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Investing in rural people

## President's report

Proposed loan to the State of Pernambuco of the Federative Republic of Brazil for the Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (PE-PRODUZ)

### Note to Executive Board representatives

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For: Approval

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## Abbreviations and acronyms

COSOP	country strategic opportunities programme
CPE	country programme evaluation
EIRR	economic internal rate of return
EMBRAPA	Brazilian Agricultural Research Corporation
FM	financial management
KM	knowledge management
INCRA	National Institute of Colonization and Agrarian Reform
M&E	monitoring and evaluation
IPA	Agronomic Institute of Pernambuco
MIC	middle-income country
NPV	net present value
PDHC	Dom Helder Câmara Project
PIP	production investment plan
PM&E	planning, monitoring and evaluation
PMU	project management unit
PRORURAL	Program for Productive Sustainable Rural Development
SARA	Secretariat of Agriculture and Land Reform of the State of Pernambuco
SEAD	Secretariat for Family Farming and Agrarian Development
SEAF	Executive Secretariat for Family Farming of the State of Pernambuco
SEAG	Executive Secretariat of Oversight and Management
SEFAZ	Secretary of the Treasury
Semear International	Building Capacities for Results-based Management and Scaling up of Innovations in Public Policies to Combat Rural Poverty in North-east Brazil (grant to the Inter-American Institute for Cooperation on Agriculture [IICA])
SSTC	South-South and Triangular Cooperation
TA	technical assistance
TMU	territorial management unit
UNDP	United Nations Development Programme

## Map of the project area

### Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (PE-PRODUZ)



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 | 31-07-2017

## Federative Republic of Brazil

### Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (PE-PRODUZ)

#### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	State of Pernambuco, Federative Republic of Brazil
<b>Executing agency:</b>	Secretariat of Agriculture and Land Reform (SARA) of the State of Pernambuco
<b>Total project cost:</b>	US\$40 million
<b>Amount of IFAD loan:</b>	US\$20 million
<b>Terms of IFAD loan:</b>	Ordinary: Maturity period of 18 years, including a grace period of three years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate.
<b>Contribution of borrower:</b>	US\$16 million
<b>Contribution of beneficiaries:</b>	US\$4 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan to the State of Pernambuco of the Federative Republic of Brazil for the Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (PE-PRODUZ), as contained in paragraph 54.

## Proposed loan to the State of Pernambuco of the Federative Republic of Brazil for the Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (PE-PRODUZ)

### I. Strategic context and rationale

#### A. Country and rural development and poverty context

1. In spite of its status as a middle-income country (MIC) and the progress made in reducing poverty, Brazil continues to have a large number of poor people and is characterized by great inequalities. There are more than 18 million people living below the poverty line, and more than 8 million live in extreme poverty. The north and northeast regions remain the poorest and concentrate 5 million of those living in extreme poverty, 46 per cent of whom belong to rural households.
2. In 2010, the State of Pernambuco had a population of 8,796,448, 1,744,407 of which (19.8 per cent) were rural; some 27 per cent of the state's population lives in poverty and 12 per cent in extreme poverty. Pernambuco ranks 19<sup>th</sup> among Brazil's 27 federative units in the 2010 Municipal Human Development Index.
3. Two ecosystems dominate the State of Pernambuco: the Mata Atlântica (Atlantic Forest, with tropical climate and average rainfall of 800-2,300 mm/year); and the Caatinga ecosystem (average rainfall of 400-750 mm/year). A transitional area, known as the Agreste, separates the two regions.
4. Family farms in Pernambuco are numerous and work some 50 per cent of the state's farming land. In the Agreste region, often family farms work on small plots of degraded land. A heavily populated indigenous area can also be found in the area. In the Zona da Mata region, land ownership is still concentrated and has been a major cause of rural poverty. The region has over 14,000 agrarian reform settler households and is in the midst of a sugar-cane sector crisis – once the state's economic engine.

#### B. Rationale and alignment with government priorities and RB-COSOP

5. The project is aligned with state and federal government policies and programmes to reduce poverty. IFAD operations in Brazil are guided by the country strategic opportunities programme (COSOP), periodically negotiated with the Brazilian authorities. After the country programme evaluation (CPE) of 2015, a new COSOP for 2016-2021 was designed and approved. It indicated that, while the majority of IFAD activities would continue to target the semi-arid region in the north-east, opportunities would also be sought to work in other ecosystems. It was decided that a new project would be conducted jointly with the Government of Pernambuco for the Zona da Mata and Agreste regions, given their serious social and environmental problems and high poverty levels. It should be noted that IFAD is already operating in Pernambuco's semi-arid region through the activities of the first and second phases of the Dom Helder Câmara Project (PDHC).

6. The project is aligned with the state and federal governments' objective of promoting sustainable income generation among poor rural people, who rely heavily on old-age pensions and the Bolsa Familia conditional cash transfer system for their livelihoods. Thus there is a real need to develop income-generating activities, primarily agricultural, to enable poor rural people to sustainably move out of poverty.
7. The project responds to the IFAD Strategic Framework 2016-2025 and is consistent with the 2016 results-based country strategic opportunities programme (RB-COSOP) as it aims to: (i) increase and diversify beneficiaries' agricultural production, enhancing food security; (ii) increase value added to their products and access to markets under favourable conditions; and (iii) strengthen beneficiary organizations to sustainably manage their natural resources and production systems, take advantage of public policies and programmes and participate in local decision-making bodies and development processes at the local level.
8. To meet these objectives, the project will draw on the long experience of IFAD projects in the north-east region. It will also benefit from interaction with the seven IFAD projects either under implementation or due to start in the region.

