks, such as the National Policy for the Sustainable Development of Traditional Peoples and Communities (PNPCT) and the National Policy for the Territorial and Environmental Management of Indigenous Lands (PNGATI), with the aim of ensuring that the federal government's various public policies recognise, strengthen and guarantee the territorial, social, environmental, economic and

<sup>16</sup>[https://mds.gov.br/webarquivos/MDS/2\\_Acoes\\_e\\_Programas/Brasil\\_sem\\_Fome/Plano/Apresentac%CC%A7a%CC%83o\\_Brasil\\_Sem\\_Fome\\_Atualizada.pdf](https://mds.gov.br/webarquivos/MDS/2_Acoes_e_Programas/Brasil_sem_Fome/Plano/Apresentac%CC%A7a%CC%83o_Brasil_Sem_Fome_Atualizada.pdf)

<sup>17</sup><https://www.gov.br/mda/pt-br/assuntos/noticias/2023/08/mda-retoma-reforma-agraria-e-cria-programa-de-quintais-produtivos-para-mulheres-rurais>

<sup>18</sup><https://www.gov.br/secretariageral/pt-br/noticias/2023/junho/governo-retoma-politica-nacional-de-agroecologia-e-producao-organica>



cultural rights of these populations, respecting and valuing their identity, forms of organisation and institutions.

Finally, the participatory dimension was strengthened with the re-creation of CONSEA and CONDRAF, historical spaces for civil society and sub-national governments to reflect on and advise on national guidelines and policies for food security and rural development, and the re-articulation of CONAMA, guaranteeing equal participation by civil society representatives.

At the **state level**, IFAD's main partners are the Secretariats of Agriculture or Agrarian Development and related organisations such as EMATERs and Land Institutes. The design and implementation of investment projects also involves other state government bodies such as the Planning and Environment Secretariats. The states also have decentralised offices of federal agencies (such as MAPA, MDA, INCRA and Embrapa) responsible for implementing policies and working together with the state agencies.

An important regional player emerged in 2019 with the creation of the Northeast Governors' Consortium, created in response to reduced federal support for the region, to attract national and international investment and leverage coordinated policies and integrated projects. The Consortium is a legal, political and economic instrument for integrating the region's nine states to promote sustainable development and solidarity, having created a specific thematic chamber for policies to support family farming and sustainable rural development.

One of its initiatives was the creation of the Thematic Chamber and the Forum of Family Farming Managers, which launched i) the Healthy Food Programme (PAS) to expand state public purchases of family farming products and develop other actions to support family farming and ii) SIRAF - the Family Farming Regional Information System, an integrated and open tool for managing information on family farming products, which received technical and financial support from IFAD.

In several regions, another important player is the Intermunicipal Consortia<sup>19</sup>. Consortia are a way of promoting public policies of common interest, such as health, education, the environment, transport, tourism, among others, and they can also implement various federal and state government programmes, providing greater coverage and economies of scale in management.<sup>20</sup>

There are also important Development Banks such as BNDES, Banco da Amazonia, Banco do Nordeste, BDMG and Banco do Brasil, which, as well as operating traditional lines of credit, have sought to develop new funding mechanisms and launched calls for proposals to support intervention projects and research involving family farmers and their organisations, NGOs, universities and sub-national governments. This network also includes important international organisations and cooperation agendas, such as the IDB and the World Bank, German and Spanish cooperation, among others.

On the international stage, the Specialised Meeting on Family Farming (REAF) in Mercosur - REAF is the main forum for political dialogue on the development of family farming in Mercosur, through the exchange of experiences, the harmonisation of standards and the drafting of joint proposals. It is currently attended by government representatives from Argentina, Brazil, Paraguay and Uruguay (full members of Mercosur), Bolivia, Chile, Ecuador and Peru, as well as various family farmers' organisations and multilateral agencies.

In this current and complex multi-actor scenario, and considering the large contingent of family farmers

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<sup>19</sup> According to data from the National Confederation of Municipalities, there are 491 public consortia in the country, involving more than 4,000 municipalities. The majority work in the health sector (61 per cent), followed by the environment (10 per cent) and economic development (7 per cent).

