
President's report

Proposed loan

Federative Republic of Brazil

**Paraíba Rural Sustainable Development Project
(PROCASE II)**

Project ID: 2000004620

Document: EB 2024/LOT/P.24

Date: 25 November 2024

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 63.

Technical questions:

Arnoud Hamелеers

Country Director
Latin America and the Caribbean Division
e-mail: a.hameleers@ifad.org

Hardi Vieira

Country Programme Coordinator
Latin America and the Caribbean Division
e-mail: h.vieira@ifad.org

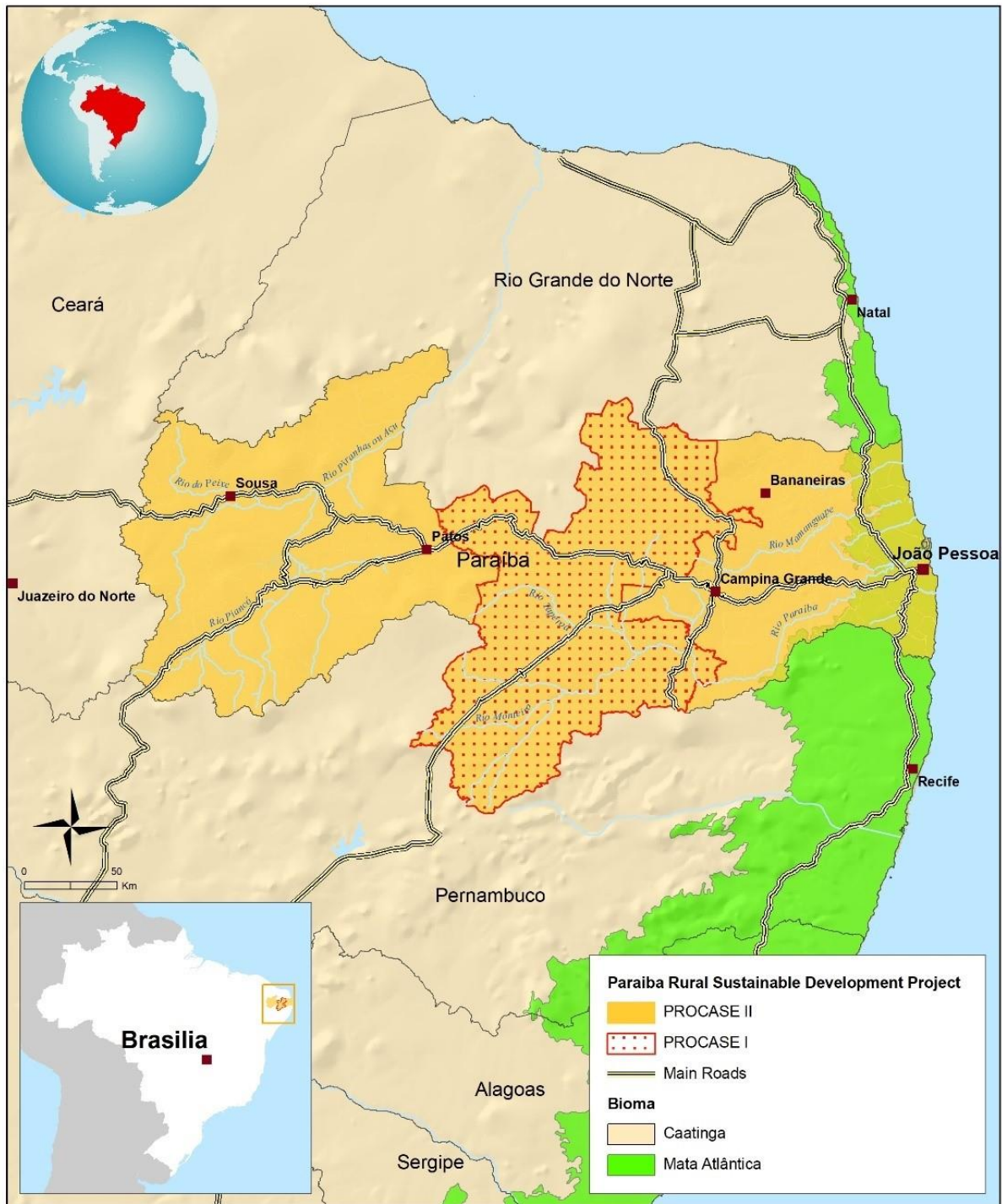
Contents

Map of the project area	ii
Financing summary	iii
I. Context	1
A. National context and rationale for IFAD involvement	1
B. Lessons learned	3
II. Project description	4
A. Objectives, geographical area of intervention and target groups	4
B. Components, outcomes and activities	4
C. Theory of change	5
D. Alignment, ownership and partnerships	6
E. Costs, benefits and financing	6
III. Risk management	8
A. Risks and mitigation measures	8
B. Environment and social category	9
C. Climate risk classification	9
D. Debt sustainability	9
IV. Implementation	9
A. Organizational framework	9
B. Planning, monitoring and evaluation, learning, knowledge management and communications	10
C. Implementation plans	10
V. Legal instruments and authority	11
VI. Recommendation	11
Appendices	
I. Negotiated financing agreement	
II. Logical framework	
III. Integrated project risk matrix	

Project delivery team

Regional Director:	Rossana Polastri
Country Director:	Arnoud Hameleers
Country Programme Coordinator:	Hardi Vieira
Technical Lead:	Luiz Claudio Marques Campos
Finance Officer:	Johanna Herremans
Climate and Environment Specialist:	Oliver Page
Legal Officer:	Adriana Lucia Jauregui Zabalaga

Map of the project area



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 | 02-04-2024

Financing summary

Initiating institution:	Inter-American Development Bank
Borrower:	State of Paraíba, Federative Republic of Brazil
Executing agency:	State Secretariat for Family Farming and Semi-arid Development
Total project cost:	US\$105.0 million
Amount of IFAD loan (Borrowed Resource Access Mechanism [BRAM]):	US\$10.0 million
Terms of IFAD loan:	Ordinary, with a maturity of 18 years and a grace period of 3 years, at an interest rate equivalent to the IFAD reference interest rate, including a variable spread
Cofinanciers:	Inter-American Development Bank
Amount of cofinancing:	US\$70 million loan
Contribution of borrower:	US\$25 million
Amount of IFAD climate finance:	US\$8.1 million
Cooperating institution:	Inter-American Development Bank

I. Context

A. National context and rationale for IFAD involvement

National context

1. After 2.9 per cent growth in 2023, the Federative Republic of Brazil's GDP in the first quarter of 2024 stood at 1.9 per cent and is expected to reach 2.4 per cent by year's end. Inflation in 2023 peaked at 4.62 per cent, with a projected 3.8 per cent for 2024. The Government has introduced significant reforms, approving a new fiscal framework, and is in the process of approving tax reform that simplifies the tax system. It has also launched the Growth Acceleration Program (PAC). Nevertheless, inequalities in the country are deep-seated and persistent, particularly in the Northeast region.
2. Some 60.4 million Brazilians (28 per cent of the population) were living in poverty in 2023, 9.5 million of them in extreme poverty (4.4 per cent of the population). Almost half the poverty in Brazil is concentrated in the country's Northeast region. From 2022 to 2023, the number of Brazilians experiencing severe food insecurity fell by 85 per cent, from 17.2 million to 2.5 million. However, the Northeast continues to face the greatest challenge in this regard, with 61.2 per cent of its population still facing some degree of food insecurity. This region is also one of the country's most vulnerable to climate change.
3. **State of Paraíba.** In 2022, Paraíba's population stood at 3.97 million (2 per cent of Brazil's population), 24 per cent of it rural. In 2023, the state contributed 0.9 per cent of GDP and 0.34 per cent of the country's agricultural GDP. Paraíba's GDP per capita represents 45 per cent of Brazil's GDP, putting it second to last in the national ranking. Eighty per cent of the population receives an income below the minimum wage, 47.4 per cent live in poverty and 15.6 per cent in extreme poverty and 63.9 per cent are food insecure, with 10.6 per cent subject to severe food insecurity.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the Paraíba Rural Sustainable Development Project (PROCASE II) has been validated as:
 - Gender-transformative
 - Nutrition-sensitive
 - Youth-sensitive
 - Prioritizing Indigenous Peoples
 - Prioritizing persons with disabilities
 - Including adaptive capacity
 - Including climate finance
5. **Gender-transformational.** PROCASE II will create new income opportunities for women through resilient investment plans and business plans and will increase their access to and control over natural resources. The project will use technical assistance and training methodologies, including agroecological logbooks, to lend visibility to women's economic and food and nutrition security contributions. Women's workload will be reduced through time-saving social technologies for water access. Women's participation in project activities will be facilitated through childcare services, leadership training and the promotion of women's decision-making at the community or organizational level. Activities to raise awareness on preventing and addressing gender-based violence are foreseen.
6. **Youth-sensitive.** The project will foster youth involvement in sustainable natural resource management, create new jobs and income-generating opportunities,

strengthen youth organizations, buttress rural youth decision-making power at the community, territorial and organizational level, implement the Young Communicators' Program, select young local development agents from communities to support the implementation of resilient investment plans and support rural youth networks.

7. **Nutrition-sensitive.** The project's main nutrition entry points are improved household water access, productive diversification through support for agroecological backyard production to make nutritious food more available to the most vulnerable populations, emphasizing the value of traditional food culture and fostering the use of nutritious neglected and underutilized species. In addition, nutrition education will cover basic nutrition, food safety practices, sanitation, hygiene and nutrition-sensitive processing and preservation practices.
8. **Climate finance and building adaptive capacity.** All project components contribute to climate finance. In line with the multilateral development bank methodologies, the total climate finance for this project is estimated at US\$8,131,000, or 81 per cent of the IFAD investment, US\$4,716,000 of which will support climate change adaptation and US\$3,415,000 climate change mitigation activities.
9. **Indigenous Peoples and traditional communities.** The preparation of resilient investment plans and business plans will take social and cultural aspects, traditional knowledge and ways of life into consideration. Communities will benefit from greater access to water for domestic and productive use and other social technologies (e.g. energy and sanitation) to improve their livelihoods. The project will promote land titling for Quilombola communities and strengthen the social organizations of traditional peoples. It will also value and disseminate traditional knowledge in production (traditional agricultural systems) and nutrition.
10. **Persons with disabilities.** PROCASE II has a twin-track approach for persons with disabilities. It will directly target this group, seeking its meaningful participation by hearing its priorities and engaging it in decision-making on resilient investment plans and business plans. Processing units will be adapted to ensure accessibility, and the project will foster innovations that make agricultural activities disability-inclusive. The subcomponent 2.3 diversity plan allocates dedicated financial resources for activities exclusively targeting persons with disabilities, such as demand-driven thematic meetings and training. PROCASE II reports disability-disaggregated data in several results matrix indicators.

Rationale for IFAD involvement

11. IFAD and the Inter-American Development Bank (IDB) signed a partnership agreement in 1978 and are drafting a new memorandum of understanding. This will be the third IDB cofinanced loan operation and type-C project in Brazil. Partnering with IDB enables IFAD to respond to the State of Paraíba's request to scale up the successful Cariri and Seridó Sustainable Development Project (PROCASE I), whose overall completion rating is 5.
12. The project will expand IFAD's sustainable agricultural development approach through rural organizations from the 56 municipalities in the semi-arid region of phase I to the entire state, covering 223 municipalities in both the semi-arid and Atlantic rainforest biomes. Key outputs of the partnership include: (i) leveraging additional resources to invest in rural people, social inclusiveness and sustainability, applying IFAD's priorities and experience; (ii) expanding IFAD's intervention and knowledge base; (iii) increasing outreach; (iv) lowering administrative design and supervision costs; (v) leveraging the complementary knowledge and expertise of IFAD and IDB; (vi) consolidating IFAD's work in knowledge management (KM) and South-South and Triangular Cooperation (SSTC); and (viii) consolidating IFAD's partnership with the State of Paraíba and the IDB.