### C. Project area and target group

9. The project area will consist of 40 municipalities (in the Zona da Mata and in the Agreste region) selected for their high indices of extreme rural poverty or rural poverty and/or because of their high potential for development of specific productive activities. It covers an area of 8,529 km<sup>2</sup> that includes 39 per cent of the area in the Agreste and Zona da Mata regions. The project is located and coordinated in four Pernambuco development regions – Zona da Mata Norte, Zona da Mata Sul, Agreste Central and Agreste Setentrional.
10. The total population of the 40 municipalities in the project area is roughly 950,000, 34 per cent of which are rural (323,000 individuals, 80,750 households); 38 per cent of the rural population is poor or extremely poor (approximately 31,000 households).
11. The target group population will consist of some 81,000 rural households. The project will directly benefit 30,100 households: within this group, 19,100 households – 1,500 of which are indigenous or quilombola (Afro-descendant) – will directly benefit from ongoing technical assistance and productive investments, while other groups will benefit from selected organizational, technical assistance and/or investment activities under components 1 and 2. The project will also directly benefit leaders and members of the community organizations of the rural households served through capacity-building and strengthening activities.
12. The project will give priority to women and youth, as well as former land reform settlers and workers in the sugar cane industry, as they are the most-vulnerable segments of the population.

### D. Project development objective

13. The goal of the project is to contribute to reducing rural poverty and inequalities (gender, ethnic and generational) in Pernambuco, promoting sustainable and inclusive development. The target is to reduce extreme poverty among project beneficiaries by 35 per cent.
14. The development objective is to increase the incomes and food security of beneficiary households through improved productivity, production techniques and natural resource management, and through the sale of farm and off-farm production. Expected results are: (i) beneficiaries increase their household assets by 20 per cent; and (ii) 10,500 households reduce by at least 20 per cent the proportion of the household budget spent on food purchases.

## E. Components/outcomes

15. Component 1. Capacity-building and institutional strengthening. The component's objective is to strengthen beneficiary capacity to participate more effectively in the local development process, better manage their organizations, reduce gender inequalities and create opportunities for youth. The main activities are:
  - (i) Capacity-building among the rural population: aimed at strengthening the associative organizations of the rural population and supporting women and youth;
  - (ii) Institutional strengthening: aimed at strengthening the institutional capacity of Pernambuco state agencies and entities involved in implementation of the project and other public programmes and policies on rural poverty reduction.
16. Component 2. Diversification and strengthening of production, market access and environmental sustainability. The component's objective is to strengthen and diversify food sources and income from farm and off-farm activities, intensify sustainable development and ensure the sustainable use and management of natural resources. The main activities are:
  - (i) Access to productive investments, and investment in community and economic organizations, including regular and specialized technical assistance connected with productive investments, and access to water for crop and livestock production through financing construction of small-scale water-capture and storage infrastructure;
  - (ii) Environmental action, including selective financing of harvesting activities, storage and distribution of native seed to restore degraded areas, restoration of water sources and riparian forests and introduction of agroforestry systems.
17. Component 3. Project management, monitoring and evaluation. This component includes all administrative and financial activities, as well as planning, monitoring, evaluation, knowledge management and communication activities. It also includes audits, baseline and evaluation studies, thematic studies and systematization of experiences, preparation of materials to disseminate results and audio-visual materials.

## II. Project implementation

### A. Approach

18. The project will operate with four objectives: (i) develop agricultural production and other productive activities to increase household consumption and sales, with a view to promoting food security and raising incomes through diversification of production (farm and off-farm) and introduction of appropriate innovations to sustainably increase productivity; (ii) strengthen community organization, promoting broader engagement and the ability to identify and articulate priority demands, participate in forums for policy dialogue and access government programmes; (iii) reinforce beneficiaries' economic organizations as a mechanism for creating value, marketing products and providing support for other off-farm activities; and (iv) build the institutional capacity of government entities and civil society organizations to implement initiatives to fight poverty and promote sustainable development.
19. The project will promote and disseminate the introduction of innovations through both capacity-building and support to productive investments, to strengthen family capacity to adapt to climate change.
20. The project's gender approach, aimed at guaranteeing greater opportunities for women, should provide assistance to women in all lines of action. Strengthening



rural youth will be another cross-cutting issue that will be prioritized and addressed in all project activities, along with traditional, indigenous and quilombola communities. Particularly with indigenous communities, the project will tailor its services to the situation in the communities. A differentiated participatory rural appraisal for indigenous communities – integrating free, prior and informed consent and specific social and cultural analysis – will ensure that production investment plans (PIPs) adapt to organizational systems and dynamics specific to the diverse indigenous groups.

## B. Organizational framework

21. The project's executing entity will be the Secretariat of Agriculture and Land Reform (SARA), the Pernambuco state agency responsible for family farming policies and programmes. Through the Executive Secretariat for Family Farming (SEAF/SARA), SARA will establish a dedicated project management unit (PMU) in the state capital, Recife. Territorial management units (TMUs) will be created to coordinate, monitor and supervise project activities in the targeted municipalities in locations to be defined. These units will operate in existing offices of the state's rural extension agency (Agronomic Institute of Pernambuco [IPA]) and will have the human and material resources necessary to discharge their responsibilities.
22. In its direct activities with beneficiary households, the project should forge partnerships with the community organizations or cooperatives with which these households are affiliated. For example, the PMU will transfer resources for executing PIPs to the beneficiaries' organizations, which will execute the activities and investments stipulated in the agreements and will provide relevant financial reports and documentation. There will be joint activities with private entities, especially in research, market access, marketing and training for the labour market. In the financing of production investments (through PIPs), efforts will be made to increase beneficiary access to available credit lines, such as the National Institute of Colonization and Agrarian Reform (INCRA)'s start-up and promotion credit (for land reform beneficiaries) and the National Programme for Family Farming (PRONAF) (which will require an arrangement with Banco do Nordeste and Banco do Brazil). An effort will be made to link the project's work in the communities/settlements and cooperatives with other public programmes, such as the programme that gives young people access to land through the National Land Credit Programme (PNCF).