<sup>20</sup> MAPA, for example, has been working with inter-municipal consortia to grant membership to the Brazilian System for the Inspection of Products of Animal Origin (Sisbi-POA), so that products registered by the Municipal Inspection Services linked to these consortia can be marketed throughout the country <https://www.gov.br/agricultura/pt-br/assuntos/noticias/oito-consorcios-publicos-municipais-recebem-titulos-de-adesao-ao-sisbi>. Similarly, the Cisterns Programme makes it possible to transfer federal funds to consortia through agreements.

and rural families in situations of poverty and food insecurity, especially in the North and Northeast regions, some of the main challenges in the political-institutional scenario are:

- the effective resumption of federal government policies for rural development and the fight against hunger, with the recomposition of budgets and administrative capacity to guarantee a new cycle of expansion and coordination between different ministries and with states and municipalities with a view to impactful regional action.
- in the search for a better distribution of policies between regions, given that there is still a significant imbalance in access between the country's regions to federal credit policies, technical assistance and government purchases for family farming, as well as access for vulnerable population groups such as women, young people, land reform settlers, PCTs and indigenous people.
- in the search for the necessary improvement and adaptation of these policies to the different regional realities, especially in the north and northeast (which have the highest rates of rural poverty and food insecurity) and in credit and technical assistance policies for family farming (with very low coverage rates).
- the definitive incorporation of the environmental dimension into productive agricultural policies, for example through the consolidation of national policies to promote agroecology and low-carbon agriculture and a systemic vision that incorporates the dimension of biomes and their specificities.
- the construction and improvement of coordination mechanisms between different ministries and with the states so that there is no duplication of effort or areas that are left without action.

#### **4. IFAD's work in Brazil - main results and lessons learnt.**

This section summarises how IFAD's public policy engagement strategy has been implemented in recent years in Brazil.

Initially, some important lessons learnt had already been highlighted by the FPC country evaluation (IFAD, 2015) in the process of building the previous COSOP.

IFAD projects can contribute to improving the effectiveness of rural poverty reduction policies by i) helping families to access current public policies and ii) developing activities that stimulate coordination at the territorial/local level of the various rural development policies being implemented by governments.

Investment projects, although with smaller budgets compared to the large programmes implemented by the federal government, make an important contribution by focusing on developing innovations and experimenting with new technologies and production alternatives on a small scale, which can then be scaled up if successful. In other words, the greater flexibility to experiment enhances IFAD's possibilities for collaboration in improving public policies.

Policy dialogues require clear knowledge management and communication strategies that analyse project innovations in a rigorous and objective manner, identify the main factors that explain the results observed and generate products for effective communication that attract the interest of various players with a view to improving public policies and strengthening government institutions.

Specific allocated resources and a strong IFAD institutional presence in the country are needed to implement knowledge management activities, policy dialogue, monitoring and evaluation, south-south cooperation and the scaling up of successful innovations, either as a specific element of investment projects, as a specific project of grant projects or through the interaction between the two.

Adopting a territorial perspective facilitates the coordination of project activities with the actions of state and municipal governments, the establishment of partnerships and the participation of beneficiaries and civil society organisations both in the implementation of projects and in local decision-making bodies such as municipal and regional councils.

IFAD loans are of greater importance to state governments, which have fewer resources and more limited institutional capacity. IFAD has built up a good knowledge of the institutional context and

problems in the region and has developed a strong relationship with relevant state governments and civil society organisations.

Similarly, in COSOP 2016-2023, two of the three strategic objectives (SO) directly incorporate the perspective of engagement in public policies. SO 2 sought to improve public policies and programmes through pilot testing, experimentation and scaling up best practices; and SO 3 aimed at strengthening the capacities of government institutions and organisations of rural populations living in poverty to implement policies and programmes.

COSOP was assessed as highly relevant, among other reasons for the fact that the projects developed were aligned with the priorities of the federal and state governments, made a concrete contribution to strengthening rural development policies (especially in a context of fiscal constraint, climate vulnerability and the covid-19 pandemic) and acted on the main determinants of rural poverty, based on the best available evidence (much of which was generated by the evaluations of the projects themselves).