B. Lessons learned

13. **Implementation readiness.** An experienced team is critical to rapid project start-up, especially for planning, procurement, and preparation of community plans. Enabling PROCASE's core project management unit (PMU) staff to continue while adding new staff with other areas of expertise will lay a solid foundation for the project's implementation.
14. **KM.** The State of Paraíba highly appreciates IFAD's support for KM, especially through its partnership with institutions such as the Brazilian Agricultural Research Agency (EMBRAPA) and the National Institute of the Semi-arid.
15. **SSTC.** PROCASE I has gathered information on positive experiences, receiving technical visits from Argentina, the Plurinational State of Bolivia, Colombia and Mexico in SSTC exchanges. This has been incorporated into PROCASE II.
16. **Monitoring and evaluation (M&E).** Robust evidence-based data are key to shedding light on the project's implementation and making the case for IFAD-type interventions. The positive experience with the state's M&E system and evidence from the PROCASE I impact assessment served as inputs for the design of phase II.
17. **Policy dialogue.** IFAD's ongoing dialogue with state authorities and other partners such as NGOs has strengthened its relationship with policymakers and allowed many PROCASE I innovations, such as agroecological logbooks, to be introduced in public programmes. PROCASE II innovations will also seek to influence public policies.
18. **Supervision consistency.** The IFAD office in Salvador is pivotal to policy dialogue and project supervision. It was key in identifying the need for and design of PROCASE II with the IDB. Maintaining a team of key consultants has ensured consistent, trustworthy and contextually informed project supervision, leading to quality engagement, results and effective crisis responses.
19. **Locally-based technical assistance.** PROCASE I has leveraged the expertise of local civil society organizations to bolster implementation capacity, particularly in agroecology, a gender-transformative focus and youth inclusion. This approach is especially critical for new project areas like the Atlantic rainforest.
20. **Access to water resources and social technologies.** PROCASE I highlighted families' critical need for clean water, especially amid climate change. It demonstrated the effectiveness of social technologies such as cisterns, biodigesters, fuel-efficient cookstoves and greywater reuse systems for climate resilience. PROCASE II will expand these solutions and introduce new sanitation technologies to reduce environmental degradation and enhance health and nutrition.
21. **Market access.** Productive investments must be complemented with commercialization, as the project will work with products in consolidated value chains such as honey and cashews. The experience gained with organic cotton and partnership with the private sector will serve as a reference for expansion and replication.
22. **Local development agents.** PROCASE I employed youth from the beneficiary communities as local development agents. As part of the project team, these agents supported local implementation by strengthening organizations while ensuring community ownership, engagement and trust. This model will be improved on and replicated by PROCASE II.
23. **Agroecological approach.** PROCASE II will build on PROCASE I's agroecological approach by promoting a holistic strategy that includes agroforestry, productive diversification, ecosystem restoration and efficient recycling to reduce reliance on

external inputs. These practices are aimed at mitigating climate change impacts and providing a wider variety of nutritious food.

II. Project description

A. Objectives, geographical area of intervention and target groups

24. The project's **overall objective** is to reduce rural poverty levels, improving food and nutrition security and strengthening the rural population's climate change adaptation capacity. Its **specific objectives** are to: (i) increase the adoption of agricultural technologies that contribute to adaptation and mitigation of climate change, (ii) increase the productive and social inclusion of family farmers, prioritizing women, youth, traditional peoples and communities and persons with disabilities; and (iii) improve the environmental conditions of rural communities and their surroundings.
25. The project will directly reach 60,000 rural households (some 210,000 people), 50 per cent of which will be women-headed, 20 per cent youth-headed, 5 per cent traditional peoples and communities and 2 per cent persons with disabilities.
26. **Geographical targeting.** PROCASE II will expand its coverage to all 223 municipalities in Paraíba, up from 56 in Phase I, to better reach Indigenous communities in the coastal zone and Atlantic Forest biome. Interventions will prioritize communities based on the following technical criteria: (i) rural poverty; (ii) the presence of traditional peoples and communities; (iii) food insecurity and malnutrition; (iv) the concentration of rural women and youth; (v) limited water access; and (vi) avoidance of overlap with other IFAD projects, such as PROCASE I, Sertão Vivo and the Federative Republic of Brazil: Climate Resilience, Food Security and Nutrition in the Semi-arid Northeast of Brazil Project (PDHC III).
27. **Social targeting.** The target population consists of family farmers and rural populations living in poverty, with priority given to women, youth, traditional peoples and communities, persons with disabilities and LGBTQIAPN+ persons from priority rural communities. A combination of direct and self-targeting methods will ensure the robust participation and social inclusion of target groups. Target group-specific activities will be complemented with clearly defined selection criteria and quotas, as well as capacity-building and awareness-raising to ensure the participation of the most vulnerable groups.

B. Components, outcomes and activities

28. **Component 1: Resilient production systems to reduce rural poverty**

This component is aimed at increasing income, food security and nutrition, adapting production systems to climate change and protecting the natural resource base by financing plans to boost production and commercialization, restore environmentally degraded areas and strengthen families and organizational capacity. Resilient investment plans will benefit groups of rural communities by promoting polyculture and agroforestry systems to intensify agricultural and biomass production and reduce climate vulnerability. They will also support animal production units tailored to local contexts. Business plans with producers' organizations (usually cooperatives) will finance structuring investments in processing units and specialized technical assistance to bolster management capacity and increase value addition, commercialization and climate adaptation. This component also includes incentives for innovation, such as equipment, machinery, inputs, products and implements tailored to the needs of family farmers.

Component 2: Organizational strengthening, capacity-building and knowledge management

This component focuses on strengthening family production units through individual and collective technical assistance and key public policies for family farming. Technical assistance will support the preparation and implementation of resilient investment plans, while specialized technical assistance will focus on business plans and strengthening the capacity of beneficiary organizations. Activities to improve commercialization include creating participatory guarantee systems, organizing fairs and establishing marketing centres. This component also includes specific plans to promote gender equity and the social inclusion of youth, traditional peoples and communities, LGBTQIAPN+ people and persons with disabilities, as well as food and nutrition security. Farmers will receive land titling and environmental regularization services, fostering land security and sustainable means of production. The knowledge gained will be recorded and disseminated through KM activities, publications, exchanges and SSTC.

Project management, M&E. This will finance equipment, consultancies and other expenses necessary for: (i) project management; (ii) M&E; (iii) the training of PMU staff; and (iv) project audits.

C. Theory of change

29. If the project offers qualified technical assistance and specialized technical assistance, climate-resilient technologies, productive investments, business plans and greater access to public policies, rural families and producers' organizations will upgrade their food and production systems and gain access to new markets. This will increase the resilience, food security and income of farmers, thus reducing the inequalities of the target group relative to the rest of the population. The project will scale successful initiatives and innovative solutions through KM, SSTC and policy dialogue.
30. The project will work along two interconnected development pathways to achieve its objectives. Through **component 1**, rural families and communities will upgrade their food and production systems, access new markets and boost sales with sustainable, tailored, climate-resilient solutions. These results will be achieved through: (i) resilient investment plans focused on farmers' community organizations to increase diversified, resilient and nutritious production systems with sustainable natural resource management geared to the intensification of production and increased income; (ii) social technologies at the household level for rainwater capture and storage and the installation of household sanitation infrastructure; (iii) innovations in machinery, inputs, products and implements developed or adapted to meet the demands and needs of family farmers; and (iv) business plans focused on farmers' economic organizations (mainly cooperatives), promoting improvements/adaptations to small processing units to diversify and increase market access.
31. **Component 2** will increase the capacity of rural families, particularly the target groups, and their organizations, encourage their adoption of climate-resilient practices and increase their access to land titling, environmental regularization and other public policies by: (i) increasing the capacity of technical assistance teams to promote agroecological production systems tailored to climate change that foster food security with high levels of agrobiodiversity; (ii) providing technical assistance and specialized technical assistance through participatory methodologies that meet the specific needs of target groups, valuing socio-biodiversity, tailored innovations and the use of social technologies for household water management and market access; (iii) fostering cross-cutting empowerment of the target groups through training, awareness and information sessions and exchanges; (iv) supporting land titling and environmental regularization; (v) engaging in capacity-building on

access to public policies; and (vi) producing KM materials and carrying out activities to expand knowledge exchange in countries of the Global South.

32. A participatory territorial approach, combined with technical assistance tailored to the target groups, will be the foundation for achieving a more significant impact and enabling broader restoration of natural resources and ecosystem services. This, in turn, will contribute to diversified and productive agroecological production, improving nutrition and bolstering the empowerment of the beneficiaries' families.

D. Alignment, ownership and partnerships

33. The project objectives align with the 2030 Agenda of leaving no one behind – in particular, the following Sustainable Development Goals (SDGs): 1 (no poverty), 2 (zero hunger and sustainable agriculture), 4 (quality education), 5 (gender equality), 6 (clean water and sanitation), 10 (reduced inequalities), 12 (responsible consumption and production), 13 (climate action) and 15 (life on land). The project is closely aligned with the United Nations Decade for Family Farming (UNFFF) 2019–2028 and the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2023–2027.
34. The project will contribute to all the mainstreaming themes of the Thirteenth Replenishment of IFAD's Resources (IFAD13) and the strategic objectives of the IFAD Strategic Framework 2016–2025: increased production, market participation and resilience. It will also contribute to the strategic objectives of the Brazil COSOP 2024–2029, which are to: (i) improve sustainable agricultural production, food security, nutrition, and market access with a focus on environmental sustainability and the protection of global public goods; (ii) strengthen public policies and programmes through evidence-based revision and scaling of best practices; and (iii) strengthen the capacities of government institutions and organizations of the rural poor to drive inclusive and sustainable rural development.
35. The project aligns with Paraíba's Pluriannual Plan for 2020–2023 and several national policies and programmes for sustainable rural development. These include the Nationally Determined Contribution, the National Adaptation Strategy and Plan for Climate Change, the National Water Security Plan, the National Rural Sanitation Program, the National Policy for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform, the Food Procurement Programme, the National School Feeding Programme and the rural credit programme for family farming. It also aligns with the National Policy for the Sustainable Development of Traditional Peoples and Communities, the National Plan for Promoting Citizenship and the Human Rights of LGBTQIAPN+ People and the National Policy on Agroecology and Organic Production, prepared with IFAD support.

E. Costs, benefits and financing

Project costs

36. The total project cost will be US\$105 million, US\$70 million of which (66.7 per cent) will be financed through an IDB loan, US\$10 million (9.5 per cent) through an IFAD loan and US\$25 million (23.8 per cent) as a counterpart state contribution. In addition, project beneficiaries will contribute around US\$10 million; this has not been included in the total costs as per IDB standard practice but will be monitored by the PMU and accounted for by IFAD during supervisions. The Federal Government will provide its sovereign guarantee for the operation, which will be a condition for entry into force.
37. The project will be financed proportionally by IFAD, IDB and the State of Paraíba across all components, ensuring IFAD's full engagement and visibility. Counterpart funding from the State of Paraíba will be in cash. IFAD and IDB financing will be net of taxes, which will be included in counterpart funding.