## C. Planning, monitoring and evaluation, and learning and knowledge management

23. Planning of project actions and activities will be the responsibility of the PMU and part of the planning of SARA and SEAF. It should involve the necessary institutional linkages with other state agencies, such as the Institute of Land and Agrarian Reform of Pernambuco and IPA, and the federal government. The selection of such activities should be linked with a participatory analysis and planning process involving all stakeholders, including the PMU, the TMUs, territorial committees, beneficiaries and community and economic organizations, and quilombola and indigenous and land reform households, especially women and youth. At the start of project implementation, communities can prepare PIPs that set priorities and define a package of interventions, some to be supported by the project and others by government agencies (federal, state, or municipal) and/or other stakeholders.
24. The PMU will be responsible for monitoring and evaluation (M&E) activities through its planning, monitoring and evaluation (PM&E) unit, consisting of a coordinator and two advisors. In each TMU, the regional manager will be responsible for providing the PMU with the data and information needed for project M&E. M&E of activities and outcomes will be closely linked to project planning and management. The main instruments for the M&E activities will be: (i) the project's logical framework and indicators; (ii) the annual work plan and budget; (iii) the M&E information system; (iv) technical progress reports; (v) the baseline study; (vi) systemizations of

experiences, by topic; and (vii) the impact assessment study. The project should have an M&E system that documents progress in the logical framework's main indicators, in line with the country programme's M&E system managed by the Brazil IFAD Country Office. The M&E system will also have a section of impact indicators.

25. The project will promote agroecological production technologies and institutional arrangements that are innovative in Pernambuco, and will support dissemination of successful innovative practices. It will promote learning and discussion through systematizations, based on M&E data, aimed at analysing the key factors and contextual conditions that explain the outcomes obtained. A knowledge management (KM) strategy is embedded in the M&E, KM and planning activities of the three components and will be supported by the new KM grant for Brazil, Semear International. The grant promotes scaling up of best practices in family farming, with local, federal and international partners, through a wide range of published materials, exchange programmes and Internet-based M&E systems.

#### D. Financial management, procurement and governance

26. Project financial management (FM) will be the responsibility of SARA, through the Executive Secretariat of Oversight and Management (SEAG), the entity responsible for SARA's financial tasks. SEAG will operate with the support of an FM unit within the PMU, comprised of an administrative and financial manager, an FM specialist, and a procurement specialist. During design, the overall fiduciary risk of the project was rated as low, subject to application of the envisaged FM arrangements and IFAD support.
27. Flow of funds. A designated account will be opened by and held in the name of the borrower (Secretariat of Finance [SEFAZ]). It will be in United States dollars and will be used exclusively for the deposit of loan proceeds. A project account will be opened in Brazilian reais (R\$) in the Treasury Single Account of the State, with a corresponding subaccount for the project. The project account will be operated by SARA (through SEFAZ).
28. Retroactive financing. As an exception to the General Conditions for Agricultural Development Financing, specific expenditures incurred from the date of the approval of the project by the Executive Board to the date of entry into force of the financing agreement may be considered eligible, up to the amount of US\$1,000,000, for activities relating to: (i) training of project staff; (ii) an accounting system; (iii) baseline and other studies; (iv) operations related to the TMUs; and (v) expenditures related to IPA offices of the eligible municipalities. To be considered eligible, activities to be financed by retroactive financing and their respective category of expenditures will require prior "no objection" from IFAD. For recognition, the borrower can claim the expenditures for reimbursement once disbursement conditions have been met.
29. Accounts and audit. Accounting transactions will be handled through the Government's E-FISCO system, as well as through an additional system called Aroeira, currently available in SARA, which will be able to generate financial reports in line with IFAD requirements. The State of Pernambuco follows the Brazilian Accounting Standards Applicable to the Public Sector, which, according to an assessment conducted by the World Bank, are in line with international standards. The annual consolidated financial statements of the project will be independently audited, in line with terms of reference approved by IFAD, and in accordance with International Standards on Auditing and the IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects. Annual audit reports will be submitted to IFAD within six months of the end of each fiscal year.
30. Procurement. Procurement processes will be initiated by the PMU through its FM unit and conducted by SARA's General Tender Planning Office. IFAD procurement guidelines will be applicable to the project.

31. Governance. The State of Pernambuco's governance principles for the public sector will apply to the project. The State has a dedicated web portal to promote transparency.

#### E. Supervision

32. The project will be supervised directly by IFAD, pursuant to its supervision and implementation support policy. The main objective of supervision will be to monitor progress in project implementation and ensure compliance with the financing agreement, including FM aspects. Implementation support will concentrate on providing assistance to project staff on specific technical matters. Supervision and implementation support missions will be conducted regularly.
33. Prior to the start of each year, the PMU will submit an annual work plan and budget to IFAD for the upcoming project year. The plan will contain a detailed description of project activities, their sources of funding and how funds will be used, an 18-month procurement plan for the first year and a 12-month plan for the remaining years.
34. A midterm review will be conducted at the midpoint of the project implementation period. Its objective will be to identify key challenges and recommend necessary modifications to ensure that the project reaches its expected outcomes.

### III. Project costs, financing and benefits

#### A. Project costs

35. Total project costs (investment costs and recurrent costs), including physical and price contingencies and taxes, are estimated at US\$40 million. The project will finance the following components: capacity-building and institutional strengthening (17 per cent of total project costs); diversification and strengthening of production, market access and environmental sustainability (73 per cent); and project management, monitoring and evaluation (10 per cent). Table 1 summarizes project costs by component and source of financing.

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

Component	IFAD loan		Beneficiaries		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Capacity-building and institutional strengthening	3 375	17	-	-	3 375	21	6 750	17
2. Diversification and strengthening of production, market access and environmental sustainability	14 625	73	4 000	100	10 625	66	29 250	73
3. Project management, monitoring and evaluation	2 000	10	-	-	2 000	13	4 000	10
<b>Total</b>	<b>20 000</b>	<b>50</b>	<b>4 000</b>	<b>10</b>	<b>16 000</b>	<b>40</b>	<b>40 000</b>	<b>100</b>

#### B. Project financing

36. Of total project costs of US\$40 million, US\$20 million (50 per cent of total costs) will be financed by an IFAD loan, US\$4 million (10 per cent) will be contributions from beneficiaries (both in kind and in cash) and US\$16 million (40 per cent) will be state government counterpart funds. Table 2 summarizes project costs by expenditure category and source of financing.