COSOP's performance in the policy engagement strategy was also assessed as highly satisfactory. There were direct improvements in six policies and programmes focused on family farming and rural poverty reduction, for example by strengthening and expanding the use of 'social technologies' such as eco-efficient cookers, biodigesters and water reuse systems, by supporting federal and state agencies in contracting, financing and monitoring quality technical assistance services, and by IFAD's support for strengthening local technical assistance networks in agro-ecological and climate change resilient practices, which are not yet widely disseminated and consolidated.

Political dialogue and knowledge management with the northeastern states, the federal government, civil society organisations, academia and other countries in Africa and the Americas were improved through 8 political forums, 13 international exchanges, the creation of a Regional Centre for South-South Technical Cooperation and Knowledge Management, as well as the operation of an integrated project monitoring and evaluation system.

An impressive 189 successful experiences and good practices developed as part of IFAD projects were systematised. At least 11 innovative methodologies applied by the projects have now been applied in other federal and state policies and programmes to strengthen family farming, such as the use of agroecological notebooks, solar-powered desalination plants, photovoltaic energy in cooperatives, mobile water treatment plants, grey water reuse, financing schemes and training initiatives for farmers' organisations, the involvement of NGOs in the provision of technical assistance and the improvement of remote technical assistance.

Around 96% of the beneficiary rural families actually accessed the public policies and programmes for which they were eligible. IFAD projects helped to disseminate and expand at least 14 federal and state programmes such as credit, food procurement, school feeding, access to water, marketing, agrarian reform and technical assistance, creating a bridge between them and poor families who, for many reasons, had difficulty entering them. This complementarity generates synergy to maximise the benefits for vulnerable rural families.

Impact evaluations were conducted on 100% of IFADs investment projects, which shows the improvement in identifying and obtaining consistent indicators of policy results and impact. In addition to evaluations with field data collection, some projects also developed remote results evaluations. The evidence generated by these evaluations contributed not only to the design of new IFAD projects, but also to signalling to governments which interventions could be most effective in supporting family farming and overcoming rural poverty.

The monitoring and evaluation and knowledge management (KM) tools aroused great interest among state governments and contributed to making investment projects more of a priority, with IFAD being seen as a more strategic partner.

Other important points raised in the evaluation of COSOP 2016-2023 were i) IFAD's contribution to fostering the Brazilian public debate on rural development policies, providing technical support and up-to-date data to strengthen this agenda in government spaces and ii) the image built by IFAD among partners of an institution capable of bringing together different actors in public policy discussions,

engaging in dialogue with civil society organisations and positively influencing government agendas, for example on issues such as climate change and sustainable agriculture.

The projects promoted inter-institutional collaboration with the federal and state governments, going beyond the traditional approach of compartmentalisation and strengthening the multidimensional nature of rural development policies. In the states, the projects were not limited to the agriculture secretariats and explored complementary synergies with other state secretariats and departments, such as education, environment, health, social protection, economy, tourism and planning.

IFAD's active support for the Northeast Consortium was also evaluated as strategic for political engagement and dialogue, against a backdrop of falling investment and less leadership from the federal government in the period. The governors and managers were able to count on IFAD as an essential and strategic partner to help them design and implement significant initiatives and expand regional integration.

Finally, IFAD has also involved municipalities in its projects as technical assistance providers through inter-municipal consortia. Municipalities play a fundamental role in the smooth implementation of investment projects, supporting the formulation of territorial and investment plans, helping to target beneficiaries appropriately and, in some cases, providing support through complementary actions.

##### **5. Outlining a public policy engagement strategy for COSOP 2024-2032.**

As has been shown, the current dynamics of IFAD's investment and grant projects in Brazil have ensured broad political engagement and alignment with government entities, within the framework of rural development policies and programmes and the fight against rural poverty.

Both governmental and non-governmental partners recognise IFAD's comparative advantages in terms of its successful models for targeting poor rural communities, its differentiated and participatory approaches for priority groups and the provision of a wide range of innovative and effective solutions for improving the productive capacities and climate resilience of family farmers and for restoring highly vulnerable ecosystems that are subject to degradation of their environmental and productive functions.