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

Components	State of Paraíba		IFAD loan		IDB loan		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Resilient production systems to reduce rural poverty	15 100	60.4	6 040	60.4	42 280	60.4	63 420	60.4
2. Organizational strengthening, capacity-building and knowledge management	7 450	29.8	2 980	29.8	20 870	29.8	31 300	29.8
Project management, M&E	2 450	9.8	980	9.8	6 850	9.8	10 280	9.8
Total	25 000	23.8	10 000	9.5	70 000	66.7	105 000	100

Table 2
Project costs by component and project year (PY)
 (Thousands of United States dollars)

Components	PY1	PY2	PY3	PY4	PY5	PY6	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
1. Resilient production systems to reduce rural poverty	-	40	9 241	21 647	23 057	9 424	63 420
2. Organizational strengthening, capacity-building and knowledge management	213	4 347	10 769	12 657	1 919	1 397	31 301
Project management, M&E	2 037	1 163	1 610	1 948	1 663	1 858	10 280
Total	2 250	5 550	21 620	36 252	26 650	12 680	105 000

Financing and cofinancing strategy and plan

38. As per IDB policies, the allocation table is broken down by component. To simplify implementation arrangements, budget monitoring and financial reporting requirements, the allocation table in IFAD's financing agreement will be presented by component instead of category. Therefore, the table on project costs by expenditure category and financier is not included.

Disbursement

39. The State of Paraíba will open a designated account in United States dollars to be used exclusively for IFAD resources. Funds will be transferred in local currency from the designated account to the operational accounts of the State of Paraíba. *Pari passu* will be applied for components cofinanced by IDB and IFAD.
40. The project will use IDB templates and procedures aligned with IFAD procedures for expenditure justifications and disbursement requests. Withdrawal applications (justifications of expenditure and requests for the disbursement of advances) will be submitted to the IDB. IDB will review applications for their compliance with the IFAD financing agreement and confirm to IFAD that disbursement conditions have been met before proceeding with payment. The project will submit the IDB's reporting forms through the IFAD Client Portal, which IFAD will accept as equivalent to interim financial reports.

Summary of benefits and economic analysis

41. The cost-benefit analysis evaluates the benefits of the loan, including higher farm income, lower costs and gains associated with improved environmental services. The results confirm the project's economic viability, with a net present value of US\$52.5 million and an internal rate of return of 26.6 per cent over 20 years.

Exit strategy and sustainability

42. Project management will implement a project exit strategy with a dedicated budget (US\$200,000) to ensure the sustainability of interventions at the state, community and household level. Several factors will contribute to sustainability: (i) the intensive training programme for beneficiaries and technical assistance teams; (ii) the dissemination of agroecological practices and improved market access; (iii) partnerships with secretariats and government bodies, civil society and farmers' organizations; (iv) land titling activities, which will play a critical role in ensuring that the project's productive and environmental activities are sustainable; (v) the construction of resilient investment plans with a specific environmental focus and resources earmarked for this purpose; and (vi) the dissemination of experiences through KM and SSTC activities.

III. Risk management

F. Risks and mitigation measures

43. The integrated project risk matrix was prepared following IFAD guidelines. The overall inherent project risk is moderate, as is the residual risk.

Table 3

Overall risk summary

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

44. The residual financial management risk is rated as moderate, the main risks being: (i) the risk of implementation delays if dedicated PMU finance staff members are not hired in a timely manner; (ii) insufficient fiscal space allocated or delays in the disbursement of government funding, affecting project implementation; and (iii) delays or poor quality reporting on the use of funds from investment and business plans by farmers' organizations and/or cooperatives. The mitigation measures to be implemented are: (i) the recruitment and appointment of key finance staff as a condition for the first disbursement in finance agreement; (ii) timely submission by the Secretariat for Family Farming and Semi-arid Development (SEAFDS) of the request for fiscal space and counterpart funds, complemented by ongoing coordination with the Secretariat of Finance (SEFAZ); and (iii) the project implementation manual (or *Regulamento Operacional do Projeto* [ROP] in IDB terminology) and agreements signed with farmers' organizations and cooperatives will establish clear procedures for reporting on the use of funds transferred under investment and business plans.

G. Environment and social category

45. IFAD's gap analysis confirmed that its Social, Environmental and Climate Assessment Procedures (SECAP) commitments will be met using IDB's Environmental and Social Policy Framework (ESPF). The project is classified as **Category B** under IDB's ESPF because the planned activities have the potential to cause mainly local and short-term negative environmental or social impacts that are reversible and whose effective mitigation measures are known and readily available. Adequate monitoring and verification of safeguard compliance will be ensured throughout the project.

H. Climate risk classification

46. The operation's climate risk has been classified as **substantial** due to: (i) the target population's vulnerability and exposure to the effects of climate variability; (ii) the still-limited access of the project's target population to policies and instruments that can reduce this vulnerability; and (iii) the danger of extreme climate/weather events adversely affecting the project's investments. The measures to mitigate these risks are identified, and the project includes a targeted adaptation assessment.

I. Debt sustainability

47. The State of Paraíba's debt was rated as "CAPAG-A" in 2023, which is the best rating classification issued by the National Treasury. In 2023, for the third year in a row, Paraíba also received an AA+ rating from Standard & Poor's Global Ratings.

IV. Implementation

A. Organizational framework

Project management and coordination

48. Paraíba's State Secretariat for Family Farming and Semi-arid Development (SEAFDS) will be the executing agency responsible for the project's technical and fiduciary management and coordination. SEAFDS will establish a PMU within its structure and has extensive experience with internationally financed projects, including a previous IFAD project. The Rural Extension, Research and Land Regularization State Agency (EMPAER) will act as the sub-executing agency responsible for land regularization activities.

Financial management, procurement and governance

49. **Financial management.** The finance team in the PMU established under SEAFDS will be responsible for financial management of the project. The IDB will be appointed as a cooperating institution and be responsible for managing and supervising the implementation of IFAD's financing, based on a cooperation agreement between IFAD and IDB. This agreement includes supervision arrangements (i.e. missions, financial reporting and audits) similar to those of the Piauí Inclusive and Sustainable Project and the Parceiros da Mata Project, also cofinanced with IDB. IFAD will accept IDB financial policies and procedures, which align with IFAD fiduciary requirements. Pursuant to its General Conditions for Agricultural Development Financing, IFAD will require the retention of implementation records for at least 10 years, while the IDB requirement is three years.
50. **Retroactive financing.** IFAD will recognize expenditure incurred by the Government of Paraíba after 13 September 2024, the date of Quality Assurance Group approval, as counterpart funding for activities related to consulting services for studies and diagnostics, PMU staff and benefits and necessary operating costs, including the purchase of IT equipment.
51. **External audit.** The project must submit audited financial statements prepared according to special purpose frameworks and aligned with International Public

Sector Accounting Standards (IPSAS). These statements will be audited by the State of Paraíba Court of Accounts, following international auditing standards. IDB shall submit the audited financial statements to IFAD no later than six months after the end of each fiscal year.

52. **Project implementation manual (PIM).** The financial management, procurement and governance arrangements are detailed in the PIM/ROP. They are based on the Financial Management Guidelines for IDB-Financed Projects (OP-273-12) and procurement (GN-2349-15, for the procurement of goods and works and GN-2350-15, for the procurement of consultants). They will also draw from the implementation experience of the IFAD-supported PROCASE I.
53. According to the gap analysis of IDB guidelines and procedures, the following IFAD procedures will be employed by IDB: (i) contractor and consultant self-certification in all bidding documents and contracts, in compliance with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations and its Policy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse; and (ii) the use of IFAD's contract monitoring tool system to register signed contracts and update their status.

Target group engagement and feedback and grievance redress

54. The project design includes an extensive public consultation with multiple stakeholders, people from communities that could potentially benefit from project and potential implementation partners, such as social organizations and state secretariats, such as the Secretariat for Women and Human Diversity (SEMDH).

Grievance redress

55. In line with the IDB's ESPF, a specific grievance redress mechanism will be established during the consultations and maintained throughout project implementation.

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

56. The project's planning and M&E system is aligned with its logical framework. The logical framework includes several IFAD core indicators, ensuring alignment with IFAD's mainstreaming criteria, including: (i) disaggregated outreach; (ii) the number of persons with new jobs/employment opportunities; (iii) the percentage of women reporting minimum dietary diversity; (iv) tons of CO₂e avoided/sequestered; and (v) IFAD's empowerment indicator. The project will conduct baseline, midterm and impact surveys.

Innovation and scaling

57. PROCASE II will scale up successful interventions of phase I and introduce innovations, such as: (i) expanding the geographical target, covering a new biome – the Atlantic rainforest; (ii) raising mainstreaming ambitions, being gender-transformative, nutrition-sensitive and youth-sensitive, prioritizing persons with disabilities and Indigenous Peoples; (iii) broadening social technology solutions for accessing water, sanitation and sustainable energy; (iv) greater emphasis on KM, SSTC and policy dialogue; and (iv) including land titling and environmental regularization.

C. Implementation plans

Implementation readiness and start-up plans

58. PROCASE I substantially increased the State of Paraíba's implementation readiness for PROCASE II, thus facilitating a smooth and rapid project start-up. IDB and IFAD will support the project with a start-up mission, as requested by the State of Paraíba Government, once the PMU is in place.

Supervision, midterm review and completion plans

59. IFAD will engage IDB as the project's cooperating institution through a Coordination Agreement between the institutions. Under that agreement, IDB will coordinate supervision and other missions with IFAD. IFAD's direct participation in supervision, midterm review and completion missions will cover topics based on the project's needs, in coordination with IDB, and may focus on targeting, IFAD's mainstreaming themes, rural development, M&E, KM and SSTC, among other technical issues.

V. Legal instruments and authority

60. A financing agreement between the Federative Republic of Brazil and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
61. The State of Paraíba is empowered under its laws to receive financing from IFAD.
62. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

63. 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 Paraíba with a sovereign guarantee from the Federative Republic of Brazil in an amount of ten million United States dollars (US\$10,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement: "Paraíba Rural Sustainable Development Project (PROCASE II)"

(Negotiations concluded on 11 November 2024)

Loan No:

Project Name: Paraíba Rural Sustainable Development Project (PROCASE II) (Projeto de Desenvolvimento Rural Sustentável da Paraíba) ("the Project")

State of Paraíba - Federative Republic of Brazil (the "Borrower")

and

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

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

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

WHEREAS, the Project shall be co-financed by the Inter-American Development Bank (the "IDB"). The Borrower and the IDB will enter into a financing agreement (the "IDB Loan Agreement") to provide seventy million United States dollars (USD 70,000,000) for the Project;

WHEREAS, the Fund and IDB will enter into a Coordination Agreement (the "Coordination Agreement") to establish the responsibilities of IDB as the administrator (the "Cooperating Institution") of the execution of the activities financed through the IFAD Loan;

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a loan to the Borrower (the "BRAM Loan" or "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 BRAM Loan is ten million United States dollars (USD 10 000 000).
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 in United States dollars (USD).
4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 15 May and 15 November.
6. There shall be a Designated Account opened by and held in the name of the Borrower in USD, for the exclusive use of the Project. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
7. There shall be a Project Account in Brazilian Real (BRL) for the benefit of the Government of the State of Paraiba in a bank selected by the Borrower.
8. The Borrower shall provide counterpart financing for the Project in the amount of twenty-five million United States dollars (USD 25 000 000), which shall include the payment of taxes and duties and of which three million one hundred twenty-five thousand United States dollars (USD 3 125 000) is considered as counterpart funding towards the IFAD Loan.