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

Expenditure category	IFAD loan		Beneficiaries		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancies and technical assistance	7 102	36	-	-	6 895	43	13 997	35
2. Funds for productive investment plans/ grants and subsidies	9 478	47	3 870	97	5 087	32	18 435	46
3. Goods, services, inputs and works	187	1	130	3	786	5	1 103	3
4. Workshops and training	1 804	9	-	-	1 804	11	3 608	9
5. Management and administrative provision and operating costs	1 429	7	-	-	1 428	9	2 857	7
<b>Total</b>	<b>20 000</b>	<b>50</b>	<b>4 000</b>	<b>10</b>	<b>16 000</b>	<b>40</b>	<b>40 000</b>	<b>100</b>

### C. Summary benefit and economic analysis

37. The project is a technically and economically viable investment for the economy as a whole. The project's economic net present value (NPV) of the net benefit stream, discounted at 10 per cent, is R\$25.5 million (US\$8.2 million), yielding an economic internal rate of return (EIRR) of 14.7 per cent for the base-case scenario.
38. For example, among the various investments, the sheep-rearing model (financing livestock sheds, water wells, the irrigation system and establishment of a fenced forage area) had a benefit-cost (B/C) ratio equal to 1.94, and initial investments would be fully repaid in three years. Irrigated banana cultivation is another model supported by the project, and will finance the introduction of an efficient irrigation system in this regional production. Every dollar invested in the activity generates 37 cents of extra worth (B/C ratio equal to 1.37), and investments would be repaid within the first three years.

### D. Sustainability

39. The project included mechanisms to promote sustainability of its effects and impacts:
- (i) Simple production models tailored to local conditions. The irrigated production of tubers and small livestock production (main productive activities to be supported) will be on a small scale and based on technologies (conservation of forage and use of natural inputs) low in cost and with inputs and labour locally available. Agroecological and sustainable natural resource management practices will be prioritized to increase household resilience to climate change.
  - (ii) Sustainable natural resource management. The project will work to reduce the incidence of certain practices and processes (e.g. the slash-and-burn technique, soil degradation, deforestation and water shortages). It will support restoration of degraded areas, restore water sources and implement agroforestry systems to increase sustainability. The use and promotion of agroecological principles will contribute to introduction of innovative practices in a context where the use of agrotoxins and synthetic fertilizers is extremely common.

- (iii) Strengthening of organizational management capacities. The project will strengthen the managerial capacity of beneficiaries' community and economic organizations through technical assistance and managerial skills training.
- (iv) Institutional strengthening. The project will strengthen the capacities of key state institutions. Teams from the territories in which the project operates and the state institutions involved will be able to take courses and receive IFAD support to enhance project performance and their own programmes.

#### E. Risk identification and mitigation

- 40. The risks of the project are considered moderate to low. The main risks to be considered are: (i) political and policy risks: changes in the political context could delay congressional approval and the start-up of implementation, and could affect the budgets and approaches of federal policies and programmes with which the project is expected to coordinate; (ii) timeliness of counterpart funds; and (iii) climate change risk, which could affect production volumes and the achievement of production, nutrition and income goals.
- 41. In order to mitigate these risks, IFAD has already begun to assist the Government with the necessary federal procedures, up to signing of the financing agreement, to ensure the project's rapid approval, and will continue to do so in the coming months. Regarding the release of counterpart funds, which represents the main risk in the FM area, the cost structure of the project and disbursement arrangements established in the financing agreement will mitigate the negative impact of possible delays in the release of counterpart funds. A strategy for the rapid launch of project activities has been developed that includes concentrating PIP preparation in the first year for existing economic organizations, while more basic, community-driven organizational work will be carried out in less-structured communities. This will streamline initial execution of the project. Regarding climate risks, in addition to small-scale irrigation schemes and practices that will facilitate adaptation to climate change, the project promotes agroecological production models and technologies that include the use of locally available biological inputs, as well as restoration of riparian forests, water access investments and water reuse technology, among others.

### IV. Corporate considerations

#### A. Compliance with IFAD policies

- 42. As mentioned in section I.B., the project fully responds to IFAD's Strategic Framework and is consistent with the 2016 RB-COSOP for Brazil.
- 43. The project will include a gender strategy aimed at: strengthening women's participation in decision-making bodies and their access to markets, technical assistance and financing for productive investments; and supporting women's groups and organizations dedicated to agricultural and non-agricultural activities. It will implement capacity-building activities on gender equality for those involved in project implementation and technical assistance, and includes indicators to measure gender targeting.
- 44. The project social and environmental category is B – project activities are not expected to negatively impact the environment or the traditions or habits of indigenous communities. Restoration of degraded lands, selective harvesting, storage and distribution of native seed and restoration and protection of the riparian forest are among the many mitigation measures against environmental risks. The project climate risk category is moderate: project activities are not susceptible to climate variability, and environmental activities are only moderately vulnerable to periods of rain or drought, while these phenomena will be mitigated through financing small-scale infrastructure for water storage, included in project activities.

## B. Alignment and harmonization

45. The project is aligned with Brazil's policies for rural development and the fight against poverty. At the national level, it is aligned with the Plano Brasil sem Miséria (Brazil without Extreme Poverty) – the main axis for poverty reduction, productive promotion and social inclusion. Within this framework, productive and social inclusion policies are particularly relevant to the project, especially the Territorial Development Policy, credit access such as PRONAF, land access such as PNCF, and public purchase programmes such as the Food Purchase Programme (PAA) and the National School Feeding Programme (PNAE).
46. The project will continue to promote partnerships with municipal governments, seeking opportunities for coordination and cofinancing of investments in rural communities. Partnership and complementarity will also be sought with the existing World Bank-financed Programme for Productive Sustainable Rural Development (PRORURAL). Regarding international development partners, the Inter-American Institute for Cooperation on Agriculture (IICA), Food and Agriculture Organization of the United Nations (FAO) and United Nations Development Programme (UNDP) will be partners in knowledge management and policy dialogue activities, through the International Policy Centre-UNDP, IFAD's Semear International grant programme, and the Brazilian Agricultural Research Enterprise (EMBRAPA) in terms of research and technology. The project will forge partnerships with social organizations and NGOs, in particular those representing the interests of family farming and rural workers, women and traditional communities. The project will also collaborate with the private sector, including cooperatives and technical assistance providers. In line with new IFAD guidelines, the project has a nutrition plan aligned with federal and state policies aimed at food and nutrition security at federal and state levels (including public food policies such as PNAE and PAA, fostering the inclusion of family farming products in institutional markets). The plan makes detailed reference to the main nutrition-related pathways and actions in its three components.