The new COSOP therefore confirms IFAD's priority in Brazil of overcoming rural poverty in the semi-arid and transition zones of the Caatinga and, at the same time, consolidate an environmental agenda aimed at strengthening and expanding sustainable production models that are resilient to climate change and reflect the multidimensionality and multifunctionality of family farming.

IFAD will continue to act as a 'catalyst' in the policy debate, giving visibility to "frontier issues" that do not yet have sufficient diffusion and engagement, such as the bioeconomy, environmental services, renewable energy, climate change adaptation, biodiversity, and rural digitalisation. Including and strengthening such issues in the public debate can ensure that rural populations also have a voice and are not excluded from technological advances in agriculture and global efforts to mitigate and adapt to the effects of climate change.

Currently, there is greater alignment between federal and state governments on these issues and a new, comprehensive environmental agenda is in full development, with Brazil seeking to occupy a place of world leadership on the subject.

Given that regions with high levels of rural poverty still persist in Brazil and that the demand for public policies will grow in the face of the worsening climate context (which increases water stress and pressure on already scarce natural resources - making the conditions for farming and living in the semi-arid region more challenging), IFAD will follow up on its strategic objective of collaborating with government partners to help improve and expand public policies.

IFAD is duly positioned as a strategic partner with policy expertise to support and influence discussions on major national and regional public policy strategies, such as the ABC+ Plan, the National Plan to Combat Desertification, the construction of a single ATER system and the organisation of COP25.

As emphasised, IFAD's public policy engagement strategy will have the general objective of supporting and encouraging public policies that promote inclusive and sustainable rural transformation. To this end, three main outcomes will be pursued:

- Increasing the participation of rural populations in public policy processes.
- Stimulate the production and use of evidence to improve the quality of public policy processes.
- Expanding the capacity of governments to generate solid public policies.

For these results to be adequately achieved, IFAD projects are expected to continue:

- supporting governments so that new technologies, innovations, good practices and intervention models developed in their projects can be incorporated into public policies and government programmes, such as new technologies for accessing and reusing water, sanitation, community seed banks, the use of alternative energy sources and participatory technical assistance and rural extension methodologies adapted to vulnerable populations.
- guaranteeing an interface and complementarity between its investment projects and the major federal programmes supporting family farming (PRONAF, Cisterns, PAA, PNAE, Rural Development, Fresh Water, PRONATER, Agrarian Reform, Documentation, etc.), making efforts to ensure that these policies have greater capillarity and are effectively accessed by project beneficiaries. In particular, boost opportunities to access to blended finance for smallholder farmers, resulting from policy instruments reaching them in the form of conditional transfers (Brasil sem Fome), productive transfers (Fomento rural) and subsidised credit (PRONAF).
- to promote the organisational strengthening of partner government bodies, especially the State Secretariats, guaranteeing the permanence of the improvements in management and intra-governmental coordination promoted by the PMUs.
- leading or supporting advocacy processes to improve important production chains in the semi-arid region (such as goat farming and beekeeping), and to expand agro-ecological production investments, improving legislation and reducing barriers that may limit the impact of public policies, such as tax and health surveillance rules that hinder the commercialisation of family farming products, adapting credit and ATER policies to the reality of the northeast and improving family farming purchasing policies.
- contributing to greater alignment of the climate change policies of the federal and state governments and to the consolidation of a set of integrated environmental actions, such as policies for the restoration of degraded areas and/or payments for environmental services.
- promoting the agenda and disseminate good practices on gender and youth equality within government institutions.
- strengthening the participatory dimension of policies and participatory spaces in the three spheres so that rural populations living in poverty have their interests, demands and aspirations incorporated. whether in the large national councils that have been recreated, such as CONSEA and CONDRAF, or in state and municipal CONDRAFs, public policy monitoring councils, and other collegiate bodies and platforms, especially women, young people, PCTs and indigenous people, given the historical processes of exclusion.
- promoting knowledge management and South-South cooperation to strengthen family farming policies in Latin America and Africa, especially in the Southern Cone through REAF and in countries with semi-arid climates, for example, through the production of diagnoses, analyses, studies, proposals for the design and evaluation of public policies, as well as seminars and exchanges.
- work with other national and international funding organisations to jointly create strategic rural

investment mechanisms, expanding the scope and coverage of projects.