Section C

1. The Lead Project Agency shall be the Secretariat of Family Agriculture and Semi-arid Development (SEAFDS) or its successor with the same attributions and legal competencies, subject to prior approval by the Fund for the purposes of the Project.
2. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

Section D

1. The Loan shall be administered by the Fund.
2. The Project shall be supervised by the IDB as the Cooperating Institution.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (PIM), or Regulamento Operacional do Projeto (ROP) in IDB terminology, and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior

agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional conditions precedent to withdrawal:
 - (a) The Guarantee Agreement shall have been duly signed, and the signature thereof by the Guarantor shall have been duly authorized by all necessary administrative and governmental authorities;
 - (b) The approval of the PIM/ROP shall have been confirmed in writing by IDB;
 - (c) The Project Designated Account and the operational accounts shall have been opened;
 - (d) The Project Management Unit (PMU) shall have been established within the SEAFDS and the following key members appointed: i) State Coordinator, ii) Technical Coordinator; iii) Finance and Administrative Coordinator; iv) Monitoring and Evaluation Specialist; and v) Procurement Specialist;
 - (e) A subsidiary execution agreement between the SEAFDS of the State of Paraíba and The Rural Extension, Research, and Land Regularization State Agency (EMPAER) shall have been signed.
 - (f) The IDB Loan Agreement shall have entered into full force and effect.
 - (g) The right of the Borrower to withdraw the proceeds of the IDB Loan Agreement has not been suspended, cancelled or terminated, in whole or in part, or the IDB Loan has become due and payable prior to the agreed maturity thereof provided that the Parties could not have reached an agreement on a mutual solution.

3. The following provisions of the General Conditions shall be interpreted to read as follows:
 - 3.1 Section 7.05 of the General Conditions: Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the IDB Policy for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policy for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15) as referred in the Coordination Agreement between IDB and IFAD.
 - 3.2 Section 7.06 of the General Conditions: The Environmental and Social Policy Framework (ESPF) and the Access to Information Policy (OP-102) of IDB, as amended from time to time, shall apply to this Agreement.
 - 3.3 Section 5.02 c), d), and e) of the General Conditions shall not apply to this Agreement.
 - 3.4. Section 4.07 of the General Conditions shall be interpreted as per Section 2 (b) on Retroactive Financing provided in Annex 2 hereto.

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

For the Borrower:

Estado da Paraíba
Av. João da Mata, S/N - Jaguaribe
João Pessoa - Paraíba - CEP.: 58015-020

E-mail: cg@sefaz365.pb.gov.br

Copy to:

Secretaria do Planejamento, Orçamento e Gestão (SEPLAG)
Av. João da Mata, S/N - Jaguaribe
João Pessoa - Paraíba - CEP.: 58015-020
E-mail: gabinete@seplag.pb.gov.br

For the Lead Project Agency:

Secretaria da Agricultura Familiar e Desenvolvimento do Semiárido (SEAFDS)
Avenida Rio Grande do Sul, nº 1345 - 16º andar
João Pessoa - Paraíba - CEP.: 58030-020

E-mail: agriculturafamiliar@seafds.pb.gov.br
coordenadorestadual@procase.pb.gov.br

For the Fund:

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

5. The Parties commit to share with the Secretaria de Assuntos Internacionais e Desenvolvimento do Ministério do Planejamento e Orçamento (SEAID) copies of all communication related to this Agreement.

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

THE STATE OF PARAIBA

João Azevêdo Lins Filho
Governador

Date: _____

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* PROCASE II will target family farming families in poverty and extreme poverty, especially in municipalities with a lower Human Development Index and more significant deprivation. The Project will directly reach 60,000 families (around 210,000 people), of which 50% will be women, 20% young people, 5% PCTs, and 2% persons with disabilities. The Project's main target groups are: i) family farmers living in poverty and extreme poverty, ii) rural women, iii) rural youth, iv) PCTs, v) persons with disabilities, and v) LGBTQIABP+. To close the income gap, 50% of the Resilient Investment Plan (PIR) funds and 50% of the Business Plans (PN) funds will go to women-led associations and cooperatives, and 20% of the PIR funds will go to youth groups.

2. *Project Area.* PROCASE II will cover the rural areas of all 223 municipalities of the State of Paraíba. The interventions will prioritize communities based on the following technical criteria: i) incidence of rural poverty (Single Registry or Cadastro Único – CadÚnico); ii) presence of traditional peoples and communities (PCTs); iii) incidence of food insecurity and malnutrition; iv) concentration of rural women and youth; v) limited access to water for human consumption and production; vi) overlapping or synergies with other IFAD interventions, such as PROCASE I, Sertão Vivo (PCRP) and PDHC III.

3. *Overall Objective.* The overall objective of the Project is to reduce rural poverty levels, improving food and nutritional security and adapting the rural population to climate change.

Specific objectives are:

- a) Increasing the adoption of agricultural technologies that contribute to the adaptation and mitigation of climate change;
- b) Improving the productive and social inclusion of family farmers, prioritizing women, young people, Traditional Peoples and Communities (PCT) and persons with disabilities;
- c) Improving the environmental conditions of rural communities and their surroundings

4. *Components.* The Project will have two interrelated components:

4.1 *Component 1. Resilient production systems to reduce rural poverty.* It will make investments to improve income, food security and nutrition, adapt production systems to climate change, and protect the natural resource base. Productive investments will be made in rural communities and processing units (cooperatives). All the activities will particularly target women, youth, persons with disabilities, LGBTQIAPN+ and families from traditional communities, with activities planned specifically for these groups. Investments will be made through the Resilient Investment Plan (PIR), which will be the instrument for planning and implementing the resources of this subcomponent.

Business Plans (PNs) will be the main instrument for strengthening and diversifying commercialization and will be drawn up with producer organizations, usually cooperatives. The PNs should make it possible to finance structuring investments and include producers who benefited from the PIRs. The component will also finance incentives for innovation such as equipment, machinery, inputs, products and/or implements developed or adapted to meet the demands and needs of family farmers.

4.2 *Component 2. Organizational strengthening, capacity building and knowledge management.* It will invest in strengthening family production units, ensuring that activities are carried out to assist families individually and collectively, and presenting the

main public policies available in the country. The Technical Assistance (TA) and Rural Extension services will support the preparation and implementation of the Resilient Investment Plans (PIRs). The services of Specialized Technical Assistance (STA) will be especially dedicated to the Business Plans (PNs) and to strengthening the capacities of beneficiary organizations. This includes activities aimed at strengthening commercialization by creating participatory guarantee systems (PGS) for agricultural products and establishing fairs and commercialization centers. It will have the following subcomponents:

It will work to strengthen families' capacities, considering the weaknesses identified in various areas, such as production processes; the environmental sustainability of this production and the broader landscape; the protection and recovery of threatened natural resources; organizational and governance issues; administrative and financial management issues; commercialization and access to public policies. This will be done by contracting agroecological TA services, which will elaborate and implement the PIRs.

It will also strengthen beneficiary organizations' capacities, such as cooperatives, prioritizing assistance for better business management, processes, and commercialization. Its main activities will be done by contracting specialized technical assistance (STA) services, which will elaborate and implement the PNs.

The component will also finance Gender, Diversity, Nutrition, and PCT Plans which will be activities to promote gender equality and women's empowerment, as well as the social inclusion and empowerment of Afro-descendants, Traditional Peoples and Communities (PCTs), the LGBTQIAPN+ community and persons with disabilities.

The component will finance activities to promote the guarantee of ownership and the right to property of the land occupied by farming families and traditional communities located in the area covered by the Project, providing legal security and access to public policies. It will also support the organization and systematization of knowledge materials, as well exchanges and knowledge-sharing through South-South and Triangular Cooperation (SSTC).

II. Implementation Arrangements

5. *Lead Project Agency.* The Lead Project Agency will be the Secretariat of Family Agriculture and Semiarid Development (SEAFDS). The Rural Extension, Research, and Land Regularization State Agency (EMPAER) will be Project's sub-executor for activities related to land regularization. The PMU will be established within SEAFDS structure. To guarantee the Project's presence in the field, up to 5 (five) Regional Project Management Units (URGPs) will be established within the physical structure of field offices of EMPAER.

6. *Project Management Unit (PMU).* The PMU's key team, exclusively dedicated to the Project, will include the following members: i) State Coordinator, ii) Technical Coordinator; iii) Finance and Administrative Coordinator; iv) Operational Coordinator of Component 1; v) Operational Coordinator for Component 2; vi) Gender and Diversity Specialist; vii) Traditional Communities and Peoples Specialist; viii) Environmental and Social Safeguards Specialist; ix) Monitoring and Evaluation Specialist; x) Procurement Specialist. The PMU's team will consist of government employees and will be complemented by professionals hired through a partnership agreement to be made with the Inter-American Institute for Cooperation on Agriculture (IICA). The PMU team will be recruited under an open selection process. An exception will be made for professionals who worked on the previous phase I of PROCASE and who have undergone a selection process, who may be hired directly to work on phase II.

7. *Project Steering Committee:* The steering committee function will be implemented by the Executive Committee of Productive Investments (CEGIP) and will have as key role: a) strategic planning and revision of progress reports and approval of the Annual Workplan

and Budget (AWPB), PNs, PIRs which should be previously approved by the Project Evaluation Committee (CAP) within the PMU.

8. *Financial Management.* The Finance Team within the PMU will be responsible for, maintaining project accounts, maintaining adequate internal controls, monitoring budget execution and timely submission of withdrawal applications and justifications of expenditure. The PMU will ensure financial reporting will be generated through an automated system to be operational before the start of Project.

IFAD accepts the IDB formats and procedures for presenting justifications of expenditure and request for disbursements of advances. The PMU will submit withdrawal applications (justifications of expenditure and request for of advances) to the IDB for review and in parallel to IFAD through the IFAD Client Portal (ICP).

9. *Monitoring and Evaluation (M&E).* The Project will also fund equipment, systems and consultancy needed for administration and management, monitoring and evaluation.

10. *Project Implementation Manual (PIM or ROP according to IDB).* The Project implementation will be in accordance with this Agreement and the PIM or ROP. In case of discrepancy between this Agreement and the PIM, the Agreement will prevail. Any change or modification in the ROP, will require prior no objection.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the components to be financed by the Loan and the allocation of the amounts to each component of the Financing and the percentages of expenditures for items to be financed in each component:

Component	IFAD Loan Amount Allocated (Expressed in USD)	Percentage
1. Resilient production systems to reduce rural poverty	6 030 000	100% Net of Taxes
2. Organizational strengthening, capacity building and knowledge management.	2 970 000	100% Net of Taxes
3. Project management, monitoring and evaluation	1 000 000	100% Net of Taxes
TOTAL	10 000 000	

1. The terms used in the Table above are defined as follows:

- (i) "Resilient production systems to reduce rural poverty": Eligible expenditure under Component 1 including subsidies and technical assistance.
- (ii) "Organizational strengthening, capacity building and knowledge management" "Project management": Eligible expenditure under Component 2 including subsidies, technical assistance, goods and services and inputs, Training and Workshops.
- (iii) Eligible Expenditures for the operation of the PMU and monitoring and evaluation of the Project including salaries and allowances, consultancies, operating costs, goods and services (including consultancies and external audits, training and workshops.

Disbursement arrangements

- (a) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs (Project Management, monitoring and evaluation) incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 200 000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

The financial statements of the program will be audited annually by the Court of Accounts of the State of Paraíba (TCE).

Schedule 3*Special Covenants*

1. Within 6 (six) months of entry into force of this financing agreement, the Borrower shall appoint within the PMU the following key members: i) State Coordinator, ii) Technical Coordinator; iii) Finance and Administrative Coordinator; iv) Operational Coordinator of Component 1; v) Operational Coordinator for Component 2; vi) Gender and Diversity Specialist; vii) Traditional Communities and Peoples Specialist; viii) Environmental and Social Safeguards Specialist; ix) Monitoring and Evaluation Specialist; x) Procurement Specialist.