## C. Innovations and scaling up

47. Implementation of the project will involve models and technology already used in previous and ongoing IFAD-cofinanced operations in Brazil and that have proved to be effective. At the same time, experience gained by IFAD in working with specific productive groups (e.g. women artisans, family farming cooperatives, traditional communities) in other states will be an important reference in development of the project's activities in Pernambuco.
48. In order to foster dissemination of innovations, the project will strengthen the internal capacities of project teams and the institutional capacity of a range of public and private agencies involved in its operations. This will help create a favourable institutional and organizational environment to facilitate the process of scaling up and policy dialogue. With this objective, through its M&E and knowledge management systems, the project will promote analysis of key factors and contextual conditions that could explain the achieved results. Outcomes of the project and its main innovations will be discussed in appropriate spaces – such as the State Farmers' Forum of Family Agriculture of the north-east region and the State of Minas Gerais – to promote its scaling up. Finally, Semear International will play a key role in facilitating the exchange of successful experiences and learning among IFAD-cofinanced operations in the country and also through South-South and Triangular Cooperation with other countries.

## D. Policy engagement

49. The main policies to be supported by the project are those on: (i) territorial development; (ii) technical assistance and rural extension; (iii) rural credit; (iv) marketing for family farming products; and (v) land reform.

50. The project will contribute to enhancement of public policies and programmes by: (i) strengthening coordination in the implementation of existing public policies and programmes; and (ii) feeding into policy dialogue aimed at enhancing or adjusting public policies and programmes. Synergies among project KM, M&E activities, policy dialogue promoted by the State Farmers' Forum of Family Agriculture, and the activities in South-South Cooperation of Semear International will further ensure linkages between project activities and public policies at state, federal and international levels.

## V. Legal instruments and authority

51. A financing agreement between the State of Pernambuco of the Federative Republic of Brazil and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A guarantee agreement will be entered into between the Federative Republic of Brazil and the Fund to guarantee performance of the borrower's obligations under the financing agreement. A copy of the negotiated financing agreement is attached as appendix I and a copy of the negotiated guarantee agreement as appendix II.
52. The State of Pernambuco of the Federative Republic of Brazil is empowered under its laws to receive financing from IFAD and the Federative Republic of Brazil is empowered under Brazilian law to guarantee the loan.
53. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

## VI. Recommendation

54. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the State of Pernambuco of the Federative Republic of Brazil in the amount of twenty million United States dollars (US\$20,000,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo  
President

## Negotiated financing agreement: "Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco"

(Negotiations concluded on 25 January 2018)

Loan Number: \_\_\_\_\_

Project Title: Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco ("the Project") (Projeto de Desenvolvimento Rural Sustentável dos Territórios da Zona da Mata e do Agreste Pernambucano) ("PE-PRODUZ")

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

and

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

(each a "Party" and both of them collectively the "Parties")

HEREBY agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014 (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.
4. The Loan is to be guaranteed by the Federative Republic of Brazil (the "Guarantor") on the terms and conditions set forth in an agreement, of even date, to be entered into by the Fund and the Federative Republic of Brazil (the "Guarantee Agreement").

### Section B

1. The amount of the Loan is twenty million United States dollars (USD 20 000 000).
2. The Loan is granted on ordinary terms, and shall have a maturity period of eighteen (18) years, including a grace period of three (3) years starting from the date that the Fund has determined that all general conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b) of the General Conditions.
3. The Loan Service Payment Currency shall be the United States dollar (USD).



4. The first day of the applicable Fiscal Year shall be 1 January.
5. The Loan shall be subject to a rate of interest per annum equivalent to one hundred per cent (100%) of the IFAD variable reference interest rate for loans denominated in USD.
6. Payments of principal and interest shall be payable on each 15 April and 15 October.
7. There shall be a Designated Account opened by and held in the name of the Borrower (SEFAZ-Secretariat of Finance). It shall be in USD and shall be used exclusively for the deposit of Loan proceeds.
8. There shall be a Project Account in Brazilian Real (BRL) in the Treasury Single Account of the State with a corresponding subaccount for the Project. The Project Account will be operated by Pernambuco State Secretariat of Agriculture and Land Reform (SARA) through Pernambuco State Secretariat of Finance (SEFAZ).
9. The Borrower shall provide counterpart financing for the Project in the amount of sixteen millions United States dollars (USD 16 000 000), which shall also include the payment of taxes.

#### Section C

1. The Lead Project Agency shall be SARA.
2. The following are designated as Additional Project Parties: Agronomic Institute of Pernambuco (IPA) and the Institute of Land and Agrarian Reform of Pernambuco (ITERPE).
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement, and the Financing Closing Date will be established as specified in the General Conditions.

#### Section D

The Financing will be administered and the Project supervised by the Fund.