IFAD will also continue to support the Consortium of Governors of the Northeast through technical support, the promotion of dialogues and the exchange of experiences, for example in projects at regional level for a new government procurement system, climate resilience actions, the promotion of healthy food, agro-industry, value generation, the sanitary inspection of family farming products and the exchange of good practices in the management of public policies.

This support will be important insofar as it can contribute to more synergistic regional action between the nine states, bringing similar initiatives closer together, reducing overlapping efforts and boosting public action.

IFAD can also help formulate a proactive agenda with the state legislatures, providing technical input and giving visibility to its projects. The assemblies are an important forum for political dialogue and the allocation of budgetary resources and can also contribute to a regional environment conducive to rural development policies. They can also provide complementary resources through parliamentary amendments in the areas of intervention of IFAD projects, for example in infrastructure works or complementary goods and services.

Considering Brazil's ranking as an upper middle-income country, IFAD will also have to develop a specific agenda for strengthening rural development policies at the municipal level, to be considered in the design of new projects, thus boosting on the ground performance.

This agenda would include:

- strategies for adapting and strengthening municipal/intermunicipal health inspection and certification of local products from family farming.
- training to access resources and join federal and state government programmes - complementing the work of IFAD programmes in the territories.
- simplification of legislation and procedures for purchasing produce for school meals.
- strategies for better integration of rural families (especially in isolated communities) into local social protection networks (such as basic health units, family health, schools, crèches and social assistance reference centres).
- Expansion of partnerships and support for inter-municipal consortia to promote new agricultural technologies, complementary technical assistance and integrated public procurement.
- the involvement of cities in the production of organic fertilisers, for example by composting household organic waste and sewage sludge for use in agriculture.

The current Brazilian context also offers opportunities within COSOP for IFAD to continue developing actions to strengthen the institutional capacities of its partners and supporters.

On the one hand, the federal government is in the process of restructuring its ministries, programmes and teams, with the challenge of expanding social, economic and environmental development policies with limited budgetary expansion.

On the other hand, the state governments also need to consolidate their organisational structures, since many of IFAD's partner secretariats for agrarian development are more recent and the old EMATER network has not received the necessary investment to modernise and renew their teams for a long time.

In both scenarios, it is considered important to make progress in improving the state's public policy management capacities so that there is better budget allocation based on the public interventions that prove to be most effective and cost-effective.

IFAD's current investment projects have managed to develop inter-agency consultation models capable of overcoming the challenges of coordinating policies with multiple formulators and implementers, while at the same time guaranteeing diverse participation mechanisms that involve civil society and family farming organisations in defining investments and monitoring implementation.

IFAD projects would continue to contribute to this process of strengthening institutional capacities through:

- Access to new knowledge that contributes to the consolidation of new agendas such as the agroecological transition, the strengthening of socio-biodiversity chains and the bioeconomy, which are still only tangential in the field of family farming policies.
- Strategies and actions to strengthen the management of family farming co-operatives in order to develop new local markets for family farming and increase access to institutional and private markets.
- Mobilising, training and financing state and regional ATER networks, in partnership with federal institutes, universities and NGOs.
- The production of evaluation studies to improve and generate evidence for government decision-making on the impacts of the main federal or state programmes to support family farming and combat poverty that have yet to be evaluated or that have not been evaluated recently.
- Training actions for career state civil servants (starting with the PMUs of investment project) in robust methodologies for diagnosing, designing/formulating, monitoring and evaluating programmes (especially in terms of designing consistent programme logic models and impact assessments), participatory planning methods and policy coordination with a territorial perspective and targeting strategies that prioritise women, young people and traditional communities. There is still a great demand for improvement in the Brazilian public sector in these areas.
- Promote exchange actions to share experiences in public policy management between state and municipal governments.
- Actions to strengthen municipalities for the formulation of local rural development policies and better synergy with IFAD projects.

In the design phase of investment and donation projects, it is suggested that this set of different strategies be taken into account when formulating possible objectives and activities.