Logical framework

Paraiba Rural Sustainable Development Project

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Project M&E System	Annual	Project M&E Unit	Continuity of public policies and programmes that support rural poverty reduction.
	Males – Males	0	12000	30000				
	Females – Females	0	12000	30000				
	Young - Young people	0	4800	12000				
	Indigenous people - Indigenous people	0	1200	3000				
	Total number of persons receiving services - Number of people	0	24000	60000				
	Persons with disabilities - Number	0	480	1200				
	1.a Corresponding number of households reached				Project M&E System	Annual	Project M&E Unit	
	Households - Households	0	24000	60000				
	1.b Estimated corresponding total number of households members				Project M&E System	Annual	Project M&E Unit	
Household members - Number of people	0	84000	210000					
	Poverty reduction (multidimensional)							

Project Goal Reduce rural poverty and food and nutrition insecurity for family farmers	Percentage of reduction - Percentage (%)	43	39	30	Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm	Continuity of public policies and programmes that support rural poverty reduction/ Non-occurrence of acute drought episodes.
Development Objective Continuity of public policies and programmes that support rural poverty reduction/ Non-occurrence of acute drought episodes.	1.2.8 Women reporting minimum dietary diversity (MDDW)				Impact Survey	Baseline, Mid-Term and End of Project	Independent consultancy firm	Continuity of public policies and programmes that support rural poverty reduction/ Non-occurrence of acute drought episodes.
	Women (%) - Percentage (%)	46	55	68				
	Women (number) - Females	4140	4950	6120				
	Households (%) - Percentage (%)	44	53	64				
	Households (number) - Households	7920	9540	11520				
	Household members - Number of people	27720	33390	40320				
	Women-headed households - Households	4140	4950	6120				
	2.2.1 Persons with new jobs/employment opportunities				Impact Survey	Baseline, Mid-Term and End of Project	Independent consultancy firm	
	Males - Males	0	40	100				
	Females - Females	0	40	100				
	Indigenous people - Indigenous people	0	20	50				
Young - Young people	0	60	150					

Total number of persons with new jobs/employment opportunities - Number of people	0	80	200			
Persons with disabilities - Number	0	20	50			
IE.2.1 Individuals demonstrating an improvement in empowerment				Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm
Indigenous people - Percentage (%)	0	8	5			
Indigenous people - Indigenous people	0	72	45			
Young - Percentage (%)	0	8	5			
Young - Young people	0	288	180			
Total persons - Percentage (%)	0	8	5			
Total persons - Number of people	0	1440	900			
Females - Percentage (%)	0	8	5			
Females - Females	0	720	450			
Males - Percentage (%)	0	8	5			
Males - Males	0	720	450			
Persons with disabilities - Number	0	29	18			
Persons with disabilities - Percentage (%)	0	8	5			

	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered			Impact Survey - Carbon-Balance Tool (EX-ACT)	Baseline, Mid-Term, and End of Project	Independent consultancy firm		
	Hectares of land - Area (ha)	0	0				13575	
	tCO2e/20 years - Number	0	0				1449802	
	tCO2e/ha - Number	0	0				107	
	tCO2e/ha/year - Number	0	0				5	
Outcome C1. Families increase their resilience through agroecological productive intensification for self-consumption and improved market access	1.2.4 Households reporting an increase in production			Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm	Droughts or climate change are managed with appropriate adaptation measures.	
	Total number of household members - Number of people	0	15120					37800
	Households - Percentage (%)	0	60					60
	Households - Households	0	4320					10800
	Households who sell their production in markets			Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm		
	Households - Percentage (%)	61	66					72
	2.2.5 Rural producers' organizations reporting an increase in sales			Project M&E System	Baseline, Mid-Term, and End of Project	Project M&E Unit		
	Percentage of rural POs - Percentage (%)	0	20					20
	Number of Rural POs - Organizations	0	5					12
	Rural POs with women in leadership position - Organizations	0	4					10
	Resilient Investment Plans (RIP) implemented				Annual			

<p>Output C1. Families and their organizations receive investments to improve their production, adding value to products for sale, as well as infrastructure for access to water and energy, in a context of adaptation to climate change.</p>	Plans - Number	0	80	200	Project M&E System	Project M&E Unit	Droughts or climate change are managed with appropriate adaptation measures.	
	Households - Households	0	7200	18000				
	Males - Males	0	3600	9000				
	Females - Females	0	3600	9000				
	Young - Young people	0	1440	3600				
	Indigenous people - Indigenous people	0	360	900				
	Persons with disabilities - Number	0	144	360				
	3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions				Project M&E System	Annual		Project M&E Unit
	Males - Males	0	752	1880				
	Females - Females	0	752	1880				
	Young - Young people	0	301	752				
	Indigenous people - Indigenous people	0	75	188				
	Total persons accessing technologies - Number of people	0	1504	3760				
	Persons with disabilities - Number	0	30	75				
2.1.3 Rural producers' organizations supported				Project M&E System	Annual	Project M&E Unit		
Total size of POs - Organizations	0	2000	5000					
Rural POs supported - Organizations	0	24	60					

	Males - Males	0	1000	2500				
	Females - Females	0	1000	2500				
	Young - Young people	0	400	1000				
	Indigenous people - Indigenous people	0	100	250				
	Rural POs supported that are headed by women - Organizations	0	12	30				
	Persons with disabilities - Number	0	40	100				
	Innovative technologies developed or adapted				Project M&E System	Annual	Project M&E Unit	
	Technologies - Number	0	5	25				
Outcome C2. Families adopt environmentally sustainable practices adapted to climate change.	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm	Maintenance of public policies and access conditions to credit and public procurement/ Non-occurrence of acute drought episodes.
	Total number of household members - Number of people	44640	46800	48240				
	Households - Percentage (%)	62	65	67				
	Households - Households	11160	11700	12060				
	Women who hold management positions in rural organizations				Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm	
	Females - Percentage (%)	5	8	12				
	Area of rural properties registered in the CAR in the municipalities covered by the Project				Project M&E System	Baseline, Mid-Term, and End of Project	Project M&E Unit	
Hectares of land - Area (ha)	68804	108804	168804					

	Communities with land and environmental regularization title delivered				Project M&E System	Baseline, Mid-Term, and End of Project	Project M&E Unit	
	Communities - Number	0	100	150				
	SF.2.1 Households satisfied with project-supported services				Impact Survey	Baseline, Mid-Term, and End of Project	Independent consultancy firm	
	Household members - Number of people	0	63000	157500				
	Households (%) - Percentage (%)	0	75	75				
	Households (number) - Households	0	18000	45000				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Impact Survey	Baseline, Mid-term and End of Project	Independent consultancy firm	
	Household members - Number of people	0	58800	147000				
	Households (%) - Percentage (%)	0	70	70				
	Households (number) - Households	0	16800	42000				
Output C2. Families and their organizations have increased their capacities, including women, young people, PCT and PwD, for agroecological production, improving their food and nutrition, and accessing other public policies.	Training events for TA organizations				Project M&E System	Annual	Project M&E Unit	
	Events - Number	0	18	20				
	Trained ATER and CTE technicians - Number	0	270	300				
	Families assisted by TA				Project M&E System	Annual	Project M&E Unit	
	Households - Households	0	7200	18000				
	Males - Males	0	3600	9000				
Females - Females	0	3600	9000					

Young - Young people	0	1440	3600			
Indigenous people - Indigenous people	0	360	900			
Persons with disabilities - Number	0	144	360			
Training events and farmer exchanges held				Project M&E System	Annual	Project M&E Unit
Events - Number	0	62	132			
Training events for access to Public Policies and Other Programs				Project M&E System	Annual	Project M&E Unit
Events - Number	0	135	400			
Households - Households	0	10800	32000			
Females - Females	0	5400	16000			
Young - Young people	0	2160	6400			
Indigenous people - Indigenous people	0	540	1600			
Persons with disabilities - Number	0	216	640			
Cooperatives and producer organizations assisted with CTE				Project M&E System	Annual	Project M&E Unit
Cooperatives and producer organizations - Number	0	24	60			
Cooperative families - Number	0	2000	5000			
Local fairs and Marketing Centers created/improved				Project M&E System	Annual	Project M&E Unit
Fairs and marketing centers - Number	0	15	50			

Health Inspection Services in operation				Project M&E System	Annual	Project M&E Unit
Health inspection services - Number	0	1	2			
Participatory certification systems pilot in operation				Project M&E System	Annual	Project M&E Unit
Systems - Number	0	7	15			
Diversity, gender, youth, nutrition and food security plans prepared				Project M&E System	Annual	Project M&E Unit
Gender Plan - Number	0	1	1			
Youth Plan - Number	0	1	1			
PCT Strengthening Plan - Number	0	1	1			
Nutrition and Food Safety Plan - Number	0	1	1			
1.1.8 Households provided with targeted support to improve their nutrition				Project M&E System	Annual	Project M&E Unit
Total persons participating - Number of people	0	7200	18000			
Males - Males	0	3600	9000			
Females - Females	0	3600	9000			
Households - Households	0	7200	18000			
Household members benefitted - Number of people	0	25200	63000			
Indigenous people - Indigenous people	0	360	900			
Young - Young people	0	1440	3600			

Number of persons with disabilities - Number	0	144	360			
Local Development Agents hired				Project M&E System	Annual	Project M&E Unit
Agents - Number	0	200	200			
1.1.1 Number of beneficiaries gaining increased secure access to land				Project M&E System	Annual	Project M&E Unit
Males - Males	0	1000	2500			
Females - Females	0	1000	2500			
Indigenous people - Indigenous people	0	100	250			
Young - Young people	0	400	1000			
Total number of beneficiaries with increased secure access to land - Number of people	0	2000	5000			
Persons with disabilities - Number	0	40	100			
Knowledge Management Studies prepared				Project M&E System	Annual	Project M&E Unit
Studies - Number	0	5	25			
South-South Cooperation exchange events held				Project M&E System	Annual	Project M&E Unit
Events - Number	0	4	10			

Integrated project risk matrix

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
<i>Political Commitment</i>	<i>Low</i>	<i>Low</i>
<i>Governance</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Macroeconomic</i>	<i>Low</i>	<i>Low</i>
<i>Fragility and Security</i>	<i>Moderate</i>	<i>Moderate</i>
Sector Strategies and Policies	Low	Low
<i>Policy alignment</i>	<i>Low</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Low</i>	<i>Low</i>
Environment and Climate Context	Substantial	Substantial
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Substantial</i>	<i>Substantial</i>
Project Scope	Moderate	Moderate
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Moderate</i>
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
<i>Implementation Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Moderate</i>
Project Financial Management	Substantial	Moderate
<i>Project Organization and Staffing</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Budgeting</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Moderate</i>
Project Procurement	Moderate	Moderate
<i>A.1 Legal, Regulatory and Policy Framework</i>	<i>Moderate</i>	<i>Moderate</i>
<i>A.2 Institutional Framework and Management Capacity</i>	<i>Low</i>	<i>Low</i>
<i>A.3 Public Procurement Operations and Market Practices.</i>	<i>Low</i>	<i>Low</i>
<i>A.4 Accountability, Integrity and Transparency of the Public Procurement System</i>	<i>Substantial</i>	<i>Substantial</i>
<i>B.1 Assessment of Project Complexity</i>	<i>Substantial</i>	<i>Substantial</i>
<i>B.2 Assesment of Implementing Agency Capacity</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Project Procurement Overall</i>	<i>Moderate</i>	<i>Moderate</i>
Environment, Social and Climate Impact	Substantial	Moderate
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Cultural Heritage</i>	<i>Low</i>	<i>Low</i>
<i>Indigenous People</i>	<i>Low</i>	<i>Low</i>
<i>Labour and Working Conditions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Community health, safety and security</i>	<i>Moderate</i>	<i>Moderate</i>