#### Section E

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

The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) the Guarantee Agreement shall have been duly signed, and the signature thereof by the Guarantor shall have been duly authorised by all necessary administrative and governmental authorities;
  - (b) the IFAD no objection to the final version of the PIM shall have been obtained;
  - (c) the Project Account and Designated Account shall have been opened; and
  - (d) the Project Management Unit (PMU) shall have been established and the recruitment of key personnel shall have been completed.
3. Any amendment(s) to this Agreement shall only be made by mutual agreement between the Borrower and the Fund, after having obtained the Guarantor's concurrence to such amendment, including the Project Completion Date and the Financing Closing Date.
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

The Governor of the State of Pernambuco  
Palácio do Campo das Princesas  
Praça da República s/n, Bairro Santo Antônio, Recife, PE  
CEP 50010-928

With copy to:

Secretaria de Assuntos Internacionais-SEAIN  
Ministério do Planejamento, Desenvolvimento e Gestão  
Esplanada dos Ministérios, Bloco K, 5º Andar  
70040-906  
Brasília, DF, Brasil

For the Fund:

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

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

THE STATE OF PERNAMBUCO

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(Name and Title of the  
Authorised Representative)

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

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Gilbert F. Houngbo  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. **Project Area.** The Project will cover approximately 40 municipalities (in the Zona da Mata and in the Agreste Region) selected based on their high indices of extreme rural poverty and rural poverty in their respective coverage areas and/or because of their high potential for the development of specific productive activities.
2. **Target Population.** The target group population of the Project will consist of approximately 82,000 rural households. It will benefit directly approximately 30,100 households in this group with the organizational, technical assistance and/or activities indicated in Components 1 and 2.

Of this total, the Project is slated to provide ongoing technical assistance (TA) to approximately 15,000 households, 1,500 of which are indigenous or quilombolas. The Project will give priority to women and youth, as well as former land reform settlers and workers of the sugar cane industry, as they are the most vulnerable segments of the population and, at the same time, the main actors in the development of the territory. The selection of municipalities may be modified during Project Implementation following the same selection criteria used in the design phase and upon mutual consent between IFAD and the Borrower.

3. **Goal.** The overall goal of the Project is to contribute to reduce rural poverty and inequalities (gender, ethnic and generational), promoting sustainable and inclusive development.
4. **Objective.** The development objective of the Project is to increase income and nutrition of the rural poor and strengthen their capacity to manage their organizations and adapt to climate change in the Project area.
5. **Components.** The Project will have three components that envisage a number of complementarities among its activities.
  - 5.1. **Component 1. Capacity building and institutional strengthening.** The objective of this component is to strengthen the beneficiaries' capacity to participate more effectively in the local development processes, better manage their organizations, reduce gender inequalities and create opportunities for youth. The activities will be organized around the following areas: (i) Capacity building among the rural population which involves strengthening the associative organizations of the rural population through regular and specialized technical assistance, and support to women and youth; (ii) Institutional Strengthening which will strengthen the institutional capacity of Pernambuco state agencies and entities that are somehow involved in Project implementation, as well as those of other poverty reduction programmes.
  - 5.2. **Component 2. Diversification and strengthening of production, market access and environmental sustainability.** The purpose of this component is to strengthen and diversify food sources and income from farm and off-farm activities. These activities will be conducted to intensify sustainable development and thus ensure the sustainable use and management of natural resources. The main activities will include: (i) access to productive investments and investment for community organizations, including access to water through the financing of the construction of small-scale water capture and storage infrastructure; (ii) environmental action

including the selective financing of harvesting activities, the storage and distribution of native seeds to restore degraded areas, water sources and riparian forests and introduce agroforestry system.

- 5.3 Component 3. Project Management, Monitoring and Evaluation. This component includes all administrative and financial activities, as well as planning, monitoring, evaluation, knowledge management and communication activities. It also includes audits, baseline and evaluation studies, thematic studies and systematization of experiences, the preparation of materials to disseminate the results and audio-visual materials.

## II. Implementation Arrangements

6. The Lead Project Agency. The Project will be implemented by the SARA, or any successor acceptable to IFAD, which will create a dedicated PMU within its institutional structure.
7. Project Management Unit. The PMU headquarters will be located in Recife, while the Territorial Management Units (TMU) will be created to coordinate, monitor and supervise Project activities in the targeted municipalities. The PMU is charged with guaranteeing that activities will be implemented in accordance with this Agreement, the annual work plans and budget (AWPB), and the Project Implementation Manual (PIM). It will also forge the necessary institutional ties with other State agencies, and eventually, the Federal Government. The PMU will have the technical and administrative personnel needed to properly execute the tasks involved in Project implementation.
- 7.1 Functions. The PMU will be responsible for the technical, financial and administrative management of the Project, which includes: (i) the planning, monitoring and evaluation of Project activities, including the preparation of the AWPB; (ii) knowledge management and outcome communication; (iii) the submission of requests for funds from SEAG to cover expenses; (iv) the production of financial reports and statements; (v) the process to carry out the annual audits; (vi) the submission of requests for procurement, contracting and recruitment activities, including those related to hiring and contracting Project staff and technical assistance's providers, among others; and (vii) general supervision of implementation in the field.
- 7.2 Monitoring and evaluation (M&E). The PMU will be responsible for M&E activities through its Planning, Monitoring and Evaluation unit (PM&E unit), consisting of a coordinator and two advisors. The PMU will have a PM&E committee comprised of at least the Project Director and the PM&E unit coordinator. In each TMU, the regional Coordinator will be responsible for providing the PMU with the data and information needed for project M&E. The monitoring and evaluation of activities and outcomes will be closely linked to project planning and management.
8. Territorial Management Units (TMUs). The TMUs will be created in the targeted municipalities. These units will cooperate with existing units of the State's rural extension agency (IPA) offices and will have the human and material resources necessary to discharge their responsibilities. Each of these units will have a small team comprised of a coordinator, a deputy coordinator, an administrative assistant and technical experts in key areas.
- 8.1 Functions. The TMUs will have the following responsibilities in their respective territories: publicizing the Project; working with the representative organizations to encourage beneficiary households to participate in Project activities and local

policy-making bodies; organizing and coordinating the Project's Regional Committees; participating in Territorial Collegiates; joining and participating in the Municipal Sustainable Rural Development Boards in their intervention area (coordinating the process for selecting the associations that the Project will work with); coordinating activities with government agencies and civil society organizations; supporting, guiding and supervising the direct work of the technical assistance entities contracted with households (including the preparation of Participatory Rural Diagnoses and Productive Investment Plans (PIPs)); coordinating, monitoring and evaluating the activities and services contracted; and reporting to PMU headquarters and project progress.