With regard to the monitoring and evaluation strategy, the indicators for the results framework should be formulated in accordance with the country's context, the strategic objectives of the new COSOP and CLPE's strategy and intended actions, noting that these actions may seek one or more types of results. As far as possible, the formulation of indicators should take into account those already monitored within the framework of the projects, allowing for automatic consolidation.

The main indicators should be capable of monitoring the processes of i) improving policies and programmes based on IFAD's action and influence (and through different strategies), ii) expanding the institutional capacities of government bodies and community organisations and iii) increasing the participation and access of rural populations in public policy processes.

Based on the strategic objectives defined for the new COSOP, the table below suggests possible indicators for monitoring results and products.

| Main results sought by CPLE | COSOP's strategic objectives related to CPLE | Possible result indicators | Possible product indicators |
|-----------------------------|--|----------------------------|-----------------------------|
|-----------------------------|--|----------------------------|-----------------------------|

|  |  |   |  |
|--|--|---|--|
| 1 - Expand the participation of rural populations in public policy processes.                      | SO2: Improve public policies and programmes through evidence-based refinement and scaling up of best practices.  | Number of policies and programmes focused on family farming and improving rural poverty reduction in the Northeast of Brazil that have been improved.                             | <p>Number of innovative methodologies and good practices applied by IFAD projects that are adopted/incorporated into the policies and programmes of federal and state public institutions.</p> <p>Number of policies and programmes with improved legislation.</p> <p>Number of policy analysis documents produced.</p> <p>Number of national exchanges carried out.</p> |
| 2 - Stimulate the production and use of evidence to improve the quality of public policy processes |  |   |  |
| 3 - Expanding the capacity of governments to produce public policies.                              | SO3: Strengthen the capacities of government institutions and organisations of the rural poor to boost rural development while safeguarding the provision of environmental services. | <p>An increase in the number of families accessing the main federal programmes to support family farming.</p> <p>ATER systems complemented and strengthened with Remote ATER.</p> | <p>Number of ATER technicians and civil servants trained in project management and environmental and inclusive public policies.</p> <p>Events, exchanges and learning routes held or participated in (SSTC).</p> <p>Number of international exchanges carried out.</p> <p>Number of relevant public policy knowledge management products produced.</p>                   |

Table 1 - Suggested matrix of result and impact indicators for the public policy engagement component in the new COSOP.

Complementary indicators relating to the degree to which IFAD's advisory and advocacy role drives changes in the public policy environment and amplifies the voice and interests of small farmers can also be established within the framework of specific projects and consolidated in future COSOP monitoring processes. For example:

- Number of policy dialogues on priority themes for IFAD initiated.
- Mentions of IFAD's priority public policy themes in key partner documents.
- Number of new policies and programmes related to IFAD's priority themes approved.
- Number of networks created/supported.



There will be a need to explore **funding** options for CLPE, as adequate human and financial resources will be required for an effective strategy. CPLE funding has traditionally been a challenge in IFAD's conventional operational contexts and is likely to be more complex in the context of a graduation trajectory. One option could be funding through regional and global grants, especially if the focus is on the provision of environmental services at the regional and global levels prioritised by IFAD, as is the case with climate and environmental policy in Brazil.

The implementation of type C projects, carried out in collaboration with others, can provide an opportunity for funding. If this is not possible, collaboration outside of loan activities will be necessary.

## **6. Final considerations**

The analysis of Brazil's political-institutional framework and the lessons learnt from IFAD's work, as well as the suggestions for the continuity and expansion of CPLE, allow for the construction of a consistent and effective proposal that can be guided and implemented as part of future projects.

Throughout the implementation of the new COSOP, IFAD's coordinated action through these strategies will be able to guarantee the inclusion in public policy management processes of rural populations living in poverty, strengthen the capacities of government actors and partner civil society organisations, and increase the production and use of evidence aimed at improving public rural development policies.

The new COSOP scenario poses the challenge of IFAD being able to consolidate and expand its role as a source of expertise with government partners, thereby creating ample space to make a positive impact on improving and expanding rural development policies and overcoming poverty.