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Physical and Economic Resettlement</i>	<i>Low</i>	<i>Low</i>
<i>Greenhouse Gas Emissions</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Substantial</i>	<i>Substantial</i>
Stakeholders	Moderate	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Low</i>	<i>Low</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Moderate</i>
Overall	Moderate	Moderate

Country Context	Moderate	Moderate
Political Commitment	Low	Low
<p>Risk:</p> <p>There will be elections for state and federal governments throughout the implementation, which may alter the degree of political priority given to the Project, leading to changes in technical teams, implementation delays, discontinuity of correlated rural development public policies, and budgetary restrictions.</p>	Low	Low
<p>Mitigations:</p> <p>The Project directly responds to the priorities and interests of the state government. Phase II of PROCASE will be one of the main instruments for combating rural poverty in the state, mobilizing more territories and local actors. PROCASE is included in the state's Pluriannual Plan, which ensures programmatic and budgetary stability for at least the next three years and is aligned with the Pluriannual Plan and priorities of the federal government. The SEAFDS team actively participated in the Project's design and the consultation process involving local farmers and civil society organizations. IDB and IFAD will closely follow up on the evolving political situation and keep a continuous dialogue with state and federal counterparts to inform new authorities of Project characteristics and benefits, as well as keep participating in policy dialogue platforms such as the Forum of State Secretaries and Northeast Consortium. The IFAD Office in Salvador will play a critical role in monitoring changes in the political scenario.</p>		
Governance	Moderate	Moderate
<p>Risk:</p> <p>The Project Management Unit and partner institutions may not possess all the knowledge and capacities necessary for the geographic expansion of the Project and implementation of new activities. The design of the structure, positions, and competencies of the PMU may not be the most suitable for Project implementation.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The challenges and lessons learned from the implementation of phase I have been considered in the design of phase II, minimizing, or pre-emptively addressing future implementation risks. Similarly, the design of the new PMU and institutional arrangements with key partners will be defined considering these lessons learned and challenges to improve the governance and the effective implementation of activities. The Project design also includes capacity-building and institutional strengthening activities for partner organizations with the same objective. IFAD systematic monitoring will also identify potential governance issues in the Project and contribute to finding timely solutions.</p>		
Macroeconomic	Low	Low

<p>Risk:</p> <p>There may be difficulty mobilizing the counterpart funding from the State Government for the Project. A downturn in economic activity could lead to a decrease in tax revenue and, consequently, budgetary constraints on public policies complementary to the Project.</p>	Low	Low
<p>Mitigations:</p> <p>The design of phase II is incorporated into the Pluriannual Plan 2024-2027, ensuring a minimum level of programmatic and budgetary stability. The State of Paraíba has a well-evaluated fiscal management by the federal government due to low indebtedness, current savings, and a favorable liquidity index. The state has been evolving in its macroeconomic context post-COVID, and the projections for the coming years are favorable.</p>		
<p>Fragility and Security</p>	Moderate	Moderate
<p>Risk:</p> <p>Brazil as a whole, and especially the poorest states, still suffer from the effects of the country's political and economic crisis and the global health crisis of COVID-19, which have caused high unemployment rates, an exponential increase in the population living below the poverty line, as well as food insecurity. Food insecurity has increased throughout the pandemic, especially in the North and Northeast regions. Additionally, data reveals the growing negative effects of climate change in Project areas, especially the concentration and spatial and temporal irregularity of rainfall, increased temperatures, and more frequent, longer, and more severe droughts. This could require expansion and/or reformulation of interventions to achieve the planned objectives.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>Since 2023, the country's economic and fiscal situation has improved, with an increase in GDP and a significant decrease in unemployment and food insecurity rates. The forecasts for the national macroeconomic scenario are favorable for the coming years. PROCASE II will contribute to this scenario by seeking to increase the income and food security of beneficiary families, especially women, youth, traditional communities, and Indigenous people. The Project will seek to implement an integrated resilience approach to assist family farmers in adapting to, coping with, and/or recovering more rapidly from future climatic, economic, and environmental shocks, prioritizing, for example, social technologies for water access, technical assistance with an agroecological approach, as well as marketing strategies for family agriculture products.</p>		
<p>Sector Strategies and Policies</p>	Low	Low
<p>Policy alignment</p>	Low	Low
<p>Risk:</p> <p>Non-alignment of PROCASE II with the main public policies of the Government of Paraíba and/or the Federal Government.</p>	Low	Low
<p>Mitigations:</p> <p>Since phase I, PROCASE has been included in the state's Pluriannual Plan and is aligned with the main federal government programs to support family farming and fight rural poverty and hunger (including topics such as food security, water, rural women, youth, and PCTs empowerment, agroecology, and sustainable natural resources management). The current and new IFAD COSOPs were formulated considering this alignment with the federal government and the state governments of the Northeast (through close coordination and collaboration with the Governors' Northeast Consortium). The Project was also designed considering IDB's development goals and strategy for Brazil.</p>		
<p>Policy Development and Implementation</p>	Low	Low

<p>Risk:</p> <p>Considering the design process involving the state government and local organizations and focused on the continuity of actions to combat rural poverty, there is no identified risk that it will not represent or be in conflict with such priorities, targeted beneficiary population, and the main programs to combat rural poverty.</p>	Low	Low
<p>Mitigations:</p> <p>The Project design envisages collaboration and complementary activities with other state agencies and partners. The Project will have knowledge management activities and will seek to strengthen the monitoring and evaluation system. IFAD's systematic monitoring will track proper implementation and timely corrective actions when needed.</p>		
<p>Environment and Climate Context</p>	Substantial	Substantial
<p><i>Project vulnerability to environmental conditions</i></p>	<i>Moderate</i>	<i>Moderate</i>
<p>Risk:</p> <p>The Project will be executed in two biomes: the Caatinga and the Atlantic Forest (Portuguese: Mata Atlântica or Zona da Mata). The challenges family farmers face, however, are similar in both biomes. These include adverse soil conditions (shallow, with little organic matter and subject to erosion and desertification processes) and restrictions on water availability (quality and quantity), which can affect the productive activities supported by the Project. Some traditional practices of clear-cutting, slash and burn, and overgrazing are exacerbating deforestation and desertification trends, accentuating the negative effects of any environmental restrictions on the Project's activities.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The Project will promote agroecological farming practices, with a focus on agroforestry systems, combined with restoration projects of degraded areas. In combination and at the landscape level, these practices can improve air and water quality and mitigate extreme events such as floods and droughts. In addition, agroecological practices can improve the productivity of agricultural areas, thereby reducing the pressure on existing natural areas. Native species will be prioritized during the implementation of productive systems, increasing climate resilience. The Project will also promote social technologies for water resource management to improve communities' resilience during drought periods, including cisterns for human consumption and agricultural production, gray water reuse, and subterranean dams.</p>		
<p><i>Project vulnerability to climate change impacts</i></p>	<i>Substantial</i>	<i>Substantial</i>
<p>Risk:</p> <p>Using the ThinkHazard tool reveals the incidence of floods, droughts, landslides, fires, and extreme heat events. Climate models point to a significant increase in temperature and higher variability of precipitation events. They also predict a drop in precipitation, although it is not significant. Such changes will affect crop and animal production, as well as local biodiversity and supply chains. The tendency is for family income to deteriorate, contributing to an increase in inequality and exacerbating existing conflicts and migratory flows.</p>	Substantial	Substantial

<p>Mitigations:</p> <p>The Project aims to develop climate-resilient agroecological agriculture in synergy with environmental recovery and preservation through the adoption of agroecological practices, such as restoration of degraded lands (pastures, agricultural soils, and riparian areas), agroforestry systems, integrated pest management (IPM), species diversification and adoption of green fertilizers. The Project will promote the adoption of native species adapted to the local climate and strengthen the production chains of family farming products, increasing marketing and processing capacity. The Project also aims to increase access to agroecological, climate-resilient technical assistance (TA). PROCASE II will also provide access to better quality water for the community, promoting social technologies such as cisterns for human consumption and agricultural production, subterranean dams, and water tanks. Water treatment and recycling solutions will be adopted to ensure that part of the communities have access to basic sanitation and, as a result, reduce soil, land, and water contamination, in addition to preventing diseases associated with waste produced in family units.</p>		
Project Scope	Moderate	Moderate
Project Relevance	Low	Low
<p>Risk:</p> <p>There is no significant risk that the Project's objectives and relevance are not fully aligned with the development priorities of the IDB, IFAD (new COSOP 2024-2032), or the state government. The Project addresses the central challenges of rural development, and its design is also aligned with Paraíba's policies and priorities.</p>	Low	Low
<p>Mitigations:</p> <p>Nonetheless, mitigation measures will be taken through permanent dialog between the IDB, IFAD, and the State Government. The full involvement of stakeholders during preparation and implementation, including civil society and farmers' organizations, should allow adjustments to be made in an aligned and early manner.</p>		
Technical Soundness	Moderate	Moderate
<p>Risk:</p> <p>The area of operation will be much larger than during the first phase, which presents the risk of dispersion of the Project's activities as well as greater complexity for operational management.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The Project's intervention will follow a plan based on the definition of priority areas, which will consider the location of the target group and the interventions of other projects (Sertão Vivo, PDHC III, COOPERAR). The Project's intervention will also consider the priorities defined for each of the state's 15 Rural Territories.</p>		
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
Implementation Arrangements	Substantial	Substantial
<p>Risk:</p> <p>i) The risk that the Project executing agency's capacities are insufficient for adequate and effective Project management, leading to delays and lower quality of execution. ii) EMPAER should take on the role of sub-executor and be in charge of land and environmental regularization activities, as well as being responsible for part of the TA services that will be provided to beneficiary families, with a methodology and intensity that is quite different from what the institution's technical staff is used to. In PROCASE I, EMPAER only took on the provision of TA on a limited scale. iii) The risk related to two multilateral actors (IFAD and IDB) involved in the project supervision and implementation.</p>	Substantial	Substantial

<p>Mitigations:</p> <p>i) PROCASE II will establish a Project Management Unit (PMU) in SEAFDS that has extensive experience in project execution, including from International Financial Institutions, such as IFAD, and keep key staff with vast experience in executing the previous phase. ii) Based on the institutional capacity assessment carried out in the final design phase, the needs to be considered can be identified to define an operational mode and a project management organization that considers the most fragile areas and plans mitigation actions. A training program for TA teams and evaluations will also be implemented. iii) The Coordination Agreement drafted and to be signed between IFAD and IDB clearly sets roles and responsibilities. This is the third Type C project with IDB and the PSI in Piauí has entered into force in November 2023 and the “implementation arrangements” between IFAD and IDB are working well with both agencies well-coordinated.</p>		
<p>Monitoring and Evaluation Arrangements</p>	Moderate	Moderate
<p>Risk:</p> <p>PROCASE has not adopted an information management system that could monitor activities and account for beneficiaries efficiently. PROCASE I's current M&E team is reduced.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>PROCASE II will have resources for developing or acquiring an M&E system to monitor all Project information. Regarding management, there are resources for hiring 2 M&E professionals exclusively for the Project, as well as resources for attending courses to strengthen the team's capacities.</p>		
<p>Project Financial Management</p>	Substantial	Moderate
<p>Project Organization and Staffing</p>	Substantial	Moderate
<p>Risk:</p> <p>i) risk of implementation delays if dedicated finance staff PMU is not hired in a timely manner; ii) Incompliance with finance policies and procedures and financing agreements if requirements are not well understood by PMU Finance Staff</p>	Substantial	Moderate
<p>Mitigations:</p> <p>(i) include budget for PMU finance staff in project budget and recruitment and appointment of key finance staff as a condition for first disbursement in FA; ii) During start up phase training on IDB and IFAD finance policies and procedures.</p>		
<p>Project Budgeting</p>	Substantial	Substantial
<p>Risk:</p> <p>If the state's fiscal situation worsens, the budget allocated to the project could be reduced with as a result delays in implementation.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>Close coordination with SEFAZ to ensure the availability of a sufficient budget from the start date of the Project.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	Substantial	Substantial
<p>Risk:</p> <p>Implementation delays if counterpart funds are not transferred on time to the Project to cover salaries and operating costs, which are fully funded by the government of Paraíba.</p>	Substantial	Substantial