9. Support partners in implementation. The ITERPE and the IPA, or any successor acceptable to IFAD, two entities linked with SARA, will play an important role in the Project. IPA can furnish the results of its studies on the design and implementation of sustainable family farming systems in the Project area. It will also provide technical assistance to some of the communities/settlements to be served. ITERPE will play an important role in helping the households served regularize land ownership and facilitate access to land for young people (via the Programa Nacional de Crédito Fundiário - PNCF). The Project will also partner with the Pernambuco Agricultural and Livestock Defence and Inspection Agency (ADAGRO) and the Pernambuco Health Surveillance Agency (APEVISA), or any successor acceptable to IFAD, one of whose responsibilities is the registration of food processing plants. The Project will also seek the support and collaboration of other Pernambuco state secretariats. Since Pernambuco has a vast contingent of civil society organizations engaged in organizing and mobilizing the rural population and promoting economic development activities which constitute a real asset to reduce poverty, the Project will attempt to partner with some of those organizations. At the same time, the Project will play an active role in seeking partnership with the private sector.

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

The PMU shall adopt the PIM substantially in the form agreed with the Fund and may make amendments thereto from time to time, in agreement with the Fund. The Borrower shall cause the Project to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

## Schedule 2

## Allocation Table

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

Category	Loan Amount Allocated (expressed in USD)	Percentage
I. Consultancies and Technical Assistance	6 390 000	100% net of taxes
II. Funds for Productive Investment Plans	8 530 000	100%
III. Goods, services, input and works	170 000	100% net of taxes
IV. Workshops and training	1 620 000	100% net of taxes
V. Management, administrative provision and operating costs	1 290 000	100% net of taxes
VI. Unallocated	2 000 000	
<b>TOTAL</b>	<b>20 000 000</b>	

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

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

Category II: Funds for Productive Investment Plans - include financing of PIP.

Category III: Goods, services, inputs and works include civil works, services for preparation, production and divulgation of the Project activities as well as vehicles, equipment, and furniture for use of the PMU and the Territorial Management Units.

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

Category V: Management, administrative provision and operating costs include those related to the PMU and the TMU, and exclude salaries of permanent government staff.

Category VI: Unallocated: Contingency resources to be reallocated to other categories if needed.

2. Retroactive Financing. Specific expenditures incurred from the date of approval of the Project by IFAD Executive Board to the date of entry into force of this Agreement may be considered eligible up to the amount of USD 1 000 000 for activities relating to: training to Project staff, expenditures of IPA offices of the eligible municipalities, accounting system, base line study or other studies, and operations related to the TMUs. The specific activities to be financed by retroactive financing and their respective category of expenditures will require prior no objection from IFAD to be considered eligible. For recognition, the Borrower can claim the expenses to IFAD for reimbursement once withdrawal conditions specified in Section E. 2 of this Agreement have been met.



## Negotiated guarantee agreement: "Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco"

(Negotiations concluded on 25 January 2018)

Loan Number: \_\_\_\_\_

Project Title: Sustainable Rural Development Project in the Territories of the Zona da Mata and Agreste of Pernambuco (Projeto de Desenvolvimento Rural Sustentável dos Territórios da Zona da Mata e do Agreste Pernambucano) ("PE-PRODUZ")

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

and

The Federative Republic of Brazil (the "Guarantor")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### Section A

1. The following documents collectively constitute an integral part of this Agreement: this document, the Project Financing Agreement (the "Financing Agreement") of even date herewith between the Fund and the State of Pernambuco of the Federative Republic of Brazil ("the Borrower"), and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended on April 2014, and as may be amended hereafter from time to time (the "General Conditions"). For the purposes of this Agreement the terms defined in the General Conditions and the Financing Agreement have the respective meanings set forth therein.

2. By the Financing Agreement, the Fund has agreed to extend to the Borrower a loan of twenty million United States dollars (USD 20 000 000) on the terms and conditions set forth in the Financing Agreement, but only on the condition that the Guarantor agrees to guarantee the payment obligations of the Borrower in respect of such Loan, as provided in this Agreement.

3. The Guarantor, in consideration of the Fund's entering into the Financing Agreement with the Borrower, has agreed so to guarantee such payment obligations of the Borrower, and agrees to remain fully bound until full payment of such obligations. In cases of amendments to the Financing Agreement, the Borrower must obtain the prior approval of the Guarantor to any modifications or amendments to the Financing Agreement.

4. The Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the payment of interest and other charges on the Loan due under the Financing Agreement.

### Section B

1. In the event of default by the Borrower, the Fund shall not be required to exhaust its remedies against the Borrower prior to enforcing its rights against the Guarantor.

## Section C

1. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Guarantor:

The Ministry of Finance  
 Procuradoria Geral da Fazenda  
 Nacional  
 Esplanada dos Ministérios  
 Bloco P – 8º. Andar  
 70048-900  
 Brasília, DF- Brasil

For the Fund:

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

With copy to:

The Ministry of Finance  
 Secretaria do Tesouro Nacional  
 Coordenação Geral de Controle da  
 Dívida Pública  
 Esplanada dos Ministérios  
 Bloco P-Edifício Anexo, Ala A, 1º  
 andar  
 70048-900  
 Brasília, DF, Brasil

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

FEDERATIVE REPUBLIC OF BRAZIL

\_\_\_\_\_  
 (Name and Title of the  
 Authorised Representative)

INTERNATIONAL FUND FOR  
 AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
 Gilbert F. Houngbo  
 President

## Logical framework

Hierarchy of results	Indicators				Means of Verification			Assumptions	Code
	Indicator	Baseline *	Mid-Term	Goal	Source	Frequency	Responsibility		
<b>Outreach</b>	1) Number of Persons receiving services promoted or supported by the project (CI 1)	0	11,000	30,100	Project M&E System; Systematizations by thematic intervention area.	Monthly	Project PM&E unit		00.00.01
	1a. Number Women	0	4,400	12,000					00.00.02
	1b. Number of Young People	0	2,200	6,000					
	1c. Number of Young Women	0	1,100	3,000					
	2) Number of Households receiving services promoted or supported by the project (CI 1.a)	0	11,000	30,100					00.00.03
	2a. Number of Women headed Households	0	4,000	11,500					
	2b. Number of Indigenous and Quilombolas Households	0	500	1,500					
	3) Number of Estimated corresponding total Number of Households members (CI 1.b)	0	44,000	120,400					
<b>Goal</b> To contribute to a reduction in rural poverty in the Project area in the State of Pernambuco.	4) Percentage of reduction in extreme poverty among project's beneficiaries	Xx%=A		A-35%	-Project M&E System; - IBGE censuses; -Systematizations by thematic int. area; -Baseline studies and final evaluation.	Year 1 Year 4 Year 7	Project PM&E unit, with assistance from hired consultants	Continuity of public policies and programmes that support rural poverty reduction	00.00.04
<b>Development Objective</b> To increase the income and food security of beneficiary households through improved productivity, production techniques and natural resource management and the sale of farm and off-farm products in the Project area, especially in quilombola and indigenous areas.	5) Percentage of increase in beneficiaries household assets	Xx%=B	B+5%	B+20%	-Project M&E System; -Technical Progress Report; -AOP; -Systematization by thematic intervention area; -Baseline; -Final Impact Assessment.	Annual	Project PM&E unit, with assistance from hired consultants	Continuity of public policies and programmes that support rural poverty reduction and the marketing of family farm products; Mechanisms for adaptation to climate change.	00.00.05
	6) Number of households reducing by at least 20% the proportion of the household budget used for food purchases	0	1,000	10,500		Year 1 Year 4 Year 7			00.00.06
<b>Component 1: Capacity building and institutional strengthening</b>									
<b>Outcome 1: Capacity building in the rural population and Technical Assistance</b> Develop the capacity of beneficiary households to improve their productive activities, and ensure that the production initiatives and investments supported by the Project are successful and improve the marketing of their production.	7) Percentage of households reporting adoption of new/improved inputs and practices (C.I. 1.2.2)	0	15	50					01.00.01
	8) Percentage of supported rural producers' organization members reporting new or improved services provided by their organization (C.I. 2.2.4)	0	15	50	-Project M&E System; -Technical Progress Report; -AOP; -Systematizations by thematic intervention area; -Baseline; - Final Impact Assessment.				01.00.02
	9) Community and economic organizations are mobilized and strengthened (CI-2.1.3)	0	200	575		Monthly	Project PM&E unit	Continuity of public policies and programmes that support the marketing of family farm products.	01.01.01
	- At least 50 women's organizations	0	17	50					
	- At least 5 indigenous organizations	0	1	5					
- At least 75 economic organizations	0	25	75						
10) Community leaders receive training to increase organizational skills (C.I. 2.1.4)	0	700	3,200						
- 30% are women	0	210	960					01.01.03	
	11) Women and young people trained in income-								

	generating activities and business management (C.I..2.1.2) - 2,000 Members of women's groups - 2,500 Young people	0 0	700 900	2,000 2,500					01.01.04
	12) Persons are trained in order to be able to access public policies (assuming that these households receive no other Project services) (CI-1.1.7)	0	4,500	10,200					01.01.05
	13) Rural producers receive technical and specialized technical assistance (C.I. 1.1.4)	0	7,000	19,100					01.01.06
<b>Outcome 2: Institutional Strengthening</b> Develop the capacities of the members who work to promote sustainable rural development	14) Members of CMDRS (municipal sustainable rural development collegiate <sup>1</sup> ) and other partner entities involved in promoting sustainable rural development trained to promote institutional strengthening .	0	500	800	-Project M&E System; -Technical Progress Report; -AOP; -Baseline; - Final Impact Assessment.	Monthly	Project PM&E unit	Continuity of public policies and programmes that support the marketing of family farm products.	01.02.01
<b>Component 2. Diversification and strengthening of production, market access and environmental sustainability</b>									
<b>Outcome 1: Production investments and access to water for crop and livestock production</b> Production investments for associations and family farmers improve production, processes, and marketing of their farm and off-farm products.	15) Households reporting an increase in production (C.I. 1.2.4)	0	1,510	8,000				Continuity of public policies and programmes that support the marketing of family farm products.	02.00.01
	16) PIPs are implemented to boost household income and diversify the family diet (CI-2.1.3);	0	292	575	-Project M&E System -Technical Progress Report -AOP; -Systematizations by thematic intervention area;	Monthly	Project PM&E Unit	Continuity of public policies and programmes in the State of Pernambuco;	02.01.01
	17) Persons receive production investments (and regular and/or specialized TA) through community and economic organizations (CI-1.1.5); - 40% of PIP beneficiaries are women; - 20 % of PIP beneficiaries are young people.	0 0	5,300 2,120 1,060	15,100 6,040 3,020				Continuity of public policies and programmes for adaptation to existing climate change respond accordingly to expected.	02.01.02
<b>Outcome 2: Environmental Action</b> Households are more adapted to climate change and have adapted environmentally sustainable practices	18) Percentage of households reporting adoption of environmentally sustainable and climate resilient technologies and practices (CI-3.2.2)	0	10	50	-Baseline; -Final Impact Assessment				02.00.02
	19) Persons receive Technical Assistance in climate change adaptation technologies, in the frame of their main productive activity (CI-3.1.2)	10	3,500	10,000					02.02.01
<b>Component 3. Project Management, Monitoring and Evaluation</b>									
<b>Outcome 1: The Project Management Unit is created and operational.</b>	20) Percentage of interventions/activities effectively implemented as stipulated in the Annual Operational Plan (AOP).	0	100%	100%	-Project M&E System	Monthly	Project PM&E Unit	Continuity of public policies and programmes in the State Pernambuco.	03.01.01
<b>Outcome 2: The Monitoring and Evaluation Unit is created and operational.</b>	21) The M&E system produces 107 documents (AWBP, Technical Progress Reports, Impact Assessment Studies and Management Reports)	0	44	107					03.02.01