Mitigations: Close coordination with SEFAZ to ensure the availability of a sufficient budget from the start date of the Project.		
Project Internal Controls	Substantial	Moderate
Risk: i) Use of funds transferred to farmers organizations under investment or business plans not used for intended purposes. ii) Lack of segregation of duties, in particular during the start-up phase, if the hiring of finance staff is delayed	Substantial	Moderate
Mitigations: i) Establish in the Program's Operational Regulations (ROP) clear mechanisms for the approval, disbursements and reporting on the use of funds transferred in the form of investment and business plan and include in agreements signed with producer organizations details of responsibilities and procedures. The approval of the Program's Operational Regulations (ROP), by IDB and IFAD as a condition for first disbursement; ii) Hiring of key finance staff as a condition for disbursement in FA; segregation of duties incorporated in the ROP.		
Project Accounting and Financial Reporting	Substantial	Moderate
Risk: (i) Reliance on Excel for preparation of Interim Financial Reports in Excel, resulting in human errors and delays in submission; ii) Delays or inadequate quality of reporting on use of funds from investment and business plans by farmers organizations and/or cooperatives; iii) Incomplete or delayed reporting of counterpart funding in particular since, as per IDB's standard practice, beneficiary contributions are not included in total project.	Substantial	Moderate
Mitigations: (i) Before the start of the Project and as a condition for disbursement in FA, implementation of a complementary automated reporting system similar to the SIGMA system used within the Worldbank financed Cooperar project, that generates basic financial statements and financial reports as required by IDB and accepted by IFAD as equivalent to IFRS and allows for budget monitoring by component and categories based on data from the governmental SIAF system.ii) The ROP and agreements signed with farmers organization and cooperatives will establish a clear procedures for reporting on the use of funds transferred under investment and business plans (iii) Establish and document in the ROP a process for capturing beneficiaries' contributions in conjunction with M&E data, training of technicians, and clear criteria for recording and valuation of the same and ensure the technical assistance provided to producer organization includes support on administrative matters and reporting on use of funds.		
Project External Audit	Moderate	Moderate
Risk: Accounting standards used for preparation of audited financial statements not disclosed in audit opinion and/or notes	Moderate	Moderate
Mitigations: In coordination with BID ensure accounting standard to be used and disclosure of the same is included in TdR for external audits.		
Project Procurement	Moderate	Moderate
A.1 Legal, Regulatory and Policy Framework	Moderate	Moderate

<p>Risk:</p> <ul style="list-style-type: none"> - 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); - 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; - National law does not contain express prohibitions regarding the disclosure of information during the evaluation phase; - National Law does not provide for an autonomous review body for procurement activities; - Lack of standard contractual conditions; 	Moderate	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> - Development training and capacity building program on the procurement procedures for the entire procurement cycle; - 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; - Consider the full use or adoption of international standards with their manuals and standardized instruments; - Intensify planning and preparation of consultancy procurement activities, taking into account the complexity of the object; - Evaluate the possibility of using international methods defined in clear policies and detailed in specific manuals; - Adopt a review committee and/or alternative conflict resolution methods; - Adopt a regulation proposed by an official body as a reference for good procedural practices; - Prepare standard bidding documents or use existing models that have been duly adapted; - Drawn up general clauses for the main types of contracts celebrated by the Project. IFAD GCC may be adopted with appropriate adaptations; - Standard contractual conditions should include provisions on Alternative Dispute Resolution (ADR), specifically through arbitration, in alignment with international standards; - Develop an acquisition procedures manual aligned with national laws and international good practices; - Capacity building on use of sustainable contracting criteria in the Project's procurement cycle; - Adhering to IFAD SECAP and IFAD policies. 		
<p>A.2 Institutional Framework and Management Capacity</p>	Low	Low
<p>Risk:</p> <ul style="list-style-type: none"> - Low priority for planning.; - Absence of extratified statistical information on procurement can make it difficult to evaluate policies and identify the efficiency of the system. 	Low	Low
<p>Mitigations:</p> <ul style="list-style-type: none"> - Facilitate capacity building on strategic planning; - Adopt procurement management systems that allow evaluation through statistical information, as well as market planning and analysis 		
<p>A.3 Public Procurement Operations and Market Practices.</p>	Low	Low
<p>Risk:</p> <ul style="list-style-type: none"> - Fragility in the integration between procurement planning and technical areas; - Use of contracts templates with General Clauses is still not frequently used; - The rules to ensure the confidentiality of the evaluation procedure are not present in a clear way and a single manual; - Punctual delays in the execution of contracts. 	Low	Low

<p>Mitigations:</p> <ul style="list-style-type: none"> - Internal flows must promote the integration and participation of the procurement area in the planning cycle of Project activities; - Training on Project and IFAD's policies; - Adopt standard bid documents whenever possible; - 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); - The evaluation rules must be clearly defined in the Project implementation manual; - Use of IFAD's Contract Monitoring Tool (CMT) to gather information about the contracts implementation. 		
<p>A.4 Accountability, Integrity and Transparency of the Public Procurement System</p>	Substantial	Substantial
<p>Risk:</p> <ul style="list-style-type: none"> - The sharing of teams for technical assistance in different decision-making bodies; - The inclusion of standard contract clauses that provide for prohibited practices is not mandatory; - Low perception about the application of laws on fraud, corruption and other prohibited practices with the application of penalties declared; - Lack of information about special integrity training programs offered to procurement teams; - Stakeholders are not actively participating in promoting good practices and actions for integrity and ethics; - lack of standardized forms for archiving conflict of interest information; 	Substantial	Substantial
<p>Mitigations:</p> <ul style="list-style-type: none"> - Define an independent appeals body or entity; - Clearly and expressly define in its compliance/integrity documents and policies what are considered prohibited practices and how to avoid them; - Development of Internal communication plans and training programs on the Project's fundamental policies and values; - Include clauses and policies that address prohibited practices in the main contractual documents; - Implement integrity and anti-corruption training as part of the project; - Establish clear documents on ethics and integrity as a requirement in the project; - Include IFAD's mandatory policies in all contractual documents, including for subcontractors; - Conduct comprehensive due diligence before formalizing any contracts; - Include evaluation criteria that recognize the adoption and appreciation of good practices and innovative practices by bidders; - Adopt clauses and policies that address prohibited practices in the main contractual documents; - 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). 		
<p>B.1 Assessment of Project Complexity</p>	Substantial	Substantial

<p>Risk:</p> <p>This is a type C project where IDB Procurement rules will be followed. The state of Paraíba's legislation allows for the use of IFIs procurement rules. Moreover, the State Comptroller's Office (CGE) has a system where all project procurements are entered, and this system includes all the procurement methods of these financing organizations, in accordance with the Loan Agreement. IICA - Inter-American Institute for Cooperation on Agriculture will also be an implementing partner and they already work on several projects using the rules of the World Bank and IFAD, which are similar to those of the IDB. IICA has also an online system storing all the procurement documents, which can be made available to lenders. This system has already been inspected by IFAD without any problems. Procurement that may be carried out directly by the Project will have all their documents registered in the CGE system. The procurement that will be carried out by the beneficiary farmers' associations will also be monitored by the Project's technicians and registered in the agreement control system, which reduces risk and promotes greater transparency.</p> <p>Another complexity of the Project is due to the fact that procurement will be done by both the PMU and the associations and farmers.</p> <p>The procurement done by farmers' associations will be of low complexity, but with a large number of acquisitions, as the project will cover the entire semi-arid region of the State, with 194 municipalities. This may require a great effort of coordination and monitoring.</p>	Substantial	Substantial
<p>Mitigations:</p> <ul style="list-style-type: none"> • Provide training on IDB procurement rules to the project teams: including teams of potential implementers, the Attorney General's Office, and the State Comptroller's Office, to strengthen the understanding of the agreed rules. • PMU's procurement activities do not present highly complex selections or acquisitions and the Project team already has experience with the methods of international financial organizations, having carried out IFAD and IBRD projects. They also intend to hire IICA to carry out the selection and hiring of individual consultants, as occurred in phase 1 of PROCASE. Consider the support of civil servants who have worked in the previous phase and inviting consultants who have worked in the previous phase or who have worked on projects with similar procurement rules to take part in the selection process. • Farmer associations will have bidding committees and they will execute the "Request for Quotation" method for planned purchases. These commissions will be trained by the PROJECT and will have the support of technical experts in purchasing. The complexity of the project is high, but with full conditions for risk mitigation and adequate management. 		
<p><i>B.2 Assessment of Implementing Agency Capacity</i></p>	<i>Moderate</i>	<i>Moderate</i>
<p>Risk:</p> <p>The State of Paraíba has the technical capacity in both national and international public procurement, and the Project will be executed in accordance with the IDB's procurement regulations but there is the risk that the capacity of the implementing agency is insufficient to adequately manage the Project, causing delays in execution.</p> <p>The public procurement processes used by the state of Paraíba are generally carried out using the Electronic Auction modality, which is also accepted by the IDB with the suppression of the negotiation clause after the award of the lowest price. This modality could also be used in the Project's procurements.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>The implementation of the project will be centralized in the Secretariat of Family Agriculture, with the partnership of EMPAER as technical sub-executor. Due to the good execution of phase 1 of PROCASE, the PMU acquired successful experience with this type of arrangement. Control and monitoring of the execution of the Investment Plans of producer organizations will be carried out through an agreement (convênio) system. The technical assistance teams will monitor the bid process, the receipt of goods and services and the rendering of accounts. The implementing agency will have the support of IICA for the selection and hiring of consultants, which is an institution experienced in implementing rural projects and applying the financing partners procurement rule and operates with an adequate and transparent system. The implementing Agency has good execution capacity but will need to maintain good coordination of the actors involved to avoid delays in implementation.</p> <ul style="list-style-type: none"> • Involve procurement staff with experience in public procurement of IFIs that have rules similar to those of the IDB and provide training to project staff involved in procurement on the rules established in the Loan Agreement. • Train the auctioneer on the Electronic Auction method adapted to IDB's procurement policy as agreed in the Loan Agreement. 		
<p>Project Procurement Overall</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>With a moderate risk at both the country and projects levels, it can be mitigated by implementing the actions defined during design. Mainly, the use of IDB rules as the implementing partner and adjusting any gap determined in the gap analysis.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>Provide training on IDB procurement rules to the project teams: including teams of potential implementers, the Attorney General's Office, and the State Comptroller's Office, to strengthen the understanding of the agreed rules.</p>		
<p>Environment, Social and Climate Impact</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Biodiversity Conservation</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>The agricultural components of the Project will be developed in an already altered landscape on landholdings with an average area of 10 hectares. The risk of conversion or degradation of biodiversity, habitats, ecosystems, and ecosystem services resulting from Project activities is thus limited. Furthermore, the Project will invest in the environmental restoration of critical habitats, such as riparian forests, and promote agroforestry systems, thus increasing biodiversity in the beneficiary's farms.</p> <p>Animal farming systems, which are historically linked to deforestation and desertification trends, will be strengthened by PROCASE II with agroecological productive systems, environmental monitoring, and land restoration activities, among others, limiting their potential negative impact and increasing the region's vegetation cover.</p> <p>The Project will not promote the planting of invasive species, but independent introduction by farmers may occur.</p>	<p>Moderate</p>	<p>Moderate</p>

<p>Mitigations:</p> <p>Investment plans at plot or farmers' association levels will be required to observe Brazilian Law guidelines regarding the conservation of biodiversity and native vegetation. Those will be reflected in the Project's ESMF and ESMP.</p> <p>Moreover, the Project will implement a variety of measures that will limit the impact of animal husbandry activities, including agroforestry, diversification of fodder trees including native forage trees, optimal rotation, agroecological Technical Assistance, genetic improvement of animal breeds, participatory management of natural habitats, sustainable use of protected areas, project-level monitoring of deforestation, construction of nurseries and expansion of processing and marketing capacities, increasing the profitability of production systems. The gain in productivity brought by agroforestry systems will also serve as a deterrent to deforestation since degraded pasture lands have much lower yields.</p> <p>Regarding invasive species, the Project will only promote productive systems that use native species and non-invasive exotic species, avoiding species with invasive potential, such as Neem, Algaroba, and Leucaena.</p>		
<p>Resource Efficiency and Pollution Prevention</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>The Project will not seek or support the use of hazardous substances nor the significant extraction of natural resources. Nonetheless, pesticides may be needed in the case of pest outbreaks.</p> <p>Extraction of water resources for human use and irrigation will observe best practices and national regulations and will not jeopardize the sustainability or quality of water stocks. Most water infrastructures will be rainfed cisterns and dams, with limited impact on groundwater and surface water resources.</p> <p>The Project will also promote the installation of efficient stoves that will reduce the need for firewood in the region, reducing deforestation trends.</p> <p>The Project will focus on green fertilizers and will not encourage the purchase of chemical fertilizers. It will also support small livestock production, so there may be an increase in herd size.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>The risk associated with the eventual use of pesticides will be mitigated through the judicious assessment of the need for their use, and the WHO guidelines will be followed regarding handling, application, disposal, and risk class. No WHO Ia and Ib class toxicity hazard substances will be allowed to be used.</p> <p>The Project will support environmentally sustainable practices and help farmers modify their production systems if they have unsustainable practices (for example, overgrazing or cutting and burning native vegetation). It will also contribute to increasing forest coverage through reforestation practices and the restoration of degraded areas, especially near animal husbandry activities.</p>		
<p>Cultural Heritage</p>	<p>Low</p>	<p>Low</p>
<p>Risk:</p> <p>The Project will not cause significant degradation of cultural or physical resources, including threats to or loss of resources of historical, religious, or cultural importance. The Project will only work on land already being used for agriculture and will not implement activities in recognized cultural heritage sites.</p>	<p>Low</p>	<p>Low</p>
<p>Mitigations:</p> <p>The Project will ensure that cultural considerations are made during the implementation of the proposed activities. Project activities will foster the respect and preservation of traditional culture, knowledge, and practices of Indigenous Peoples and Traditional Communities.</p>		
<p>Indigenous People</p>	<p>Low</p>	<p>Low</p>

<p>Risk:</p> <p>Indigenous peoples will not be adversely impacted by Project activities, but there is a risk that there will be no effective participation of Indigenous peoples in Project decisions that affect them.</p>	Low	Low
<p>Mitigations:</p> <p>i) The Project strengthens the protection of indigenous people's cultural and physical resources, promotes economic development through productive investments, values traditional agricultural systems, and recognizes and rescues indigenous food culture. Thus, Project interventions are expected to increase incomes, food security, and improved nutrition for IPs. ii) Project eligibility/exclusion criteria prohibit the acquisition or restriction of land use in areas of indigenous and traditional communities. iii) The Environmental, Social, and Climate Management Plan (ESCMP) will include a Plan for Disclosure and Public Consultations, contemplating the participation of quilombola, Indigenous, and other traditional communities, informing about the Project and location of proposed interventions in the communities, reporting on the activities and location of any intervention in the area bordering the demarcated Territory. iv) The ESCMP will also include a Social Communication and Community Participation program that respects and includes forms of documentation and means of communication that are accessible and adequate to the cultural specificities of Indigenous peoples and traditional communities of the Project area. v) The Project's methodology is participatory and demand-driven, with indigenous and traditional communities presenting their development plans and co-creating the Project's activities in a process of self-determined development. vi) The Project will ensure the Free, Prior, and Informed Consent (FPIC) of the Project-affected Communities of Indigenous Peoples. vii) The Project will elaborate a socio-cultural analysis of indigenous populations and traditional communities living in the project area.</p>		
<p>Labour and Working Conditions</p>	Moderate	Moderate
<p>Risk:</p> <p>Employment conditions in impoverished rural areas of Brazil, as is the case in the Project's intervention area, may not be fully compliant with national and international labor and working regulations. This can lead to risks of payment below the minimum wage, child labor, unsafe conditions, or excessive hours, among others.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) All contracts with contractors, suppliers, and third parties to be financed with IFAD resources will include provisions that prohibit child labor and promote decent working conditions. ii) The PMU (Project Management Unit) will establish a mechanism to supervise and monitor the Project's activities, considering working condition issues. iii) Through the Project's complaints and grievances mechanism (GRM), stakeholders or society, in general, will be able to submit anonymous complaints regarding abusive labor practices (e.g., forced or child labor), cases of gender-based violence, discriminatory working conditions, and unsafe/unsanitary working conditions, which will be addressed and resolved as indicated in the mechanism. iv) The Executing Agency will prepare and maintain an Environmental and Social Management System (ESMS) for the operation with specific elements related to Labor and Working Conditions under ESPS 2 of IDB. Therefore, the Project will lead to an improvement in labor and working conditions.</p>		
<p>Community health, safety and security</p>	Moderate	Moderate

<p>Risk:</p> <p>There is no risk that the Project activities will have adverse effects on the physical, mental, nutritional, or social health and safety of an individual, group, or population. However, recurrent gender-based violence in the Project area may have potential adverse effects on the physical, mental, or social well-being of individuals or groups. Works to be carried out under the Project may entail a limited influx of project workers from outside the beneficiary's communities. As proposed works, such as building cisterns, are small, the duration of such an influx and the quantities of works are expected to be small with no adverse impacts. Another potential risk relates to the piloting project approach to new target groups (e.g. LGBTQIAPN+ and persons with disabilities), which may involve some complexities.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The Project will contribute to improving the health and nutrition of rural populations, promoting agroecological practices, supporting access to water and sanitation, and improving food and nutrition security.</p> <p>In accordance with IFAD's Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation, and Abuse (2020), the Project will ensure that adequate safeguard measures are in place for a safe and harassment-free working environment, including sexual harassment and free from sexual exploitation and abuse in its activities and operations. All Project implementation teams, partners, and Project participants will receive training on preventing and responding to sexual harassment and SEA. Any complaint of sexual harassment, exploitation, or abuse received through the Project's complaint procedure will be referred immediately to the IFAD Ethics Office for further action. Project interventions focusing on gender will include orientations to beneficiaries on the different forms of violence against women, available protective measures safeguarded by the Maria da Penha Law, and how to report it.</p> <p>The Project works involve the implementation of social technologies (ST) with the active mobilization and participation of communities, whose members will receive capacity-building on how to implement and maintain STs with the support of a few outside trainers.</p> <p>The Project will partner with civil society organizations and movements representative of the LGBTQIAPN+ community and with experience working with this target group to ensure transformational approaches are implemented and that the LGBTQIAPN+ are effectively included in project activities.</p>		
<p><i>Physical and Economic Resettlement</i></p>	<i>Low</i>	<i>Low</i>
<p>Risk:</p> <p>The Project's intervention should not cause the physical resettlement of families or significant adverse economic effects, especially to marginalized groups.</p>	Low	Low
<p>Mitigations:</p> <p>The Project will have a solid targeting strategy and will promote positive social, physical, cultural, and economic impacts, especially for marginalized groups.</p>		
<p><i>Greenhouse Gas Emissions</i></p>	<i>Moderate</i>	<i>Moderate</i>
<p>Risk:</p> <p>Emissions from Project activities are likely to be negligible as the Project will focus on activities that should increase biomass on farms through the promotion of agroforestry systems, reduction in the use of fire as an agricultural management tool, improved pasture management and better soil conservation practices. Such an increase in biomass and adoption of agricultural practices may offset eventual emissions of other project activities, such as support to small agro-industries (that consume energy in processing, packaging, and transport). A detailed EX-ACT assessment prepared confirms the above.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>The Project will most likely have negative emissions (carbon sequestration). It will contribute to increasing forest coverage with reforestation practices, sustainable use of riparian areas, recovery of degraded areas, and introduction of energy-efficient stoves.</p>		
<p>Vulnerability of target populations and ecosystems to climate variability and hazards</p>	Substantial	Substantial
<p>Risk:</p> <p>The target population and ecosystems are vulnerable to climate variability and extreme events, notably droughts and hot spells, especially in the Caatinga biome. In the Zona da Mata region (Atlantic Forest), the risks are more related to extreme rainfall events, such as floods and landslides. These problems are compounded by poverty and limited access of the targeted population to public policies geared towards reducing their vulnerability to climate change.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>A Targeted Adaptation Assessment was prepared to provide guidance on adaptation measures that farmers and rural extension agents can implement. Since climate resilience is a focus of PROCASE II, many project activities will have adaptive potential, such as social technologies that increase access to water (cisterns, subterranean dams) and climate-resilient agriculture (agroecological TA, agroforestry based on native species, etc.).</p>		
<p>Stakeholders</p>	Moderate	Moderate
<p>Stakeholder Engagement/Coordination</p>	Low	Low
<p>Risk:</p> <p>There is a risk that the relevant stakeholders are not identified, that there is inadequate/insufficient disclosure of information, and that the key stakeholders invited to be part of the Project show little interest in or commitment to the Project's objectives and activities.</p>	Low	Low
<p>Mitigations:</p> <p>At the community and family level, the Project will implement a participatory and demand-driven process in defining activities that meet the needs and aspirations of the beneficiaries. The Project will also establish continuous communication, awareness-raising, and coordination with the various partners at different levels (local, regional, and state), starting at the Project preparation stage. It will foster visibility activities to publicize and clarify doubts about the Project activities' results, both for the target groups and the partners involved in implementation. Promoting awareness and participation among local communities, farmers, and other key players is essential to ensure adherence and commitment to the proposed activities. A stakeholder engagement plan for the lifetime of the Project (including equal participation of women and men and considering Indigenous Peoples and vulnerable groups) will be prepared. The Project will also conduct a public consultation process, considering culturally appropriate mechanisms and the progress of studies and management plans.</p>		
<p>Stakeholder Grievances</p>	Moderate	Moderate
<p>Risk:</p> <p>The implementation of the Project may lead to the submission of complaints by various stakeholders involved in or impacted by the Project's activities, thus affecting the continuity of activities and the established schedule. There is a risk that the Project will have ineffective grievance redress processes, leading to unaddressed grievances that jeopardize the achievement of the Project's development objectives.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>The Project will incorporate a clear and effective Grievance Redress Mechanism (GRM) in accordance with IDB's Safeguard Policy and IFAD's guidance documents - Framework for Operational Feedback from Stakeholders and IFAD Guidelines 2021 on Engagement, Feedback and Redress of Project Target Group Grievances. The procedure includes mechanisms for expressing the complaint or grievance, the response time, and the resolution spheres. This mechanism should be easily accessible to the population and have a rapid resolution, ensuring that the submitted complaints are quickly analyzed and that the situations are mutually agreed upon to satisfy the parties involved. The Project will also raise awareness among stakeholders about the available GRM. It will also include this information as part of IFAD/IDB missions and part of the training of the technical assistance teams that will work with the beneficiaries.</p>		
---	--	--